

As previously announced, neither guarantee applies to accrued and unpaid interest (subject to one non-material exception). Callidus normally requires that its borrowers agree to a cash sweep arrangement so that their cash will typically be subject to Callidus control. In connection with clarifying the Catalyst guarantee arrangements, Callidus and Catalyst have agreed as between themselves that Callidus will operate the cash sweep internally so that first application of a borrower's cash will be to currently due accrued and unpaid interest and fees and the second application of cash will be to principal and other amounts that are due. These cash sweep arrangements should generally serve to minimize losses in relation to interest and fees even in circumstances where Callidus would need to rely upon a Catalyst guarantee in order to avoid a loss of principal.