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TORONTO—As one of the world's best-performing distressed-debt fund managers, Newton Glassman built his $5.7 billion firm by showing he doesn't shy away from a fight.

Now, Mr. Glassman, managing partner of Toronto-based private-equity firm Catalyst Capital Group Inc. and known as one of Canada's most aggressive investors, finds himself on the defensive.

Mr. Glassman is fending off criticism from investors in Callidus Capital Corp. , the alternative lender taken public by Catalyst last year in the firm's first foray into public equity markets.

Some Callidus investors say they are worried about potential conflicts created by the companies' shared management team. Mr. Glassman, who founded Catalyst in 2002 after leaving Cerberus Capital Management, is both managing partner at Catalyst and chief executive of Callidus. Catalyst's chief operating officer, Jim Riley, also is Callidus's corporate secretary.

Some also say the companies' intermingled lending practices also could put minority shareholders' interests at risk and say there isn't enough disclosure about Callidus's loans and a Catalyst guarantee to back some of those loans. They say they lack the information needed to assess whether Callidus's borrowers will be able to pay what they owe.

The debate between Mr. Glassman and his critics highlights the risk for private-equity firms of remaining heavily involved in their portfolio companies after they list those shares on a stock exchange. It also highlights issues faced when companies share management teams and operations.

"The way the company is structured [means] there can be potential conflicts of interest and the intercompany linkages create issues," Salman Malik, a portfolio manager at Toronto-based Barometer Capital Management Inc., said.

Barometer sold its position in Callidus late last year in part because of concerns over the entangled relationship between Catalyst and Callidus, Mr. Malik said.

The controversy has damped Callidus's stock price in recent months, threatens Mr. Glassman's plans to take two more Catalyst companies public and has become the talk of Canada's tightly knit financial community.

Catalyst sold about a 40% stake in Callidus last year on the Toronto Stock Exchange in an initial public offering, establishing a value of about 392 million Canadian dollars (US$323 million) for the Callidus shares held in the Catalyst funds after the offering's completion.

In its IPO regulatory filing, Callidus said its management arrangement with Catalyst allows it to benefit from Messrs. Glassman and Riley's experience investing in distressed debt and restructuring, while it focuses on its main lending business. It does warn that "in some cases, the interests of [Catalyst Capital] and the Catalyst Funds may not be the same as those of [Callidus's] other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to [Callidus] or its other shareholders."

Mr. Glassman argues that Callidus shareholders are getting a good deal, since he is paid only C$1 a year for his Callidus duties. "I'm not really sure anyone else has access to the No. 1 distressed-debt manager in the world for one dollar," he said.

Mr. Glassman, Callidus and Catalyst haven't been accused of any wrongdoing. Mr. Glassman said he is a victim of an "attack" by short sellers that he said was spearheaded by well-known Canadian hedge-fund investor West Face Capital Inc. He said criticism of Callidus's disclosure and of its relationship with Catalyst is ill-founded and said West Face is retaliating for a court challenge Mr. Glassman launched against West Face after West Face hired a Catalyst analyst.

Greg Boland, West Face's chief executive, declined to comment on Mr. Glassman's comments.

"We will always put [the interests] of outside investors first," Mr. Glassman said in a recent interview in his offices in Toronto.

Callidus shares are down 35% from their high of C$24.01 in August. Callidus lends to borrowers that are considered too risky for banks and other traditional lenders and can't access high-yield debt markets because their capital needs are too small.

Earning and keeping the trust of public shareholders is key to his strategy, he said, since he aims to split off two more of Catalyst's portfolio companies this year—Gateway

Casinos, a casino operator in western Canada, and Therapure Biopharma Inc., a Canadian biopharmaceutical company, to realize gains on his investment.

Catalyst boasts the second-most consistent performance record among distressed-debt funds globally, according to data provider Preqin Ltd., after Cerberus.

The size of Callidus's loan book has more than doubled in each year since 2012 to C$831 million at the end of December 2014. Callidus said it hasn't realized any losses on the principal of loans it has originated between 2011 and the end of 2014, and Catalyst guarantees to cover losses incurred by Callidus on loans with the highest risk of default.

Mr. Glassman said this guarantee is one of the measures that demonstrates his commitment to treating public shareholders fairly. But some critics have complained that the terms of the guarantee are murky because of uncertainty over which loans have the guarantee.

"It would be worthwhile if the company was a lot more explicit about the business, the loan guarantees and the business in general because they have to answer to public shareholders, but management is still pretty tight lipped," Andrew Pink, a fund manager at LDIC Inc., said. The Toronto-based money-management firm sold its Callidus shares around the end of last year.

Callidus doesn't identify specific loans with guarantees but provides details in aggregate. At the end of March, Catalyst said that all but three of its 35 outstanding loans have at least a "partial" guarantee and most have a full guarantee, according to a transcript of its fourth-quarter earnings. Its regulatory filings for the end of 2014 also include additional information about the guarantees.

Catalyst helps Callidus generate new business because the private-equity firm provides additional financing to issue new Callidus loans, according to Callidus's IPO filing, further deepening Callidus's ties with Catalyst. Catalyst then earns revenue that is commensurate with its participation in the loans. According to the IPO filing, Catalyst is also responsible for its share of any losses from a Callidus loan it helps finance.

As an example of the company's limited disclosure, some point to Xchange Technology Group LLC. The Xchange loan represented about 10% of Callidus's portfolio at the time of the IPO, but the IPO filing didn't disclose Xchange's identity or that Callidus had rejected two tentative offers to refinance the loans at discounted values prior to the IPO as outlined in bankruptcy-court protection filings.

Callidus doesn't identify its borrowers because doing so could hurt their relationships with customers and suppliers particularly if they are struggling financially, spokesman Jean Lepine said.

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