

ONTARIO
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST

B E T W E N:

THE CATALYST CAPITAL 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
PURI, CLARITYSPRING INC., NATHAN ANDERSON, BRUCE
LANGSTAFF, ROB COPELAND, KEVIN BAUMANN, JEFFREY
MCFARLANE, DARRYL LEVITT, RICHARD MOLYNEUX and JOHN DOES

#1-10

Defendants

STATEMENT OF DEFENCE AND COUNTERCLAIM

OF BRUCE LANGSTAFF

1. The defendant, Bruce Langstaff, admits the allegations contained in paragraphs 3, 4, 5, 6, 7, 9, 10, 11 12-19, 21, 23-25, 34-36, 97, 101 and 132 of the Statement of Claim.
2. The Defendant, Bruce Langstaff, has no knowledge in respect of the allegations contained in paragraphs 27-30, 38, 39-43, 44-48, and 89-90 of the Statement of Claim.
3. The plaintiff, Bruce Langstaff, denies the balance of the allegations contained in the Statement of Claim except as expressly admitted below.

4. Capitalized terms not otherwise defined have the meaning ascribed to them in the Statement of Claim.

Overview

5. The damages sought by the plaintiffs in the main action are related to alleged short-selling in the stock of the plaintiff, Callidus and other allegations.

6. The defendant, Bruce Langstaff, is an individual residing in Toronto, Ontario. Until September 26, 2017 Mr. Langstaff was employed with Canaccord Genuity Corp. ("Canaccord"). Canaccord is a full-service independent investment bank that carries on business in two segments of the financial services industry: wealth management and capital markets. Canaccord is one of the largest independent investment dealers in Canada.

7. In his capacity as an employee of Canaccord, Mr. Langstaff was employed as Managing Director, Canadian Equity Sales. He worked with a range of clients of Canaccord such as hedge funds, family offices, and other institutional investors in relation to their capital markets needs.

8. Although the plaintiffs allege that there was a Conspiracy perpetrated by the defendants, or each of them, with the intent of causing harm to the plaintiffs, Mr. Langstaff pleads and the fact is that no such Conspiracy exists. In the alternative, if any conspiracy exists, which is expressly denied, Mr. Langstaff has no knowledge of it and was not a participant.

9. Mr. Langstaff is not named as a party to any of the subsets of defendants referred to in the Statement of Claim other than the Individual Defendants. For greater clarity, it is admitted by the plaintiffs that Mr. Langstaff is not a part of the Wolfpack Conspirators, the Guarantor Conspirators, or the John Doe Defendants.

10. Mr. Langstaff has essentially been sued for doing his job. The allegations made against him relate to the general plea of conspiracy and the only specific acts or omissions attributed to Mr. Langstaff in the Statement of Claim relate to activities allegedly carried out by him on behalf of Canaccord's clients in the course of his employment.

11. Anson and West Face were clients of Canaccord and have each engaged its services to recommend trading strategies and execute trades on their behalf from time to time over the course of several years. In his capacity as an employee and agent of Canaccord, Mr. Langstaff recommended trading strategies to clients of Canaccord he covered, including but not limited to Anson and West Face. (Anson and West Face are hereinafter referred to collectively as the "Clients"). At all material times, Mr. Langstaff recommended trading strategies to his Clients in the usual course of his role and duties of employment which were carried out honestly and in good faith. Although Mr. Langstaff facilitated trades, other members of Canaccord executed trades on behalf of the Clients.

12. Mr. Langstaff believes that in or around the dates alleged in the Statement of Claim from August 9-14, 2017, neither West Face nor Anson sold shares in Callidus at Canaccord through any communications with Mr. Langstaff, nor is he aware of either Client selling stock in Callidus through any other broker. Mr. Langstaff did not facilitate trading strategies or conduct any business on behalf of any of the other Conspirators named in the main action. It is possible other clients of Canaccord traded in Callidus during August 9-14, 2017, but such trades were not facilitated by Mr. Langstaff. Mr. Langstaff did not place any trades relating to short-selling of Callidus stock on his own behalf in August, 2017.

13. Mr. Langstaff did not conduct trades on behalf of any of the Guarantors or other named individual defendants, nor did he regularly carry on business with any of those individuals. Mr. Langstaff has no knowledge whatsoever as to the identity of any of the persons or entities referred to as "John Doe Defendants 1-10."

14. For greater clarity, Mr. Langstaff specifically pleads that:

- (a) During the time period in question, neither Anson nor West Face were selling any Callidus shares using Canaccord to the best of Mr. Langstaff's knowledge;
- (b) To Mr. Langstaff's knowledge, none of the other named defendants were short-selling any Callidus shares through Canaccord, facilitated by Mr. Langstaff, and Mr. Langstaff never facilitated trades on behalf of any of the other named defendants, nor did he solicit any orders from them in any security;
- (c) Mr. Langstaff had no control or direction over how any other trades were being conducted or carried out by other employees or agents of Canaccord;
- (d) To the extent that Mr. Langstaff facilitated trading strategies on behalf of the Clients, he was doing so in the usual course of his role and duties as an employee of Canaccord which were carried out honestly and in good faith; and
- (e) Mr. Langstaff did not engage in any trades in Callidus stock in the August, 2017 period pleaded in the Statement of Claim on his own behalf.

15. To the extent that the plaintiffs have suffered any financial losses or reputational harm, which is not admitted but explicitly denied, Mr. Langstaff pleads that the plaintiffs, or each of

them, bear responsibility for those losses. The plaintiffs are currently parties to a number of other lawsuits and information published by the plaintiffs confirms that Callidus is the subject of a Continuous Disclosure Review by the OSC. The losses described in the Statement of Claim were caused by the plaintiffs' own conduct and business practices rather than by any acts or omissions allegedly perpetrated by any other party, including Mr. Langstaff.

16. Mr. Langstaff pleads that the Statement of Claim is vexatious. The plaintiffs have commenced this action in bad faith and not for any lawful purpose, but rather as part of an overall strategy to harm the defendants and to deflect attention away from other issues facing the plaintiffs. It should be noted that the plaintiffs provided a copy of the Statement of Claim in the within action to various media outlets prior to serving a copy on Mr. Langstaff.

17. As particularized in greater detail herein, Mr. Langstaff pleads and the fact is that his employment with Canaccord was terminated without cause on or about September 26, 2017. The decision to terminate Mr. Langstaff's employment was carried out by Canaccord in whole or in part as the result of pressure placed on members of its senior management or any of them by representatives of Catalyst and Callidus, who are also clients of Canaccord.

18. Mr. Langstaff pleads that the plaintiffs induced Canaccord to breach his contract of employment and as such the plaintiffs are liable to Mr. Langstaff for inducing breach of contract and interfering with his economic relations as described in the Counterclaim herein.

19. To the extent that Mr. Langstaff is liable for any of the damages sought in the main action, which is not admitted but is explicitly denied, Mr. Langstaff pleads that Canaccord is vicariously liable for his conduct and is responsible for indemnifying him for any and all damages, costs, interest and other consequences of any kind.

Alleged Conduct by the Guarantors

20. Mr. Langstaff pleads that he has no knowledge of any loans which were made by Callidus to any of the defendants, other than information that is available through the public domain. None of the Guarantors were clients of Canaccord with whom Mr. Langstaff had any material business dealings during the course of his employment.

21. In response to paragraphs 40-48 of the Statement of Claim, Mr. Langstaff has no knowledge of any claims or defences raised by any of the Guarantors in the context of the Guarantee Actions. Moreover, Mr. Langstaff is not a party in any of those proceedings.

22. With respect to paragraphs 49-51 of the Statement of Defence, Mr. Langstaff denies that there was any coordinated effort by the Guarantors to cause harm to the plaintiffs. In the alternative, the plaintiff denies that he had any knowledge or involvement of any activities related to the Guarantor Actions and has no liability in relation to those actions.

Whistleblower Complaints

23. With respect to paragraph 67 of the Statement of Claim Mr. Langstaff is aware of the existence of the OSC's "whistleblower" program. He admits that the purpose of the program is to allow individuals with information about an alleged securities-related violation to report it to the OSC on a confidential basis without fear of reprisal.

24. It is not in dispute that Mr. Langstaff never filed a whistleblower complaint with the OSC concerning the plaintiffs and accordingly he pleads that he is not liable for any damages allegedly caused by the filing of the Complaints by other parties.

Publication of Articles

25. The allegations as pleaded in paragraphs 58-66 of the Statement of Claim are denied but in the alternative, if such discussions occurred, Mr. Langstaff was not a participant.

26. With respect to media coverage, the plaintiffs are parties in a number of other lawsuits involving West Face, as well as the plaintiffs' former employees and these lawsuits or some of them, have been the subject of various public reports in the media and otherwise.

27. In fact, this information has become known to the public not because of any alleged conspiracy perpetrated by the defendants. Rather, it is because the plaintiffs, or each of them, have publically disseminated information about these lawsuits, directly or indirectly, to various media outlets.

28. With respect to paragraphs 84-93 of the Statement of Claim, Mr. Langstaff was not present at any meeting that took place on or about August 8, 2017 nor was he a party to any discussions that allegedly took place at that meeting.

29. Mr. Langstaff explicitly denies that he was aware of the existence of the Wall Street Journal article prior to publication and as such he was certainly not involved in encouraging any publication of the article near the end of the trading day on or about August 9, 2017.

30. With respect to paragraphs 103-104 of the Statement of Claim, the plaintiff has no knowledge of what could be viewed by non-subscribers concerning the Wall Street Journal article's headline. The plaintiff admits that the article was published at around 3:29 pm on August 9, 2017. However, Mr. Langstaff denies that the contents of the article are false or defamatory and puts the plaintiffs to the strictest proof thereof. In addition or in the alternative, Mr. Langstaff

explicitly denies that the information contained in the Article and the Complaints is false or defamatory and puts the plaintiffs to the strictest proof thereof.

31. Mr. Langstaff admits to the existence of stock market rules that prohibit Callidus from being in the market after 3:30 pm through its Normal Course Issuer Bid.

32. With respect to paragraphs 107-108 of the Statement of Claim, Mr. Langstaff pleads that the plaintiffs misstated the price of Callidus shares by the end of the trading day. In fact, the price of Callidus shares at the end of trading day on August 9, 2017 was approximately \$12.05.

Events of August 9, 2017

33. With respect to paragraphs 94-96 of the Statement of Claim, as pleaded above Mr. Langstaff did not receive instructions from Anson or West Face on or about August 9, 2017 to sell or otherwise facilitate trades in Callidus shares on behalf of the Clients on that date.

34. Mr. Langstaff believes that other employees of Canaccord facilitated the sale of shares in Callidus stock on or about August 9, 2017 on behalf of clients of Canaccord. However, none of these shares were traded with Mr. Langstaff's involvement. Mr. Langstaff has no information that any of those trades involved in a short sale.

35. Although it is possible that the defendants conducted trades through Canaccord or another investment broker, Mr. Langstaff pleads that he has no direct or indirect knowledge of any alleged trades in Callidus shares in the August 9-14, 2017 timeframe involving any of the defendants.

36. To the extent that Callidus suffered a decline in its stock price on August 9, 2017 and thereafter, Mr. Langstaff pleads that there are a number of factors which resulted in the decline in

Callidus share price, including but not limited to, information already in the public domain and information released by Callidus in its quarterly earnings report and conference call held on August 11, 2017 and information disseminated therein as well as the reaction of the marketplace to the information released by Callidus.

Liabilities and Damages Claimed in Relation to the Alleged Short Attacks

37. With respect to paragraphs 114-122 of the Statement of Claim, Mr. Langstaff explicitly denies that he engaged in any conspiracy or coordinated short-selling of Callidus stock or any of the conduct pleaded in these paragraphs and he puts the plaintiffs to the strictest proof thereof.

38. To the extent that he was involved in facilitating any trading strategies or trades of Callidus stock from time to time, Mr. Langstaff pleads that he was acting in the usual course of his duties of employment with Canaccord which were carried out honestly and in good faith.

39. Mr. Langstaff denies that any of his conduct, whether directly or indirectly, caused the plaintiffs to suffer any economic harm or that he interfered with the plaintiffs' economic interests and he puts the plaintiffs to the strictest proof thereof.

40. In addition or in the alternative, Mr. Langstaff pleads that he did not exercise control over any of the named Corporate Defendants, nor did he cause any of the defendants to engage in tortious and unlawful conduct as alleged in the Statement of Claim.

41. Mr. Langstaff has no knowledge of the identities of any of the individuals or entities identified as the John Doe Defendants #1-10.

42. With respect to paragraphs 125-127 of the Statement of Claim, Mr. Langstaff explicitly denies that he is liable for any damages on the basis of unjust enrichment and puts the plaintiffs to the strictest proof thereof. Any damage to the plaintiffs' reputation or to Callidus' share price was the direct result of the plaintiffs' own conduct and that of its officers, directors, and employees. In that regard, Mr. Langstaff repeats and relies upon the allegations contained herein.

43. Mr. Langstaff denies that the plaintiffs have suffered any damages arising from his conduct, or at all, and puts the plaintiffs to the strictest proof thereof.

44. If the plaintiffs have suffered any damages, which is not admitted but expressly denied, he pleads that the damages claimed by the plaintiffs are excessive and remote.

45. In the further alternative, Mr. Langstaff pleads that the plaintiffs, or each of them, did not take adequate steps to reasonably mitigate their damages.

46. Mr. Langstaff asks that the action against him be dismissed with costs on a substantial indemnity basis, or in the alternative, on a partial indemnity basis, plus any and all applicable taxes.

COUNTERCLAIM

47. The Plaintiff by Counterclaim, Bruce Langstaff, claims as against the Defendants by Counterclaim, The Catalyst Capital Group Inc. and Callidus Capital Corporation:

- (a) damages in the sum of \$1,150,000 for inducing breach of contract and for intentional interference with economic relations;
- (b) damages in the sum of \$2,000,000 for loss of competitive advantage;
- (c) damages in the sum of \$100,000 for intentional or negligent infliction of emotional distress;
- (d) in addition or in the alternative to the relief sought in the preceding paragraph, punitive and aggravated damages in the sum of \$100,000;
- (e) interest on any amounts found due and owing to the Plaintiff by Counterclaim at the rate equal to the reasonable return which he would have earned had those funds been paid to him when due;
- (f) in the alternative to the relief sought in the preceding paragraph, pre-judgment interest in accordance with and at the rate provided under Section 128 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
- (g) post-judgment interest in accordance with and at the rate provided under Section 129 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
- (h) the costs of this proceeding on a substantial indemnity basis, or in the alternative, on a partial indemnity basis, plus any and all applicable taxes; and,

(i) such further and other relief as to this Honourable Court may seem just.

48. Mr. Langstaff repeats and relies upon the allegations in the Statement of Defence in support of the Counterclaim.

49. All capitalized terms contained herein have the meaning ascribed to them in the Statement of Claim.

50. The Plaintiffs ("Defendants by Counterclaim"), Callidus and Catalyst, are hereinafter referred to collectively as the "plaintiffs".

51. Mr. Langstaff was employed by Canaccord until his employment was terminated without cause on or about September 26, 2017.

52. At the time of his termination, Mr. Langstaff had approximately 4 years of service with Canaccord but he has spent his entire working life in the financial services industry.

53. As particularized in greater detail herein, Mr. Langstaff pleads that his employment at Canaccord was terminated in whole or in part as the result of pressure exerted by representatives of the plaintiffs, or one of them, on Canaccord.

54. Mr. Langstaff pleads and the fact is that both Callidus and Catalyst are clients of Canaccord or in the alternative, have been clients of Canaccord and have paid Canaccord significant fees in relation to their past business. In addition, a number of the principals of the plaintiff corporations are well known to members of senior management of Canaccord.

55. Newton Glassman is the Chief Executive Officer of each of the plaintiff corporations and their controlling shareholder. James Riley is a lawyer and currently holds the title of Managing

Director and Chief Operating Officer of Catalyst and the Corporate Secretary of Callidus. Gabriel de Alba is a Managing Director and Partner of Catalyst.

56. Mr. Langstaff pleads that Mr. Glassman, Mr. Riley, Mr. de Alba or one or some combination of them pressured Canaccord to end Mr. Langstaff's employment under threat of negative consequences to Canaccord if it failed to do so.

Termination of Employment

57. On or about August 16, 2017, Mr. Langstaff was asked to attend a meeting with his manager, Jason Melbourne, Head of Institutional Equity Sales, and Darren Hunter, Head of Trading.

58. At that meeting, Mr. Melbourne advised Mr. Langstaff that another meeting had recently occurred between Mr. de Alba and Chris Blackwell, Head of Investment Banking at Canaccord. During that meeting, Mr. Langstaff was advised that Mr. de Alba told Mr. Blackwell that:

- (a) Catalyst had made a complaint to the OSC regarding an alleged short-selling attack on the stock of Callidus;
- (b) Mr. Langstaff was currently under investigation by the OSC for his alleged role in the short-selling attack; and
- (c) There was a piece of business that Canaccord was hoping to do with Catalyst and that Mr. Langstaff's continued employment would be an impediment to Catalyst awarding that business to Canaccord.

59. Mr. Langstaff pleads and the fact is that at no time has he ever been approached by the OSC in connection with Catalyst or Callidus. Further, at no time has he ever been advised that he is the subject of any investigation by the OSC.

60. At a subsequent meeting on or about September 6, 2017, Mr. Melbourne also advised Mr. Langstaff that Dan Daviau, President and CEO of Canaccord had recently spoken to Mr. Glassman and Mr. Glassman made an allegation that Mr. Langstaff had engaged in improper conduct in relation to Callidus.

61. At the same meeting, Mr. Langstaff was advised by Patrick Burke, President of Capital Markets at Canaccord, that several representatives of the plaintiffs, including but not limited to Mr. Riley and Mr. Glassman, had alleged that Mr. Langstaff was part of the group they called the "Wolfpack" which allegedly conspired to conduct a short-selling attack as against Callidus. These allegations were made to both Mr. Daviau and Canaccord's internal legal counsel and possibly others at Canaccord in or around August or September 2017.

62. In addition, Mr. Burke also advised Mr. Langstaff that Mr. Glassman and/or Mr. Riley had made the following statements or threats to members of senior management at Canaccord:

- (a) The "Wolfpack" was "going to be brought down"; and
- (b) That if Canaccord was not careful, "it would get caught in the crossfire."

This meeting was the first time that Mr. Langstaff had become aware of the term "Wolfpack" in reference to certain named defendants in the main action.

63. At that same meeting, Mr. Langstaff was advised that an internal investigation had been commenced by Canaccord into his conduct.

64. Mr. Langstaff was interviewed as part of the internal investigation on or about September 14, 2017. Mr. Langstaff met with Martin Maclachlan, Chief Legal Officer, and Andrew Viles, internal legal counsel for Canaccord and Bruce Maranda, Chief Compliance Officer. At all material times, Mr. Langstaff cooperated during the investigation process. During the interview that occurred as a part of that investigation, Mr. Viles explicitly asked Mr. Langstaff if he was part of the "Wolfpack." Mr. Langstaff advised that he was not aware of any such group or organization. It is now known to Mr. Langstaff that the term "Wolfpack" was coined by Callidus, Catalyst, and members of their senior management team.

65. In the course of the internal investigation, Mr. Langstaff advised the individuals present that he had alerted Mr. Burke in or about the summer of 2016 to concerns he had regarding the accuracy of Callidus' disclosure documentation that had been completed some years earlier in connection with certain business Canaccord had done on behalf of Callidus. At the request of Mr. Burke he provided Mr. Burke with a memorandum outlining his concerns but he took no other steps internally or externally with respect to that issue. At that time, Mr. Langstaff explicitly advised Mr. Burke that he had alerted Canaccord that there were potential issues with the aforementioned documentation as early as December 2014, but that no action was taken.

66. Shortly after the investigation meeting on September 14, 2017, Mr. Langstaff was told by Mr. Viles, that the investigation report had been submitted to senior management and there was no evidence that Mr. Langstaff had engaged in any wrongdoing.

67. Mr. Langstaff's employment was terminated without cause on or about September 26, 2017. The Statement of Claim in this action was issued on November 7, 2017. Canaccord was not named as a defendant.

Events Subsequent to Mr. Langstaff's Termination

68. Shortly after his employment was terminated, Mr. Langstaff was advised by Mr. Hunter that his employment was terminated because of the Callidus situation.

69. Mr. Langstaff had conversations with member of senior management subsequent to his termination at meetings initiated by those individuals. In the course of those discussions, he was advised of the following:

- (a) Mr. Burke told Mr. Langstaff that:
 - (i) "the reasons [Mr. Langstaff] surmised as to what happened with his employment termination were probably correct";
 - (ii) There was no evidence of any wrongdoing by Mr. Langstaff in the internal investigation Canaccord conducted.

- (b) Mr. Melbourne told Mr. Langstaff that, among other things:
 - (i) His employment was terminated in order to insulate Canaccord from the litigation that Mr. Glassman and other representatives of the plaintiffs had threatened to commence against Canaccord;
 - (ii) Mr. Glassman had induced Mr. Daviau to terminate Mr. Langstaff's employment;

- (iii) Both he and Mr. Burke had strenuously objected to the decision to terminate Mr. Langstaff's employment;
 - (iv) There was no evidence of any wrongdoing by Mr. Langstaff in the internal investigation Canaccord conducted; and
- (c) Mr. Hunter told Mr. Langstaff that Mr. Daviau had directed the termination of Mr. Langstaff's employment because he "had a gun to his head." That is, Mr. Daviau was aware that the within action was pending and that Canaccord would be named as a party to the main action unless it took steps to terminate Mr. Langstaff's employment.

70. Mr. Langstaff pleads that the plaintiffs, acting through members of their senior management described above, threatened Canaccord with inclusion in litigation and/or loss of further business and/or other negative consequences known to the plaintiffs and Canaccord but not Mr. Langstaff, if Canaccord did not fire Mr. Langstaff.

71. Mr. Langstaff pleads that the plaintiffs are vicariously liable for the wrongful conduct of its officers, directors, and employees, including but not limited to Mr. Glassman, Mr. Riley, and Mr. de Alba. The plaintiffs were fully aware of the conduct perpetrated by these individuals and knew or reasonably ought to have known of its impact on Mr. Langstaff.

Inducing Breach of Contract

72. Mr. Langstaff pleads that the plaintiffs knew he had a contract of employment with Canaccord and the plaintiffs, through its employees and agents, deliberately and willfully

contacted members of Canaccord's senior management team for the improper purpose of causing harm to Mr. Langstaff and in order to pressure Canaccord to terminate his employment.

73. The plaintiffs' efforts were successful and Canaccord ultimately terminated Mr. Langstaff's employment. Canaccord made the decision to terminate Mr. Langstaff's employment in order to avoid being named as a defendant in the main action and/or to avoid the negative press coverage that would inevitably arise from being associated with any litigation commenced by the plaintiffs, and/or to avoid loss of future business from the plaintiffs.

74. Prior to his employment termination, Mr. Langstaff was a well-compensated and senior employee at Canaccord with a strong reputation among his colleagues at Canaccord and in the financial services industry. As a direct result of the plaintiffs' conduct, Mr. Langstaff has lost his job and has suffered damages arising from the wrongful dismissal of his employment and damages to his reputation.

75. The fact that Mr. Langstaff's employment termination is associated with the litigation commenced by the plaintiffs in the main action has and will continue to have a negative impact on his ability to reemploy in the financial services industry and/or on the level of compensation he will earn. Mr. Langstaff may never re-employ in a position comparable to the one he has lost.

76. The plaintiffs made false allegations to Canaccord, including but not limited to, the claim that Mr. Langstaff was being investigated by the OSC and was part of a group engaging in coordinated short-selling attacks on Callidus with the purpose of damaging Mr. Langstaff's reputation and encouraging his employer to terminate his employment.

Interference with Economic Relations

77. Mr. Langstaff pleads that the plaintiffs, through their agents and employees, deliberately contacted Canaccord as particularized herein for the purpose of causing injury to Mr. Langstaff.

78. The plaintiffs interfered with Mr. Langstaff's economic relations by illegal or unlawful means by, *inter alia*:

- (a) Falsely accusing Mr. Langstaff of engaging in improper conduct;
- (b) Making false or misleading statements which suggested that Mr. Langstaff was the subject of a regulatory complaint to the OSC;
- (c) Suggesting that Mr. Langstaff's continued employment would be an impediment to the plaintiffs awarding new business to Canaccord; and
- (d) Threatening to commence litigation as against Canaccord unless it terminated Mr. Langstaff's employment.

79. As particularized in greater detail herein, the plaintiffs' campaign to interfere with Mr. Langstaff's economic relations was successful and his employment was ultimately terminated by Canaccord.

80. In all of the circumstances, Mr. Langstaff claims damages in the sum of \$1,150,000 for inducing breach of contract and intentional interference with economic relations.

81. Mr. Langstaff pleads that as a result of the plaintiffs' tortious conduct in causing Canaccord to terminate his employment and naming him as a defendant in the within lawsuit and by taking steps to publicize the within lawsuit, the plaintiffs have caused Mr. Langstaff long-term damage

to his reputation within the financial services industry and will cause him to suffer damages well beyond the usual notice period for which an employer is responsible in the case of wrongful dismissal at common law.

82. The defendant pleads that given the highly publicized pieces of litigation between the plaintiffs and West Face, the public scrutiny attached to the within litigation and the history of the plaintiffs for frequently litigating disputes, other prospective employers will be reluctant to hire Mr. Langstaff as long as he remains a defendant to this lawsuit. As a result, Mr. Langstaff will likely be out of the job market longer than if he was not the target of the plaintiffs' allegations and given the permanent damage done to his reputation, he is unlikely to ever reemploy in a position comparable to the contract which the plaintiffs induced Canaccord to breach. Alternatively, if he does reemploy, it will likely be at a level of compensation lower than he otherwise could have earned. As a result he has suffered a loss of competitive advantage. He estimates the damages will extend for the balance of his career and estimates those damages at \$2,000,000.

Infliction of Emotional Distress and Punitive Damages

83. The plaintiffs have deliberately engaged in a course of conduct that was designed to cause harm to Mr. Langstaff and to induce Canaccord to wrongfully terminate his employment. Based on these false allegations, Canaccord failed to provide Mr. Langstaff with reasonable notice and deprived him of significant components of his compensation.

84. The course of conduct by the plaintiffs has continued even after the plaintiffs succeeded in securing the termination of Mr. Langstaff's employment. The plaintiffs directly or indirectly engaged the private investigation and/or litigation support firm, Black Cube, and possibly others to contact Mr. Langstaff under false pretenses and claim it was interested in interviewing him for

a job. The individual contacting him purported to represent a search firm looking for a financial services professional to assist a European-based family office. However, Mr. Langstaff was not satisfied the firm could be adequately verified and aspects of the communications were odd and inconsistent with other recruitment processes he had experienced so he ended the communications at a fairly early stage. Mr. Langstaff subsequently discovered that the individual who had contacted him was in fact a representative of Black Cube, a private investigative firm staffed with former Mossad and Israeli Defence Force intelligence operatives. Mr. Langstaff pleads that the plaintiffs retained Black Cube to use false pretenses to elicit confidential information that could be used to their advantage in the course of the litigation; intimidate or discredit the defendants, including Mr. Langstaff; and for other improper purposes.

85. As a direct result of the plaintiffs' conduct in their dealings with Canaccord, this litigation and use of Black Cube, Mr. Langstaff has experienced stress, anxiety, loss of sleep, and other physical manifestations of stress.

86. Mr. Langstaff pleads that the plaintiffs knew or ought to have known that the allegations against him were baseless and were made in part as an overall strategy to detract attention from the plaintiffs' other business problems.

87. The plaintiffs' conduct is planned, deliberate, and designed to allow the plaintiffs to profit or otherwise obtain some benefit at the expense of the defendants, including Mr. Langstaff.

88. Mr. Langstaff pleads that the plaintiffs' conduct was flagrant, outrageous, reprehensible, and calculated to cause him harm.

89. Mr. Langstaff pleads that such actions are worthy of censure by this Honourable Court and he claims damages for intentional infliction of emotional distress in the amount of \$100,000. In addition or in the alternative, Mr. Langstaff claims punitive and aggravated damages in the sum of \$100,000.

Procedural Matters

90. Mr. Langstaff pleads and relies upon Rule 27.01 of the *Rules of Civil Procedure*, R.S.O. 1990, Reg 194.

91. Mr. Langstaff proposes that this action be tried either consecutively or concurrently with the trial of the main action.

92. Mr. Langstaff proposes that the counterclaim be tried in the City of Toronto.

January 15, 2018

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(final)

THE CATALYST CAPITAL GROUP INC. et al.
Plaintiffs

-and-

WEST FACE CAPITAL INC. et al.
Defendants

Court File No. CV-17-587463-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE – COMMERCIAL
LIST**

PROCEEDING COMMENCED AT
TORONTO

STATEMENT OF DEFENCE AND COUNTERCLAIM

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