

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

seal
(Court Seal)

THE CATALYST CAPITAL GROUP INC. and CALLIDUS CAPITAL
CORPORATION

Plaintiffs

and

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

Defendants

STATEMENT OF CLAIM

TO THE DEFENDANTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the Plaintiff.
The Claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a Statement of Defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the Plaintiff's lawyer or, where the Plaintiff does not have a lawyer, serve it on the Plaintiff, and file it, with proof of service in this court office, WITHIN TWENTY DAYS after this Statement of Claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your Statement of Defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a Statement of Defence, you may serve and file a Notice of Intent to Defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your Statement of Defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date November 07, 2017 Issued by Sylvia Slaunwhite
Local Registrar

Address of court office: Superior Court of Justice
393 University Avenue, 10th Floor
Toronto ON M5G 1E6

TO: Joseph Weissman
Counsel
1211 Avenue of the Americas
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10036

Lawyer for the Defendants, Dow Jones and Company,
Rob Copeland and Jacquie McNish

AND TO: Jeffrey McFarlane
220 Dominion Drive
Suite B
Morrisville, NC
27560

CLAIM

1. The Plaintiffs claim against the Defendants, on a joint and several basis:
 - (a) General damages in the amount of \$300 million for defamation, conspiracy, and, in the alternative, false light publication of the Plaintiffs in the public eye;
 - (b) Special damages in such amounts as to be particularized before trial for the same causes of action as set out in (a);
 - (c) A declaration that the Defendants defamed the Plaintiffs;
 - (d) In the alternative, a declaration that the Defendants caused, contributed and/or are legally responsible for publicity of the Plaintiffs in a false light in the public eye;
 - (e) An injunction restraining the Defendants from continuing to make or publish, directly or indirectly, any of the defamatory and false light statements, articles, and broadcasts;
 - (f) prejudgment interest in accordance with section 128 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
 - (g) postjudgment interest in accordance with section 129 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
 - (h) the costs of this proceeding, plus all applicable taxes; and
 - (i) Such further and other relief as to this Honourable Court may seem just.

The Parties

2. The Plaintiff The Catalyst Capital Group Inc. (“Catalyst”) is a corporation with its head office located in Toronto, Ontario. Catalyst is widely recognized as the leading firm in the field of investments in distressed and undervalued Canadian situations.
3. The Plaintiff Callidus Capital Corporation (“Callidus”) is a corporation with its head office located in Toronto, Ontario. Callidus is a publicly traded asset-based lender that provides capital on a bridge basis to meet the financing requirements of companies that cannot access traditional lending sources.
4. Callidus engages in asset-based lending by lending to corporate businesses and taking security against the assessed or appraised value of working capital and an identifiable portfolio of assets, which may include accounts receivable, inventory, equipment, real estate, and other assets.
5. In April 2014, Callidus made an initial public offering (“IPO”) of approximately forty per cent of its issued and outstanding shares. Prior to the IPO, Callidus was wholly owned by Catalyst. Investment funds managed by Catalyst continue to own or control approximately seventy per cent of the issued and outstanding shares of Callidus.
6. The Defendant, Dow Jones and Company (“Dow Jones”), is a corporation with its headquarters in New York, New York. Dow Jones is the owner of the newspaper publication The Wall Street Journal (“WSJ”).
7. The Defendant Rob Copeland (“Copeland”) is a reporter for the WSJ residing in New York, New York.

8. The Defendant Jacquie McNish (“McNish”) is a reporter for the WSJ residing in Toronto, Ontario.

9. The Defendant Jeffrey McFarlane is the former chief executive officer of a computer distributor, Xchange Technology Group (“XTG”). XTG borrowed money from Callidus and McFarlane personally guaranteed the loan.

McFarlane Provides Copeland and McNish With False and Defamatory Information

10. In or about July 2017, McFarlane contacted Copeland to discuss information that he claimed to have regarding Callidus and Catalyst’s accounting practices. Subsequently, McFarlane and Copeland discussed McFarlane’s allegations about Callidus and Catalyst’s accounting practices with respect to Callidus.

11. Copeland convinced McNish to meet with McFarlane.

12. McFarlane, Copeland and McNish agreed to meet. During this meeting, McFarlane contended that Callidus and Catalyst had engaged in false, dishonest and fraudulent accounting practices based on the following allegations:

- (a) XTG borrowed funds from Callidus in late 2012;
- (b) In 2013, after XTG entered insolvency, Callidus purchased it for about \$34 million;
- (c) After Callidus’ IPO, Catalyst agreed to cover future losses on Callidus’ loans, including its loan to XTG;
- (d) In September 2015, Callidus recorded the XTG loan as an asset for sale at \$66.9 million in a quarterly earnings report;

- (e) In March 2016, Catalyst transferred C\$101 million to Callidus for XTG which it declared was "an amount equal to the total outstanding principal plus accrued and unpaid interest";
- (f) In December 2016, Catalyst informed its investors that the investment in XTG was worth a fraction of what it had paid that March and declared losses in two of its funds as a result;
- (g) McFarlane disclosed that he had filed a whistleblower complaint against Callidus and Catalyst alleging fraudulent accounting practices and other improprieties with the Ontario Securities Commission ("OSC");
- (h) McFarlane claimed that his complaint to the OSC contained allegations that Catalyst overpaid Callidus to acquire the XTG investment and delayed and underreported the losses on the same investment; and
- (i) McFarlane disclosed that three other parties had filed whistleblower complaints which included allegations of fraud against Callidus and Catalyst with the OSC

(together, the "McFarlane Statements").

13. McFarlane represented to Copeland and McNish that the McFarlane Statements were true. However, the McFarlane Statements were false, distorted and/or misrepresentative of the truth and were made in order to entice Copeland and McNish to author a negative article about Callidus and Catalyst.

14. McFarlane made the McFarlane Statements to Copeland and McNish with the express intent to cause harm and injury to Callidus and Catalyst. McFarlane was motivated by an animus toward Callidus and Catalyst as a result of ongoing litigation between he and Callidus concerning his personal guarantee of XTG's loan from Callidus. In addition, McFarlane's actions were in furtherance of a broader conspiracy to cause Callidus and Catalyst harm.

15. McFarlane knew that the McFarlane Statements were false and defamatory of Callidus and Catalyst, however, he caused Copeland and McNish to publish a story based on the McFarlane Statements.

16. Following the meeting with McFarlane, Copeland and McNish resolved to and did author a story based on the McFarlane Statements.

17. Neither Copeland nor McNish performed any material research or due diligence to question or confirm the McFarlane Statements.

18. In an effort to give the appearance of balanced reporting, Copeland and McNish requested and were granted a meeting with Callidus and Catalyst's representatives to discuss their article.

Meeting between Callidus, Catalyst, Copeland and McNish

19. On August 8, 2017, Copeland and McNish, under the guise of responsible and ethical journalism, met with Callidus' and Catalyst's representatives (the "August 8 Meeting").

20. Prior to the meeting, Callidus and Catalyst requested that Copeland and McNish provide the materials they claimed to be relying on to allege that Callidus and Catalyst had been the subject of a number of whistleblower complaints to "authorities", including the OSC and the Toronto Police Service, and to provide details of the allegations from their sources.

21. Copeland and McNish refused to provide any material to Callidus or Catalyst in advance of the August 8 Meeting.

22. During the meeting, Callidus' and Catalyst's representatives presented full and complete disclosure to Copeland and McNish of the specific facts relevant to XTG and its loan with Callidus.

The disclosure included the following facts:

- (a) Copeland and McNish were incorrectly comparing information from Callidus' financial statements about XTG, namely its "Net Carrying Value number" and its "Gross Loan Number", as reported in various financial statements, to suggest that Callidus was underreporting potential losses on loans to XTG.
- (b) The correct information explains that the "Gross Loan Number" was a proper accounting for XTG's loan in accordance with its contractual obligations to Callidus;
- (c) Catalyst, upon acquiring XTG, under normal course accounting practices, had been required to write down the asset to its appropriate carrying value in line with the relevant adjustments;
- (d) The accounting treatment reflected in the books of Callidus and Catalyst was required by and in accordance with IFRS;
- (e) These normal course adjustments had already been recorded in Callidus' and XTG's audited financial statements; and

- (f) In these circumstances, there was no legitimacy to any allegations that Callidus' or Catalyst had engaged in any improper, let alone fraudulent, accounting practices in connection with XTG.

23. The information provided to Copeland and McNish during the August 8 Meeting flatly contradicted the false representations made to them by McFarlane and the basis for the McFarlane Statements.

24. Copeland and McNish led Catalyst and Callidus to believe that they would use the information supplied during the August 8 Meeting to undertake basic due diligence on the claims on which they intended to report.

25. Catalyst and Callidus believed that Copeland and McNish would fairly, accurately and responsibly report the facts and circumstances of Callidus' accounting for its loan to XTG.

Copeland and McNish Submit Article for Publishing

26. Copeland and McNish deliberately omitted the information provided to them by Callidus and Catalyst during the August 8 Meeting from their articles. Instead, Copeland and McNish intentionally and falsely drafted their articles in reliance on the information McFarlane provided to them and nothing more. This bad faith misconduct was aggravated by the fact that Copeland and McNish also falsely reported that Callidus and Catalyst would not comment on Copeland and McNish's story.

27. Copeland and McNish authored an article entitled "*Canadian Private-Equity Giant Accused by Whistleblowers of Fraud*" (the "First Article").

28. Copeland and McNish did so knowing, being wilfully blind to, or reckless to, the fact that:

- (a) The statements they intended to and did publish regarding Callidus and Catalyst were false, inaccurate, misleading, and had been fabricated, and would not stand up to basic due diligence; and
- (b) Copeland and McNish had access to information in the public record and arising from the August 8 Meeting that contradicted the McFarlane Statements and the defamatory language used in the First Article.

29. Copeland and McNish submitted the First Article for publishing on or about August 9, 2017.

30. Dow Jones published the First Article on the WSJ's website, www.thewallstreetjournal.com. Dow Jones did so knowing, being wilfully blind to, or reckless to, the fact that the statements in the First Article regarding Callidus and Catalyst were false, inaccurate, misleading, and had been fabricated, and would not stand up to basic due diligence.

31. The following false and defamatory words, were published in the First Article (collectively the "Defamatory Words"):

Canadian Private-Equity Giant Accused by Whistleblowers of Fraud

At least four individuals have filed whistleblower complaints with Canadian securities regulators alleging fraud at a multibillion-dollar investment firm and its publicly traded lending arm, according to people familiar with the matter and documents reviewed by The Wall Street Journal.

Catalyst Capital Group Inc., one of Canada's largest private-equity firms, is accused in the complaints of artificially inflating the value of some of its assets and deceiving borrowers about the terms of loans it made. The complaints have prompted officials at the Ontario Securities Commission, the country's leading securities regulator, to make inquiries and question people familiar with Catalyst, according to the people and documents.

A unit of the Toronto Police Service that specializes in financial crimes has separately begun its own inquiries, a department spokeswoman said.

[...]

Some but not all of the filers of the Catalyst whistleblower complaints have worked at companies that borrowed money from Mr. Glassman's firms, and later had their businesses seized, said people familiar with the matter. Some are involved in litigation with Catalyst, the people said. Some of the complaints involve a series of loans to a small technology distributor, while others focus on other investments and the firm's accounting.

[...]

Mr. Glassman is also chief executive of Callidus Capital Corp., a so-called alternative lender listed on the Toronto Stock Exchange. Callidus's lending practices are also a subject of the whistleblower complaints, according to the people and documents.

[...]

Catalyst funds own a majority of Callidus's public shares and some senior executives work concurrently at both firms.

[...]

His companies sometimes file multiple lawsuits against borrowers believed to have violated the terms of their loans.

One of those borrowers is Jeff McFarlane.

Mr. McFarlane is the former chief executive of computer distributor Xchange Technology Group, known as XTG. He said his company began borrowing from Callidus in late 2012 after the lender purchased its \$11.6 million loan from a U.S. bank.

Within a year, Xchange was in insolvency proceedings. Callidus purchased the company for about \$34 million, according to court documents.

When Callidus went public in 2014, Catalyst, its majority shareholder, agreed to cover future losses on loans including Xchange.

In September 2015, Callidus recorded the Xchange investment as an asset for sale at C\$66.9 million in a quarterly earnings report.

Then in March 2016, Catalyst transferred C\$101 million to Callidus for Xchange, "an amount equal to the total outstanding principal plus accrued and unpaid interest," filings show.

In December 2016, Catalyst told its investors that the Xchange stake was only worth a fraction of what it had paid that March, triggering losses on two of its funds, according to one of the whistleblower complaints and documents reviewed by the Journal.

Mr. McFarlane confirmed he filed one of the whistleblower complaints. His complaint, and one other, alleges that Catalyst funds overpaid Callidus to acquire the Xchange investment, and delayed and underreported potential losses. "I have serious concerns about the integrity of Callidus's accounting around XTG," Mr. McFarlane said.

Last month, the Court of Appeal for Ontario found Mr. McFarlane responsible for a personal guarantee on Xchange's debts that was far less than Callidus was seeking in a civil suit.

Mr. Glassman's companies have also sued or counter sued government agencies and former employees for damages in relation to alleged business breaches and misconduct.

Callidus in February sued a former employee and alleged he was responsible for "artificially inflating" the financial performance of some of its investments, including Xchange. The employee responded in a court filing denying that, and said Callidus made the claim to deflect attention from "multiple complaints and regulatory investigations." Litigation is ongoing.

As part of its quarterly earnings, Callidus in May disclosed that its accounting practices were under review from the OSC. Mr. Glassman told analysts at that time that the review was "nothing extraordinary." He added, "If there was a significant issue with the Commission, I'm fairly certain the Commission would force us to disclose it."

32. The First Article also fails to report the details of the four alleged "whistleblower" complaints, with the exception of certain allegations concerning Callidus and Catalyst's accounting of Callidus's loan to XTG.

33. In addition to being defamatory, the statements in the First Article are intentionally and with malice presented in a false light by Copeland, McNish and Dow Jones to indicate that Catalyst and Callidus acted in a menacing, illegal and immoral manner.

34. The ordinary meaning of the words or innuendos published in the First Article would lead a reasonable person to conclude that Catalyst and Callidus:

- (a) improperly “seize” companies to whom loans have been made;
- (b) are engaged in illegal or improper accounting in relation to Callidus’s loan portfolio;
- (c) are engaged in criminal or fraudulent activities in relation to Callidus’s loan portfolios;
- (d) are under investigation for fraud or other illegal activity by the OSC and/or the Toronto Police Service;
- (e) are treating McFarlane unfairly or unjustly;
- (f) improperly file “multiple lawsuits” against borrowers;
- (g) dealt improperly or illegally in relation to the XTG loan;
- (h) caused XTG to go into insolvency proceedings shortly after it purchased a loan from a US bank;
- (i) intentionally caused Callidus to be “overpaid” for the XTG investment;
- (j) delayed or underreported potential losses;
- (k) misled their shareholders or investors;

- (l) conduct business for nefarious purposes and do not have integrity in their business dealings; and
- (m) are not reputable and do not conduct business in an ethical manner.

35. The First Article remains on the WSJ website where it was initially posted.

Copeland Tweets Defamatory Words

36. On August 9, 2017 at 3:40 p.m. EDT, Copeland further disseminated the First Article using his Twitter account under the handle “@realrobcopeland”. Copeland tweeted a link to the First Article and wrote in a tweet that “‘Goldman Sachs of Canada’ is accused of fraud. Exclusive w/ @jacquiemcnish” (the “First Copeland Tweet”).

37. Less than an hour later, Copeland sent a second tweet which again included a link to the First Article and indicated that “Shares fall 21% for Callidus Capital, majority owned by PE giant Catalyst Capital, after @WSJ reports alleged fraud” (the “Second Copeland Tweet”).

38. On August 11, 2017, in an effort to further disseminate the First Article and the Defamatory Words, Copeland tweeted a link to another WSJ story regarding Callidus and Catalyst (which links to the First Article) and tweeted that “Lender Callidus, which we reported is accused by whistleblowers of fraud, reports unexpected loss” (the “Third Copeland Tweet”).

39. Copeland authored the First Copeland Tweet, Second Copeland Tweet and Third Copeland Tweet with the express purpose of disseminating the First Article as well as the facts, information and innuendo that he knew or ought to have known were defamatory and which caused harm to Callidus and Catalyst.

WSJ Re-publishes Defamatory Words

40. On or about August 10, 2017, Dow Jones published in the print editions of its newspaper, the WSJ, an article headlined “*Top Buyout Firm Scrutinized on Loans*” (the “Second Article”).

41. Copeland and McNish also authored the Second Article. They did so knowing, being wilfully blind to, or reckless to, the fact that:

- (a) The statements they intended to and did publish regarding Callidus and Catalyst were false, inaccurate, misleading, and had been fabricated, and would not stand up to basic due diligence; and
- (b) Copeland and McNish had access to information in the public record and arising from the August 8 Meeting that contradicted the McFarlane Statements and the defamatory language used in the Second Article.

42. Dow Jones published the Second Article knowing, being wilfully blind to, or reckless to, the fact that the statements in the Second Article regarding Callidus and Catalyst were false, inaccurate, misleading, and had been fabricated, and would not stand up to basic due diligence.

43. The following false and defamatory words were published in the Second Article (collectively, the “Defamatory Words”):

At least four individuals have filed whistleblower complaints with Canadian securities regulators alleging fraud at a multibillion-dollar investment firm and its publicly traded lending arm, according to people familiar with the matter and documents reviewed by The Wall Street Journal.

Catalyst Capital Group Inc., one of Canada’s largest private-equity firms, is accused in the complaints of artificially inflating the value of some of its assets and deceiving borrowers about the terms of loans it made. The complaints have prompted officials at the Ontario Securities

Commission, the country's leading securities regulator, to make inquiries and question people familiar with Catalyst, according to the people and documents.

A unit of the Toronto Police Service that specializes in financial crimes has separately begun its own inquiries, a department spokeswoman said.

[...]

Some but not all of the filers of the Catalyst whistleblower complaints have worked at companies that borrowed money from Mr. Glassman's firms, and later had their businesses seized, said people familiar with the matter. Some are involved in litigation with Catalyst, the people said. Some of the complaints involve a series of loans to a small technology distributor, while others focus on other investments and the firm's accounting.

[...]

Mr. Glassman is also chief executive of Callidus, the alternative lender listed on the Toronto Stock Exchange. Callidus's lending practices are also a subject of the whistleblower complaints, according to the people and documents.

Catalyst funds own a majority of Callidus's public shares and some senior executives work concurrently at both firms.

[...]

His companies sometimes file multiple lawsuits against borrowers believed to have violated the terms of their loans.

One of those borrowers is Jeff McFarlane. Mr. McFarlane is the former chief executive of computer distributor Xchange Technology Group, known as XTG. He said his company began borrowing from Callidus in late 2012 after the lender purchased its \$11.6 million loan from a U.S. bank.

Within a year, Xchange was in insolvency proceedings. Callidus purchased the company for about \$34 million, according to court documents.

When Callidus went public in 2014, Catalyst, its majority shareholder, agreed to cover future losses on loans including Xchange.

In September 2015, Callidus recorded the Xchange investment as an asset for sale at C\$66.9 million in a quarterly earnings report. Then in March 2016, Catalyst transferred C\$101 million to Callidus for Xchange, "an amount equal to the total outstanding principal plus accrued and unpaid interest," filings show.

In December 2016, Catalyst told its investors that the Xchange stake was only worth a fraction of what it had paid that March, triggering losses on two of its funds, according to one of the whistleblower complaints and documents reviewed by the Journal.

Mr. McFarlane confirmed he filed one of the whistleblower complaints. His complaint, and one other, alleges that Catalyst funds overpaid Callidus to acquire the Xchange investment, and delayed and underreported potential losses. "I have serious concerns about the integrity of Callidus's accounting around XTG," Mr. McFarlane said.

Last month, the Court of Appeal for Ontario found Mr. McFarlane responsible for a personal guarantee on Xchange's debts that was far less than Callidus was seeking in a civil suit.

[...]

Mr. Glassman's companies have also sued or counter sued government agencies and former employees for damages in relation to alleged business breaches and misconduct.

Callidus in February sued a former employee and alleged he was responsible for "artificially inflating" the financial performance of some of its investments, including Xchange. The employee responded in a court filing denying that, and said Callidus made the claim to deflect attention from "multiple complaints and regulatory investigations." Litigation is ongoing.

As part of its quarterly earnings, Callidus in May disclosed that its accounting practices were under review from the OSC.

44. As with the First Article, the Second Article fails to report the details of the four alleged "whistleblower" complaints, with the exception of certain allegations concerning Callidus and Catalyst's accounting of Callidus's loan to XTG.

45. In addition to being defamatory, the statements in the Second Article are intentionally and with malice presented in a false light by Copeland, McNish and Dow Jones to suggest that Catalyst and Callidus act in a menacing, illegal and immoral manner.

46. The ordinary meaning of the words or innuendos published in the Second Article would lead a reasonable person to conclude that Catalyst and Callidus:

- (a) improperly “seize” companies to whom loans have been made;
- (b) are engaged in illegal or improper accounting in relation to Callidus’s loan portfolio;
- (c) are engaged in criminal or fraudulent activities in relation to Callidus’s loan portfolios;
- (d) are under investigation for fraud or other illegal activity by the OSC and/or the Toronto Police;
- (e) are treating McFarlane unfairly or unjustly;
- (f) improperly file “multiple lawsuits” against borrowers
- (g) dealt improperly or illegally in relation to the XTG loan;
- (h) caused XTG to go into insolvency proceedings shortly after it purchased a loan from a US bank;
- (i) intentionally caused Callidus to be “overpaid” for the XTG investment;
- (j) delayed or underreported potential losses;
- (k) misled their shareholders or investors;
- (l) conduct business for nefarious purposes and do not have integrity in their business dealings; and
- (m) are not reputable and do not conduct business in an ethical manner.

47. Dow Jones altered some of the information in the Second Article, in a tacit admission that the information published in the First Article was inaccurate, misleading and defamatory.

The Plaintiffs Serve Defamation Notice

48. On or about August 22, 2017, the Plaintiffs delivered to the Defendants a notice under the *Libel and Slander Act* that a claim would be commenced if the First and Second Articles were not retracted and an apology issued.

49. The Defendants refused to retract, correct or in any way qualify the First and Second Articles.

Irresponsible Journalism

50. In publishing the First and Second Article, Dow Jones, Copeland and McNish failed to engage in responsible journalism and, by their negligence, caused damage to the Plaintiffs.

51. Dow Jones, Copeland and McNish owed a duty of care to the Plaintiffs.

52. Dow Jones, Copeland and McNish breached the duty of care they owed to the Plaintiffs in the following manner:

- (a) Dow Jones, Copeland and McNish failed to investigate or perform any due diligence with respect to Callidus' and Catalyst's accounting of the loan to XTG by reviewing publicly available information to which the Plaintiffs directed them;
- (b) Dow Jones, Copeland and McNish relied on McFarlane as a source of information without performing the necessary diligence to determine if McFarlane was a reliable, credible or truthful source of information; and

- (c) Copeland and McNish failed to conduct any due diligence in respect of any of the other allegations made to them by McFarlane or any of the underlying facts relevant to the veracity of such allegations and, in failing to do so, allowed themselves to be used as part of a broader scheme, of which McFarlane was a part, to cause harm to Catalyst and Callidus.

Plaintiffs Suffered Damages

53. By reason of the defamatory publications and the words contained therein, the Plaintiffs have been severely injured in their character, reputation, and business. The Plaintiffs continue to suffer significant damages as a result of the publication of the First and Second Article which contain the Defamatory Words and the First, Second and Third Copeland Tweets.

54. As a result of the Defendants' misconduct, including negligence and making and publishing defamatory and misleading statements, the Plaintiffs have suffered damage to their reputations.

Punitive Damages

55. The Defendants were motivated by malice when they published the Defamatory Words and republished the McFarlane Statements. Their conduct was high-handed and callous and demonstrated a total disregard for the truth.

56. As a result of the actions and conduct of the Defendants, the Plaintiffs have suffered a significant loss to their dignity and are entitled to aggravated damages.

57. As a result of the high-handed, malicious, and vindictive actions and conduct of the Defendants, the Plaintiffs are entitled to punitive damages.

58. The Plaintiffs plead and rely on the *Libel and Slander Act*, RSO 1990, c L.12.

59. The Plaintiffs plead and rely on the *Negligence Act*, RSO 1990, c N.1.

Service Ex Juris

60. The Defendants' actions include torts committed in Ontario.

61. Catalyst pleads reliance on Rule 17.02 (g) and (p) of the *Rules of Civil Procedure*, RRO 1990, Reg. 194.

62. The Plaintiffs request that this action be tried in Toronto.

November 7, 2017

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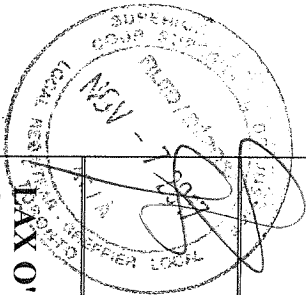
Lawyers for the Plaintiffs

THE CATALYST CAPITAL GROUP INC. et al.
Plaintiffs

-and- DOW JONES AND COMPANY et al.
Defendants

Court File No. CU-17-581629

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ONTARIO
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PROCEEDING COMMENCED AT
TORONTO

STATEMENT OF CLAIM

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