

Questions for Catalyst

- Can Catalyst confirm that it hired Black Cube, an Israeli business intelligence firm? What was the purpose of employing this firm?
- According to media accounts and court documents, Black Cube was used to launch a sting operation against retired Justice Frank Newbould, to encourage him to say something anti-Semitic. And that ultimate purpose seems to have been to discredit Newbould prior to the appeal being heard in the Wind-Brandon Moyse case. What is the company's response to this charge?
- What is the company's response to the loss of the appeal?
- Black Cube has also been accused in court documents of engineering sting operations against West Face Capital's current and former employees. Does Catalyst confirm these operations were conducted and if so, for what purpose?
- West Face, in court documents, also accuses Catalyst of hiring a company called Psy Group Inc. to plant misleading stories about West Face's general partner, Greg Boland, on the web. How does Catalyst respond?
- Psy Group is also accused of creating a webpage alleging the existence of a "Wolfpack Corruption" conspiracy. Can the company confirm this happened?
- In 2014, Callidus was taken public. What was the purpose of doing this?
- In court documents, West Face also alleges that Catalyst has been carrying out certain activities – including the \$455-million "Wolfpack" lawsuit – as a way to distract attention from the "deteriorating financial performance" of Catalyst and Callidus. How does the company respond?
- Can you confirm the current age of Mr. Glassman is 53?

- People we have spoken to have said there are a limited number of distressed companies one can reasonably lend money to and get it returned, given the high interest rates Callidus charges. And there is also a shortage of management talent to guide these companies. How does the company respond to the charge it was a risky approach of trying to grow the loan book so quickly by so much after 2011?
- What is the status of two loans that have come up in our research: \$201-million to Horizontal Well Drilling, and \$101-million to another company, C&C Wood Products Ltd., which are reported in Callidus' most recent MD&A.? Are either at risk? Why was C&C taken over by Callidus last year? Does this suggest it is in trouble?
- Was it wise to loan money to a company involved in Venezuela given its current instability and history of its oil companies not paying their bills?
- In court proceedings and with interviewers, numerous borrowers have complained that Callidus would change the terms of loans at the last moment, demanding personal guarantees from senior management, and then later “drip feed” money to the companies. The result is many of companies Callidus has lent to have fallen into insolvency. What is the company's response? Why do so many borrowers complain about this happening to them?
- Kevin Baumann, the former president of Alken Basin Ltd., has made this accusation in court documents. How does the company respond to that situation?
- How much money was lost on the Alken loan? We estimate about \$17-million.
- In the Alken Basin Drilling Ltd. issue, the person who took over the company after Mr. Baumann's departure was a Scott Sinclair. It appears this is the same Matthew Scott Sinclair who was fined and penalized by the OSC in 2009 for trading violations. Why, given Sinclair's track record, was he hired to run Alken?
- In 2016, Alken received a couple of memorandum of agreements for well drilling contracts in Egypt. However, this was before the

company was placed in receivership. Why was the company placed in receivership given this pending contract? What is the potential value of those contracts and have they come to fruition?

- Last year, a judge in Texas found there was evidence to justify the allegation by Esco Marine's former management that Callidus had engaged in "fraudulent inducement" when it offered its loans to the company in 2014. How does the company respond that finding?
- In 2016, Callidus announced that Catalyst had taken the loans of Xchange Technology off the books of Callidus for \$101-million. But in documents for Callidus III and IV funds from last year, they report the amount invested in Xchange was \$54.7-million. What happened to the remaining \$46.6-million?
- In 2014, the company's IPO seemed to suggest there were no losses in the loan book. But by then, Xchange Technology was in receivership and had lost at least \$27-million according to the receiver, while its collateral was used computer equipment. Moreover, in an affidavit, the company's chief underwriter, Craig Boyer, said the company was only been kept afloat with funding from Callidus funding. Do you think this was information potential shareholders should have known in 2014?
- In March of last year, Callidus announced that Callidus had taken over the Bluberi Group Inc., which it valued at \$110-7-million. But by then, the company had lost at least \$40-million and had not delivered many of the gaming machines it had said it would build. What is the basis of that valuation? How is the company performing?
- By early 2015, Harvey Industries LLC in Michigan owed \$39-million to Callidus. The receiver soon found that the value of Harvey's assets were worth from \$4.9-million to \$9.1-million. Yet in the MD&A statements at that time, they said all of Callidus' loans have at least 100% collateral. These numbers would suggest otherwise. What is the company's response?
- In the summer of 2015, the Gray Aqua Group experienced infestations with some of its fish stock. Yet the MD&A dated the end of that year said 100% of its loans had sufficient collateral. The Gray Aqua situation would suggest otherwise. Why this apparent discrepancy?

- How much did Callidus lose on the Gray Aqua loan?
- Among the private equity firms listed by Preqin, Catalyst appears to be among those with the lowest distributions to their investors. How does it respond?
- In regards to Gateway Casinos, the other owner in the company had marked down its positions in the firm by almost 16.4% between 2011 and 2016. Yet the Catalyst III fund has marked it up by almost 50%. Why this discrepancy in how the two companies are valuing Gateway?
- Therapure Biopharma Inc., according to public filings, seems to have lost money for years and been weighed down by more than \$30 million in debt. Yet Catalyst once valued Therapure as being worth as much as \$1-billion in its aborted IPO. How did it come to this sum?
- Last August, the *Wall Street Journal* reported that the OSC had received whistleblower complaints about Callidus and that the Toronto police were investigating as well. Catalyst/Callidus has denied that complaints exist or investigations are underway. On what basis does the company deny that these complaints or enquiries have been submitted or are underway?
- What is the company's response to West Face's \$550-million counterclaim launched late last year, claiming a campaign of vilification and harassment and defamation against West Face?