

This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment dealer, stock broker, bank manager, lawyer, accountant or other professional advisor. The Offer has not been approved or disapproved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is unlawful.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, Callidus Capital Corporation may, in its sole discretion, take such action as it may deem necessary to extend the Offer to such shareholders in such jurisdiction.



**CALLIDUS CAPITAL CORPORATION
OFFER TO PURCHASE FOR CASH UP TO CDN\$50 MILLION
OF ITS COMMON SHARES
AT A PURCHASE PRICE OF CDN\$14
PER COMMON SHARE**

Callidus Capital Corporation (“**Callidus**” or the “**Corporation**”) hereby offers (the “**Offer**”) to purchase for cancellation from holders (“**Shareholders**”) of common shares of Callidus (the “**Shares**”) for cash up to Cdn\$50 million of its Shares at a price per Share (the “**Purchase Price**”) of Cdn\$14, for a maximum of 3,571,428 Shares. The Offer is made upon the terms and subject to the conditions set forth in this offer to purchase (the “**Offer to Purchase**”) and circular (the “**Circular**” and, together with the Offer to Purchase, collectively, the “**Offer and Circular**”) and in the accompanying letter of transmittal (the “**Letter of Transmittal**”) and notice of guaranteed delivery (the “**Notice of Guaranteed Delivery**”).

The Offer expires at 5:00 p.m. (Toronto time) (the “Expiry Time”) on May 27, 2016, or at such later time and date to which the Offer may be extended by Callidus, unless varied or withdrawn (the “Expiry Date”). Shareholders are encouraged to review the Corporation’s 2016 first quarter results (the “Q1 Results”) prior to making a decision on whether to deposit their Shares to the Offer. The Q1 Results are expected to be released on or around May 14, 2016.

All Shareholders of record on April 30, 2016 will receive the previously announced dividend of \$0.0583 per Common Share which is expected to be paid on or before May 20, 2016 regardless of whether a Shareholder has tendered their Shares to the Offer prior to the date such dividend is paid.

The Offer is not conditional upon any minimum number of Shares being deposited. However, the Offer is subject to certain conditions described in Section 6 of the Offer to Purchase entitled “Conditions of the Offer”. Callidus reserves the right to withdraw the Offer and not take up and pay for any Shares deposited under the Offer unless all such conditions are satisfied or waived.

The Purchase Price that Callidus will pay for each Share deposited pursuant to the Offer will be Cdn\$14.

Shareholders depositing Shares to the Offer can reasonably expect to have such Shares purchased at the Purchase Price if any Shares are purchased under the Offer (subject to the pro-ration provisions and the preferential acceptance of Odd Lots described herein). If more than 3,571,428 Shares are validly deposited for purchase which would result in an aggregate Purchase Price of greater than Cdn\$50 million, the deposited Shares will be purchased on a pro rata basis according to the number of Shares validly

deposited, or deemed to be deposited, by Shareholders pursuant to the Offer, except that deposits by holders of Odd Lots will not be subject to pro-ration. See Section 3 of the Offer to Purchase entitled “Number of Shares, Odd Lots and Pro-Ration”.

Callidus will return all Shares not purchased under the Offer, including Shares not purchased because of pro-ration, promptly after the Expiry Date.

As of the date hereof, the Shares are listed and posted for trading on the Toronto Stock Exchange (“**TSX**”) under the symbol “CBL”. On March 30, 2016, the last trading day immediately prior to the announcement of the Corporation’s intention to make the Offer, the closing price per Share on the TSX was Cdn\$10.39. The Purchase Price represents a premium of approximately 56% over the volume weighted average trading price of the Shares on the TSX of Cdn\$8.99 for the last 30 trading days preceding the date of the Corporation’s announcement.

The Board of Directors of Callidus (the “**Board**”) has authorized and approved the Offer. None of the Corporation, the Board or Computershare Trust Company of Canada, as the depositary for the Offer (the “**Depositary**”), makes any recommendation to Shareholders as to whether to deposit or refrain from depositing any or all of such Shareholders’ Shares to the Offer. Shareholders are strongly urged to review and evaluate carefully all information in the Offer and Circular, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit Shares to the Offer and, if so, how many Shares to deposit.

To the knowledge of the Corporation, after reasonable enquiry, no director or officer of the Corporation, no associate or affiliate of a director or officer of the Corporation, no insider of the Corporation (including The Catalyst Capital Group Inc. (“**CCGI**”) and investment funds managed by CCGI who own Shares), no associate or affiliate of the Corporation or of any insider of the Corporation intends to accept the Offer and deposit any of such person’s or company’s Shares to the Offer. See Section 9 of the Circular entitled “Ownership of Callidus Securities; Transactions in Callidus Securities – Acceptance of the Offer”.

National Bank Financial Inc. (“**National Bank Financial**” or the “**Valuator**”) was engaged by the Board as the independent valuator to prepare a formal valuation of the Shares (the “**Valuation**”) and to provide a liquidity opinion (the “**Liquidity Opinion**”), in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. Copies of the Liquidity Opinion and the Valuation are attached hereto as Schedules A and B, respectively. The Valuation contains National Bank Financial’s opinion that, based on the scope of its review and subject to the assumptions, restrictions and limitations provided therein, as of April 22, 2016 (the “**Valuation Date**”), the fair market value per Share falls within the range of Cdn\$18 to Cdn\$22. The Liquidity Opinion is to the effect that, based on and subject to the assumptions and limitations stated in the Liquidity Opinion, there was a liquid market for the Shares as of March 29, 2016 and that it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer.

Callidus is making the Offer as, among other things, it believes that the Shares are undervalued in the market, and it considers the Offer to be an effective use of the Corporation’s cash resources and an equitable and efficient means of distributing capital of up to Cdn\$50 million in the aggregate to Shareholders. Although the Valuator determined that the fair market value per Share falls within the range of Cdn\$18 to Cdn\$22, the Board approved the Offer at the Purchase Price to provide liquidity to Shareholders desirous of such. See also Section 2 of the Circular entitled “Background to the Offer”, Section 3 of the Circular entitled “Purpose of the Offer and Recommendation of the Board” and Section 4 of the Circular entitled “Valuation” for further details.

Each Shareholder who has validly deposited Shares pursuant to the Offer and who has not validly withdrawn such Shares will receive the Purchase Price, payable in cash (subject to applicable withholding taxes, if any), for all Shares purchased upon the terms and subject to the conditions of the Offer, including the provisions relating to pro-rata and the preferential acceptance of Odd Lots described herein. The Purchase Price will be payable in Canadian dollars; however, Shareholders may elect to receive the Purchase Price in United States dollars as described in the Offer to Purchase. The risk of any fluctuation in exchange rates, including risks relating to the particular date and time at which funds are converted, will solely be borne by the Shareholder. See Section 7 of the Offer to Purchase entitled "Acceptance for Payment and Payment for Deposited Shares – Payment". The Corporation will first accept for purchase Shares validly deposited by any Shareholder who beneficially holds, as of the close of business on the Expiry Date, an Odd Lot (as defined in the Offer and Circular) and who deposits all such Shares to the Offer and who checks Box A captioned "Odd Lots" in the accompanying Letter of Transmittal and, if applicable, the Notice of Guaranteed Delivery.

Taxable Shareholders should carefully consider the income tax consequences of accepting the Offer and depositing Shares to the Offer. See Section 11 of the Circular entitled "Certain Canadian Federal Income Tax Considerations".

No person has been authorized to make any recommendation on behalf of Callidus as to whether Shareholders should deposit or refrain from depositing Shares pursuant to the Offer. No person has been authorized to give any information or to make any representations in connection with the Offer other than as set forth in the Offer and Circular, Letter of Transmittal and Notice of Guaranteed Delivery. If given or made, any such recommendation or any such information or representation must not be relied upon as having been authorized by Callidus, the Board, or the Depositary.

Shareholders who wish to deposit all or any portion of their Shares pursuant to the Offer must comply in all respects with the delivery procedures described herein. See Section 4 of the Offer to Purchase entitled "Procedure for Depositing Shares" and the Letter of Transmittal and Notice of Guaranteed Delivery accompanying the Offer and Circular for further details.

Any questions or requests for assistance may be directed to the Depositary at the address and telephone number set forth on the back cover page of the Offer and Circular.

April 22, 2016

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CURRENCY AND EXCHANGE RATES

Except where otherwise indicated, all dollar amounts set forth in the Offer and Circular are expressed in Canadian dollars and all references to “\$”, “Cdn\$” and “dollars” mean Canadian dollars. On March 30, 2016, the last trading day immediately prior to the announcement of the Corporation’s intention to make the Offer, the noon rate of exchange as reported by the Bank of Canada was Cdn\$1.00 = U.S.\$0.7715. On April 21, 2016, the noon rate of exchange as reported by the Bank of Canada was Cdn\$1.00 = U.S.\$0.787.

INFORMATION FOR UNITED STATES SHAREHOLDERS

The Offer is made by Callidus, a Canadian issuer, for its own securities, and the Offer and Circular are subject to the disclosure requirements of applicable Canadian law. Shareholders in the United States should be aware that these disclosure requirements may be different from those of the United States or other jurisdictions. Financial statements of Callidus have been prepared in accordance with International Financial Reporting Standards and are subject to Canadian auditing and auditor independence standards and, therefore, they may not be comparable to financial statements of United States companies.

The enforcement by Shareholders of civil liabilities under the United States federal securities laws may be adversely affected by the fact that Callidus is a corporation organized under the laws of the Province of Ontario, Canada, that all of its directors and officers are residents of Canada, that the experts named in the Offer and Circular are residents of Canada, and a portion of the Corporation’s assets are located outside of the United States. Shareholders in the United States may not be able to sue Callidus or its directors or officers in a foreign court for violations of United States securities laws. It may be difficult to compel such parties to subject themselves to the jurisdiction of a court in the United States or to enforce any judgment obtained from a court of the United States.

Shareholders should be aware that Callidus and its affiliates, directly or indirectly, may bid for or purchase the securities that are subject to the Offer or related securities during the period of the Offer, as permitted by applicable Canadian laws and applicable provincial laws and regulations.

Shareholders should be aware that acceptance of the Offer and disposition of the Shares as described herein may have tax consequences both in the United States and in Canada. Shareholders are urged to consult their tax and legal advisors as to the application of United States federal income tax laws to their particular circumstances, as well as any state, local or foreign income or other tax consequences of a disposition of Shares pursuant to the Offer. If a United States Shareholder fails to provide the Depository with the information solicited on the Substitute Form W-9 set out in the accompanying Letter of Transmittal, or fails to certify that such Shareholder is not subject to United States backup withholding, the Depository may be required to withhold United States income tax from payments made to such United States Shareholder pursuant to this Offer. United States Shareholders also are urged to review Section 11 of the Circular entitled “Certain Canadian Federal Income Tax Considerations”, and in particular, the information under the heading “Non-Residents of Canada” for certain general discussions of Canadian federal income tax consequences applicable to acceptance of the Offer and a disposition of the Shares as described herein.

FORWARD-LOOKING INFORMATION

The Offer and Circular, including, without limitation, the statements and information contained in the Offer to Purchase under the Sections entitled “The Offer”, “Purchase Price”, “Number of Shares, Odd Lots and Pro-Ration”, “Acceptance for Payment and Payment for Deposited Shares” and “Extension and

Variation of the Offer” and in the Circular under the Sections entitled “Callidus Capital Corporation”, “Background to the Offer”, “Price Range of Shares; Dividends; Previous Sales and Purchases of Shares - Trading of Shares”, “Ownership of Callidus Securities; Transactions in Callidus Securities – Acceptance of the Offer”, “Ownership of Callidus Securities; Transactions in Callidus Securities – Effect of Offer on Voting Interests”, “Material Changes in the Affairs of Callidus and Other Material Facts”, “Certain Canadian Federal Income Tax Considerations” and “Fees and Expenses”, may contain statements that, to the extent they are not statements of historical fact, constitute forward-looking information and forward-looking statements which reflect the current view of Callidus with respect to the Corporation’s objectives, plans, goals, strategies, future growth, results of operations, financial and operating performance and business prospects and opportunities. Wherever used, the words “may”, “will”, “anticipate”, “intend”, “expect”, “estimate”, “plan”, “believe” and similar expressions identify forward-looking statements and forward-looking information. Forward-looking statements and forward-looking information should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether, or the times at which, such events, performance or results will be achieved. All of the statements and information in this Offer and Circular containing forward-looking statements or forward-looking information are qualified by these cautionary statements.

Forward-looking statements and forward-looking information are based on information available at the time they are made, underlying estimates and assumptions made by management and management’s good faith belief with respect to future events, performance and results, and are subject to inherent risks and uncertainties surrounding future expectations generally. By its nature, forward-looking information involves certain risks, assumptions, uncertainties and other factors which may cause actual future results to differ materially from those expressed or implied in any forward-looking statements and include but are not limited to:

- changes or disruptions in the securities markets or volatility in the market price or liquidity of the Corporation’s Shares;
- satisfaction or waiver of the conditions to the Offer;
- the extent to which Shareholders determine to deposit their Shares to the Offer;
- the anticipated benefits of the Offer; and
- Callidus’ expected growth and results of operations.

Callidus cautions readers that this list of factors is not exhaustive and that, should certain risks or uncertainties materialize or should underlying estimates or assumptions prove incorrect, actual events, performance and results may vary significantly from those expected. There can be no assurance that the actual results, performance, events or activities anticipated by the Corporation will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation. Potential investors and other readers are urged to consider these factors carefully in evaluating forward-looking information and forward-looking statements and are cautioned not to place undue reliance on any forward-looking information or forward-looking statements.

For additional information with respect to certain of these and other risks or uncertainties, reference should be made to the Corporation’s continuous disclosure materials filed from time to time with the Canadian securities regulatory authorities, including the Corporation’s annual information form (which contains an extensive discussion under the heading “Risk Factors” of the risks and uncertainties affecting Callidus), quarterly and annual reports and financial statements and notes thereto, and supplementary information, which are available on SEDAR at www.sedar.com under the Corporation’s profile. Additional risks and uncertainties not presently known to the Corporation or that Callidus

currently believes to be less significant may also adversely affect the Corporation. Callidus disclaims any intention or obligation to update or revise any forward-looking information or forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

NOTICE REGARDING INFORMATION

Certain information contained in the Offer and Circular, including certain information contained in the Liquidity Opinion and the Valuation, is based solely upon, and Callidus has relied, without independent verification, exclusively upon, information that has been provided by third party sources or that is otherwise publicly available. Neither the Corporation, nor the Board assumes any responsibility for the accuracy or completeness of such information or for any failure by any such third party to disclose events or facts that may have occurred or may affect the significance or accuracy of any such information.

SUMMARY

The following is a summary of information contained elsewhere in the Offer and Circular and does not fully describe all of the details of the Offer. This summary is provided for convenience only and should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing or referred to elsewhere in the Offer and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery. Certain capitalized words and defined terms used in this summary are defined in the Glossary section of the Offer to Purchase found on pages 7 to 10.

Callidus Capital Corporation

Callidus is a specialty asset-based lender, focused primarily on Canadian companies and select U.S. companies that are unable to obtain adequate financing from traditional lenders. Callidus provides flexible and innovative loan structuring, with limited or no covenants, and an efficient credit approval process. The Corporation's loans are generally structured as demand, first lien (senior secured) facilities, on a fully collateralized basis, with targeted Gross Yields of approximately 20%.

Callidus addresses an important gap in the lending markets by providing financing to borrowers whose perceived credit risk is too high for the lending criteria of traditional lenders, and whose capital requirements are too small to access high yield markets. Callidus also provides borrowers with access to capital to fund growth or acquisitions. Additionally, Callidus can assist borrowers through challenging periods by working with the operators and drawing on the extensive experience of the Corporation's management team. Callidus seeks to work with borrowers that are likely to improve their financial stability and gain the ability to repay the funding Callidus has advanced through loan commitments from traditional lenders or otherwise.

The Corporation believes that its expertise in assessing the quality of each prospective borrower, and its ability to complete timely detailed due diligence, enables Callidus to identify opportunities for significant returns in situations where risks can be assessed, controlled and managed. As part of its strategy to manage the perceived risk of these borrowers and each loan, Callidus takes an active approach to lending as it carefully assesses and lends against collateral, typically accounts receivable, inventory, machinery and equipment, real estate and other term assets, and monitors this collateral on an ongoing basis. In addition, the Corporation seeks to provide lending in industries where management has expertise. Callidus has consistently generated significant returns while effectively and prudently managing its risk exposure.

Callidus is a corporation existing under the laws of Ontario, with its registered and head office located at 4620 - 181 Bay Street, P.O. Box 792, Bay Wellington Tower, Brookfield Place, Toronto, Ontario, M5J 2T3. Callidus is a reporting issuer in each of the provinces and territories of Canada. Callidus is registered as an exempt market dealer in Ontario, Alberta, British Columbia and Québec, and as an investment fund manager in Ontario, Québec and Newfoundland and Labrador. As of the date hereof, the Shares are listed and posted for trading on the TSX

under the symbol “CBL”. See Section 8 of the Circular, “Price Range of Shares; Dividends; Previous Sales and Purchases of Shares – Trading of Shares”.

The Offer

Callidus is offering to purchase its Shares under the Offer as set out in the Offer and Circular at a Purchase Price of Cdn\$14 per Share. The Purchase Price will be payable in cash, subject to applicable withholding taxes, if any. See Section 2 of the Offer to Purchase entitled “Purchase Price” for further details. The Purchase Price will be payable in Canadian dollars; however, Shareholders may elect to receive the Purchase Price in United States dollars. The risk of any fluctuation in exchange rates, including risks relating to the particular date and time at which funds are converted, will be solely borne by the Shareholder. See Section 7 of the Offer to Purchase entitled “Acceptance for Payment and Payment for Deposited Shares – Payment” for further details.

Formal Valuation

National Bank Financial was engaged by the Board as the independent valuator to prepare a formal valuation of the Shares in accordance with MI 61-101. The Valuation contains National Bank Financial’s opinion that, based on the scope of its review and subject to the assumptions, restrictions and limitations provided therein, as of April 22, 2016, the fair market value per Share falls within the range of Cdn\$18 to Cdn\$22 per Share. A copy of the Valuation is attached hereto as Schedule B. See also Section 4 of the Circular entitled “Valuation” for further details.

Although the Offer is exempt from the formal valuation requirements of MI 61-101 because: (i) a liquid market exists; and (ii) it is reasonable to conclude, in light of the Liquidity Opinion, that following completion of the Offer, there will be a market for Shareholders who do not tender to the Offer that is not materially less liquid than the market that existed at the time the Offer was made, the Board determined to have the Valuation prepared in order to assist Shareholders in considering the Offer given the substantial difference between the Purchase Price of Cdn\$14 per Share and the fair market value range set forth in the Valuation.

Liquidity Opinion

The Board has obtained a Liquidity Opinion from National Bank Financial to the effect that, based on and subject to the assumptions and limitations stated in the Liquidity Opinion, there was a liquid market for the Shares as of March 29, 2016 and that it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. A copy of the Liquidity Opinion of National Bank Financial is attached hereto as Schedule A.

Purchase Price

The Board has determined to set the Purchase Price at Cdn\$14 per Share. The Purchase Price was determined based on the current and historic trading price of the Shares, the fair market value of the Shares provided for in the Valuation and the price at which the Shares were offered under the Corporation’s initial public offering. While the Purchase Price represents a significant premium to the recent trading price of the Shares, the Valuator has determined that the fair market value per Share falls within the range of Cdn\$18 to Cdn\$22. See also Section 2 of the Circular entitled “Background to the Offer”, Section 3 of the Circular entitled

“Purpose of the Offer and Recommendation of the Board” and Section 4 of the Circular entitled “Valuation” for further details.

Offering Size

The Corporation is offering to purchase for cash up to a maximum of Cdn\$50 million of its Shares. The Corporation can purchase up to 3,571,428 Shares under the Offer, which would represent approximately 7.0% of the Corporation’s issued and outstanding Shares as of April 22, 2016. The Offer is not conditional on any minimum number of Shares being tendered.

If, more than 3,571,426 Shares are validly deposited to the Offer, resulting in an aggregate Purchase Price that exceeds Cdn\$50 million, the Corporation will pro-rate the number of Shares purchased from each Shareholder who has tendered Shares. However, a tender of Shares by a Shareholder who owns an Odd Lot will not be pro-rated if all such Shareholder’s Shares are validly tendered into the Offer. See Section 3 of this Offer to Purchase entitled “Number of Shares, Odd Lots and Pro-Ration” for further details.

Shareholders can reasonably expect to have validly deposited Shares purchased at the Purchase Price if any Shares are purchased under the Offer (subject to pro-ration and the preferential acceptance of Odd Lots). See Sections 2 and 3 of this Offer to Purchase entitled “Purchase Price” and “Number of Shares, Odd Lots and Pro-ration”, respectively, for further details.

Reason for Offer

Callidus is making the Offer as, among other things, it believes that the Shares are undervalued in the market, and it considers the Offer to be an effective use of the Corporation’s cash resources and an equitable and efficient means of distributing capital of up to Cdn\$50 million in the aggregate to Shareholders. See Section 3 of the Circular entitled “Purpose of the Offer and Recommendation of the Board” for further details.

Cash Payment for Shares

The Corporation has adequate freely available cash on hand and committed loan facilities to pay for the maximum number of Shares that could be purchased under the Offer.

Time for Acceptance

A Shareholder may deposit Shares until the Offer expires. The Offer will expire on May 27, 2016 at 5:00 p.m. (Toronto time), unless the Corporation extends it. Shareholders are encouraged to review the Q1 Results prior to making a decision on whether to deposit their Shares to the Offer. The Q1 Results are expected to be released on or around May 14, 2016. The Corporation may choose to extend the Offer for any reason, subject to applicable laws. See Section 8 of the Offer to Purchase entitled “Extension and Variation of the Offer” for further details.

Notice of Offer Extension or Variation

The Corporation will issue a public announcement of any extension, delay, termination, variation or amendment of the Offer promptly to the extent and in the manner required by applicable laws. See Section 8 of the Offer to Purchase entitled “Extension and Variation of the Offer” for further details.

Conditions of the Offer

The Offer is subject to certain conditions that are customary for transactions of this nature and are set forth in Section 6 of the Offer to

Purchase entitled “Conditions of the Offer”. The Offer is not conditional on any minimum number of Shares being deposited to the Offer.

Depositing Shares under the Offer

To deposit Shares:

- as a Registered Shareholder, you must deliver your share certificate(s) and a properly completed and duly executed Letter of Transmittal to the Depositary at its Toronto, Ontario office address appearing on the back cover page of the Offer and Circular by the Expiry Time, or comply with the guaranteed delivery procedure or the book-entry transfer procedures outlined in Section 4 of the Offer to Purchase entitled “Procedure for Depositing Shares”; or
- as a Non-Registered Shareholder, you must request your investment dealer, stock broker, commercial bank, trust company or other nominee to effect the transaction on your behalf.

Contact the Depositary or, if applicable, your investment dealer, stock broker, commercial bank, trust company or other nominee for assistance. See also Section 4 of the Offer to Purchase entitled “Procedure for Depositing Shares” and the instructions set out in the Letter of Transmittal and the Notice of Guaranteed Delivery.

Right to Withdraw Deposited Shares

Shareholders may withdraw any Shares they have deposited at any time before the Corporation takes up the Shares and in the other circumstances described in Section 5 of the Offer to Purchase entitled “Withdrawal Rights”. Generally, if the Corporation has taken up but not paid a Shareholder for its Shares within three business days, the Shareholder may withdraw its Shares. Furthermore, if the Corporation amends the Offer, each Shareholder will have ten days to withdraw its Shares from the date notice is given of the amendment in accordance with Section 8 of the Offer to Purchase entitled “Extension and Variation of the Offer”. However, if the amendment consists solely of an increase in the consideration offered for the Shares and the Offer is not extended for more than ten days or the amendment consists solely of a waiver of a condition of the Offer, the amendment will not entitle a Shareholder to withdraw its Shares. See Sections 4 and 5 of the Offer to Purchase entitled “Procedure for Depositing Shares” and “Withdrawal Rights”, respectively.

Position of Callidus and its Board of Directors

The Board has authorized and approved the Offer. However, none of Callidus, the Board or the Depositary is making any recommendation to a Shareholder as to whether such Shareholder should deposit or refrain from depositing Shares. Each Shareholder must make his or her own decision as to whether to deposit Shares and, if so, how many Shares to deposit. To the knowledge of the Corporation, after reasonable enquiry, no director or officer of the Corporation, no associate or affiliate of a director or officer of the Corporation, no insider of the Corporation (including CCGI and the Catalyst Funds), no associate or affiliate of the Corporation or of any insider of the Corporation has accepted or intends to accept the Offer and deposit any of such person’s or company’s Shares to the Offer. However, in the event that the circumstances or decisions of any such persons or companies change, they may decide to

tender Shares to the Offer or sell their Shares through the facilities of the TSX or otherwise during the period prior to the Expiry Date. CCGI has indicated that the Catalyst Funds will not tender Shares to the Offer. See Section 9 of the Circular entitled “Ownership of Callidus Securities; Transactions in Callidus Securities – Acceptance of the Offer” for further details.

Payment for Deposited Shares

Promptly after the Expiry Time, the Corporation will take up and pay for Shares to be purchased pursuant to the Offer. See Section 7 of the Offer to Purchase entitled “Acceptance for Payment and Payment for Deposited Shares” for further details.

Brokerage Fees or Commissions

A Registered Shareholder who deposits Shares directly to the Depository will not be obligated to pay any brokerage fees or commissions. A Non-Registered Shareholder who holds Shares through an investment dealer, stock broker, commercial bank, trust company or other nominee, should consult with such persons regarding whether any fees or commissions will apply in connection with a deposit of Shares pursuant to the Offer.

Certain Canadian Federal Income Tax Considerations

Certain Canadian federal income tax consequences of accepting the Offer are generally discussed in Section 11 of the Circular entitled “Certain Canadian Federal Income Tax Considerations. **In view of the deemed dividend tax treatment that should generally apply under Canadian tax law upon the sale of a Share to Callidus pursuant to the Offer, as opposed to capital gains treatment which would generally apply to a sale of Shares in the market, taxable Shareholders who wish to sell their Shares under the Offer should carefully consider the income tax consequences of accepting the Offer.**

All Shareholders are urged to consult their own tax and legal advisors as to the application of Canadian and United States income tax laws and the application of their local tax laws to their particular circumstances.

Trading Information

On March 30, 2016, the last trading day immediately prior to the announcement of the Corporation’s intention to make the Offer, the closing price per Share on the TSX was Cdn\$10.39. The Purchase Price represents a premium of approximately 56% over the volume weighted average trading price of the Shares on the TSX of Cdn\$8.99 for the last 30 trading days preceding the date of the Corporation’s announcement.

More Information

Shareholders may contact the Depository with any questions or requests for additional copies of the Offer and Circular, Letter of Transmittal, Notice of Guaranteed Delivery and any notices of change or variation filed with the Canadian securities commissions in connection with the Offer. The Depository is Computershare Trust Company of Canada, whose contact information is set forth on the back cover page of the Offer and Circular.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF CALLIDUS AS TO WHETHER SHAREHOLDERS SHOULD DEPOSIT OR REFRAIN FROM DEPOSITING SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN AS SET FORTH IN THE OFFER AND CIRCULAR OR IN THE RELATED LETTER OF TRANSMITTAL AND NOTICE OF GUARANTEED DELIVERY. IF ANY SUCH RECOMMENDATION, REPRESENTATION OR INFORMATION IS GIVEN OR MADE, ANY SUCH RECOMMENDATION OR ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY CALLIDUS, THE BOARD OR THE DEPOSITARY.

GLOSSARY

This Glossary forms part of the Offer and Circular. In the Offer and Circular, including the Summary and the accompanying Letter of Transmittal and Notice of Guaranteed Delivery, unless the subject matter or context is inconsistent therewith, the following terms have the meanings set forth below and grammatical variations thereof have the corresponding meanings.

“**Adjusted EBITDA**” means EBITDA adjusted for non-cash expenses;

“**affiliate**” has the meaning ascribed thereto in the OSA;

“**Agent’s Message**” has the meaning ascribed thereto under Section 4 of the Offer to Purchase entitled “Procedure for Depositing Shares – Proper Deposit of Shares”;

“**associate**” has the meaning ascribed thereto in the OSA;

“**ATOP**” has the meaning ascribed thereto under Section 4 of the Offer to Purchase entitled “Procedure for Depositing Shares – Book-Entry Transfer Procedures – DTC”;

“**Average Loan Portfolio Outstanding**” is calculated for the annual periods using daily loan balances outstanding. The Average Loan Portfolio Outstanding grosses up the loans receivable and assets held for sale for the provision for loan losses and discounted facilities similar to Gross Loan Receivables;

“**Board**” means the board of directors of Callidus and “**director**” means a director of Callidus;

“**Book-Entry Confirmation**” has the meaning ascribed thereto under Section 4 of the Offer to Purchase entitled “Procedure for Depositing Shares – Proper Deposit of Shares”;

“**business day**” means any day of the year, other than a Saturday, Sunday or day observed as a statutory or civic holiday in Toronto, Ontario;

“**Callidus**” and the “**Corporation**” mean Callidus Capital Corporation, a corporation existing under the OBCA, and its successors;

“**Catalyst Funds**” means certain investment funds managed by CCGI;

“**CCGI**” means The Catalyst Capital Group Inc.;

“**CDS**” means CDS Clearing and Depository Services Inc. or its nominee, which at the date hereof is CDS & Co.;

“**CDSX**” means the CDS on-line tendering system pursuant to which book-entry transfers may be effected;

“**Circular**” means the issuer bid circular accompanying and forming part of the Offer to Purchase;

“**CRA**” means the Canada Revenue Agency;

“**Depository**” means Computershare Trust Company of Canada, the depository for the Offer, or such other person as may be appointed to act as depository for the purposes of the Offer by Callidus;

“**Deposited Shares**” means Shares validly deposited pursuant to the Offer, and to deposit Shares pursuant to the Offer means to validly deposit Shares to the Offer;

“**DRIP**” means the Corporation’s dividend reinvestment plan;

“**DTC**” means The Depository Trust Company;

“**EBITDA**” means, for any relevant period, the Corporation’s net income before depreciation, amortization, interest expense and fees, income tax expense, and foreign exchange gain/loss for such period determined on a consolidated basis;

“**Eligible Institution**” means a Canadian Schedule I chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP), or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Industry Regulatory Organization of Canada, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States;

“**Expiry Date**” means May 27, 2016, or such later date or dates as may be fixed by Callidus from time to time as provided under Section 8 of the Offer to Purchase entitled “Extension and Variation of the Offer”, in which event the term “**Expiry Date**” refers to the date on which the Offer, as so extended by Callidus, will expire;

“**Expiry Time**” means 5:00 p.m. (Toronto time) on the Expiry Date, or such later time or times as may be fixed by Callidus from time to time as provided under Section 8 of the Offer to Purchase entitled “Extension and Variation of the Offer”, in which event the term “**Expiry Time**” refers to the time at which the Offer, as so modified by Callidus, will expire;

“**formal valuation**” has the meaning ascribed thereto in MI 61-101;

“**Gross Loans Receivable**” means the sum of (i) the aggregate amount of loans receivable on the relevant date, (ii) the loan loss allowance on such date, (iii) the book value of assets held for sale as they appear on the balance sheet, and (iv) discounts on loan acquisitions;

“**Gross Yield**” means total revenues divided by Average Loan Portfolio Outstanding. These percentages are presented over a three year period. While Gross Yield is sensitive to non-recurring fees earned (for example, as a result of early repayment), the Corporation has included this information as it believes the information to be instructive and enables readers to see at a glance, trends in the yield of the Loan Portfolio;

“**Initial Portfolio**” means the portion of the Loan Portfolio existing as at April 23, 2014, together with any replacements, substitutions and additions thereto;

“**Letter of Transmittal**” means the letter of transmittal (printed on blue paper) in the form accompanying the Offer and Circular, or a manually executed photocopy thereof;

“**Liquidity Opinion**” means the liquidity opinion dated March 29, 2016 delivered by National Bank Financial to the Board;

“**Liquidity Opinion Engagement Letter**” means the engagement letter dated as of March 29, 2016 pursuant to which National Bank Financial was engaged to prepare and deliver the Liquidity Opinion to the Board in connection with the Offer;

“**Loan Portfolio**” means, collectively, the portfolios of asset-based loans managed by Callidus including additional advances made in respect of such loans and other asset-based loans after the date hereof;

“**market price**” has the meaning ascribed thereto in OSC Rule 62-504 – *Take-Over Bids and Issuer Bids*;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, as amended, supplemented or replaced from time to time;

“**National Bank Financial**” and the “**Valuator**” mean National Bank Financial Inc., the independent valuator retained by Callidus to complete a formal valuation and a liquidity opinion of the Shares in accordance with MI 61-101;

“**Non-Registered Shareholder**” means a Shareholder whose Shares are held through an intermediary, including an investment dealer, stock broker, commercial bank, trust company or other nominee;

“**Non-Resident Shareholder**” has the meaning set out in Section 11 of the Circular entitled “Certain Canadian Federal Income Tax Considerations – Non-Residents of Canada”;

“**Notice of Guaranteed Delivery**” means the notice of guaranteed delivery (printed on green paper) in the form accompanying the Offer and Circular, or a manually executed photocopy thereof;

“**OBCA**” means the *Business Corporations Act* (Ontario) and the regulations made thereunder, all as amended, supplemented or replaced from time to time;

“**Odd Lot**” means a beneficial shareholding of fewer than 100 Shares in the aggregate;

“**Offer**” means the offer by Callidus hereunder to purchase from Shareholders for cash up to Cdn\$50 million in the aggregate of its Shares, on and subject to the terms and conditions set forth in the Offer and Circular and the accompanying Letter of Transmittal and Notice of Guaranteed Delivery, at a Purchase Price of Cdn\$14 per Share;

“**Offer and Circular**” means the Offer to Purchase and the accompanying Circular, including the Summary, the Glossary and all schedules to the Offer and Circular;

“**Offer to Purchase**” means the formal offer to purchase dated April 22, 2016 which is accompanied by the Circular, and which, together with the Letter of Transmittal and Notice of Guaranteed Delivery, sets forth the terms and conditions of the Offer;

“**OSA**” means the *Securities Act* (Ontario) and the regulations made thereunder, all as amended, supplemented or replaced from time to time;

“**Purchase Price**” means Cdn\$14 per Share, being the price per Share that Callidus will pay for Shares validly deposited pursuant to the Offer and not withdrawn;

“**Q1 Results**” means the Corporation’s 2016 first quarter results;

“**Registered Shareholder**” means a Shareholder in whose name Shares are registered as recorded in the Corporation’s shareholder register(s) maintained by the Corporation’s transfer agent, Computershare Investor Services Inc.;

“**Resident Shareholder**” has the meaning set out in Section 11 of the Circular entitled “Certain Canadian Federal Income Tax Considerations – Residents of Canada”;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators at www.sedar.com;

“**SEDI**” means the System for Electronic Disclosure by Insiders;

“**Shareholders**” means, collectively, the holders of Shares, whether registered or beneficial and “**Shareholder**” means any one of them;

“**Shares**” means the issued and outstanding common shares of Callidus and “**Share**” means any one common share of Callidus, each of which carries one vote per share;

“**take up**” in reference to Shares means to accept such Shares for payment by giving written notice of such acceptance to the Depositary and “**taking up**” and “**taken up**” have corresponding meanings;

“**Tax Act**” means the *Income Tax Act* (Canada) and all regulations made thereunder, all as amended, supplemented or replaced from time to time;

“**TSX**” means the Toronto Stock Exchange, and its successors;

“**United States**” means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

“**Valuation**” means the formal valuation report dated April 22, 2016 delivered by the Valuator to the Board;

“**Valuation Date**” means April 22, 2016; and

“**Valuation Engagement Letter**” means the engagement letter dated as of March 30, 2016 pursuant to which National Bank Financial was engaged to prepare and deliver the Valuation to the Board in connection with the Offer.

OFFER TO PURCHASE

To the Shareholders of the Corporation:

1. THE OFFER

Callidus hereby offers to purchase for cancellation from Shareholders for cash up to a maximum of Cdn\$50 million of its Shares upon the terms and subject to the conditions set forth in the Offer and Circular and the accompanying Letter of Transmittal and Notice of Guaranteed Delivery.

The Offer will commence on April 22, 2016, the date of mailing and filing of the Offer and Circular, and will expire at 5:00 p.m. (Toronto time) on May 27, 2016, or at such later time and date to which the Offer may be extended by Callidus. Shareholders are encouraged to review the Q1 Results prior to making a decision on whether to deposit their Shares to the Offer. The Q1 Results are expected to be released on or around May 14, 2016.

The Offer is not conditional upon any minimum number of Shares being deposited. However, the Offer is subject to certain conditions described in Section 6 of the Offer to Purchase entitled “Conditions of the Offer”. Callidus reserves the right to withdraw the Offer and not take up and pay for any Shares deposited under the Offer unless all such conditions are satisfied or waived.

Subject to the satisfaction or waiver by Callidus of the conditions of the Offer, all Shareholders who have validly deposited and have not withdrawn their Shares will receive the Purchase Price, payable in cash, for all Shares taken up and purchased by Callidus, upon and subject to the terms of the Offer, including the provisions relating to pro-ration and the preferential acceptance of Odd Lots described herein. The Purchase Price will be payable in Canadian dollars; however, Shareholders may elect to receive the Purchase Price in United States dollars. The risk of any fluctuation in exchange rates, including risks relating to the particular date and time at which funds are converted, will be solely borne by the Shareholder. See Section 7 of the Offer to Purchase entitled “Acceptance for Payment and Payment for Deposited Shares – Payment”. All payments for purchased Shares will be subject to deduction of any applicable withholding taxes. See Section 11 of the Circular entitled “Certain Canadian Federal Income Tax Considerations”.

Callidus will return all Shares not purchased under the Offer, including Shares not purchased because of pro-ration, promptly after the Expiry Date. Registered Shareholders who deposit their Shares directly to the Depositary will not be obligated to pay any brokerage fees or commissions. Non-Registered Shareholders who hold their Shares through an investment dealer, stock broker, commercial bank, trust company or other nominee should consult with such persons regarding whether any fees or commissions will apply in connection with a deposit of Shares pursuant to the Offer.

The Board has authorized and approved the Offer. None of the Corporation, the Board or the Depositary makes any recommendation to Shareholders as to whether to deposit or refrain from depositing any or all of such Shareholder’s Shares pursuant to the Offer. Shareholders are strongly urged to review and evaluate carefully all information in the Offer and Circular, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit Shares to the Offer and, if so, how many Shares to deposit.

Callidus is making the Offer as, among other things, it believes that the Shares are undervalued in the market, and it considers the Offer to be an effective use of the Corporation’s cash resources and an equitable and efficient means of distributing capital of up to Cdn\$50 million in the aggregate to Shareholders.

The Board has determined to set the Purchase Price at Cdn\$14 per Share. The Purchase Price was determined having regard to the current and historic trading price of the Shares, the fair market value of the Shares provided for in the Valuation and the price at which the Shares were offered under the Corporation's initial public offering. While the Purchase Price represents a significant premium to the recent trading price of the Shares, the Valuator determined that the fair market value per Share falls within the range of Cdn\$18 to Cdn\$22. See also Section 3 of the Circular entitled "Purpose of the Offer and Recommendation of the Board" and Section 4 of the Circular entitled "Valuation" for further details.

Shareholders must decide for themselves whether to deposit Shares under the Offer and should refer to the "Risk Factors" section of the Corporation's management discussion & analysis in respect of the Corporation's fiscal year ending December 31, 2015 available on SEDAR at www.sedar.com under the Corporation's profile, and the other risks and uncertainties described in this Offer and Circular. **Shareholders are also urged to consult their own investment, tax and legal advisors.**

The accompanying Circular, which is incorporated into and forms part of this Offer to Purchase, and the related Letter of Transmittal and Notice of Guaranteed Delivery all contain important information which should be read carefully before making a decision with respect to the Offer. Taxable shareholders are also urged to carefully consider the income tax consequences of depositing Shares under the Offer. See Section 11 of the Circular entitled "Certain Canadian Federal Income Tax Considerations" for further details.

2. PURCHASE PRICE

The Purchase Price will be Cdn\$14 per Share. Upon the terms and subject to the conditions of the Offer (including the pro-rata provisions and the preferential acceptance of Odd Lots described herein), all Shareholders who have validly deposited and not withdrawn their Shares will receive the Purchase Price, payable in cash (but subject to applicable withholding taxes, if any), for all Shares purchased.

If you are a Registered Shareholder, you will receive the Purchase Price per Share in Canadian dollars unless you exercise the right, in your Letter of Transmittal, to elect to receive the Purchase Price per Share in respect of your Shares in United States dollars as described below. If you do not make an election in your Letter of Transmittal, you will receive payment in Canadian dollars. See Section 7 of the Offer to Purchase entitled "Acceptance for Payment and Payment for Deposited Shares – Payment".

If you are a Non-Registered Shareholder, you will receive the Purchase Price per Share in Canadian dollars unless you contact the intermediary in whose name your Shares are registered and request that the intermediary make an election on your behalf to receive the Purchase Price per Share in United States dollars as described below. If your intermediary does not make an election on your behalf, you will receive payment in Canadian dollars. See Section 7 of the Offer to Purchase entitled "Acceptance for Payment and Payment for Deposited Shares – Payment".

The exchange rate that will be used to convert payments from Canadian dollars into United States dollars will be the rate available from Computershare Trust Company of Canada, in its capacity as foreign exchange service provider, on the date the funds are converted, which rate will be based on the prevailing market rate on the date the funds are converted. The risk of any fluctuations in such rate, including risks relating to the particular date and time at which funds are converted, will be solely borne by the Shareholder. Computershare Trust Company of Canada will act as principal in such currency conversion transactions. See Section 7 of the Offer to Purchase entitled "Acceptance for Payment and Payment for Deposited Shares – Payment".

Shareholders depositing Shares to the Offer can reasonably expect to have such Shares purchased at the Purchase Price if any Shares are purchased under the Offer (subject to the pro-ration provisions and the preferential acceptance of Odd Lots described herein).

3. NUMBER OF SHARES, ODD LOTS AND PRO-RATION

As at April 22, 2016, there were 51,091,287 Shares issued and outstanding. Subject to the satisfaction or waiver by Callidus of the conditions of the Offer, Callidus will purchase for cancellation, at the Purchase Price, the Deposited Shares up to a maximum aggregate Purchase Price of Cdn\$50 million. The maximum number of Shares that will be purchased for cancellation under the Offer is 3,571,428, representing approximately 7.0% of the total number of issued and outstanding Shares.

If the number of Deposited Shares (not withdrawn in accordance with Section 5 of this Offer to Purchase entitled “Withdrawal Rights”) is less than or equal to 3,571,428, Callidus will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price all Deposited Shares.

If the number of Deposited Shares (not withdrawn in accordance with Section 5 of this Offer to Purchase entitled “Withdrawal Rights”) is greater than 3,571,428, such Deposited Shares will be purchased on a pro rata basis according to the number of Shares deposited (with adjustments to avoid the purchase of fractional Shares), except that Odd Lot deposits will not be subject to pro-ration. For the purposes of the foregoing, an Odd Lot deposit is a deposit by a Shareholder who (A) beneficially owns in the aggregate fewer than 100 Shares as of the close of business on the Expiry Date, (B) validly deposits all such Shares prior to the Expiry Time, and (C) checks (or ticks) Box A captioned “Odd Lots” in either the Letter of Transmittal or the Notice of Guaranteed Delivery, as the case may be. Partial tenders will not qualify for the Odd Lot acceptance preference. The Odd Lot acceptance preference is not available to a holder of 100 or more Shares even if such holder has separate certificates for fewer than 100 Shares or holds fewer than 100 Shares in different accounts. As set forth above, Odd Lots will be accepted for purchase before any pro-ration. Registered Shareholders holding Odd Lots therefore have the opportunity to sell their Shares without incurring brokerage commissions or the odd lot discounts that they might otherwise incur if they were to sell their Shares in a transaction on the TSX.

4. PROCEDURE FOR DEPOSITING SHARES

Proper Deposit of Shares

To validly deposit Shares pursuant to the Offer, (i) the certificates for all Deposited Shares in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) relating to such Shares with signatures guaranteed by an Eligible Institution if so required in accordance with the Letter of Transmittal, and any other documents required by the Letter of Transmittal, must be received by the Depositary at its Toronto, Ontario office address listed in the Letter of Transmittal by the Expiry Time, or (ii) the guaranteed delivery procedure described below must be followed, or (iii) such Shares must be transferred pursuant to the procedures for book-entry transfer described below (and a confirmation of such tender must be received by the Depositary, including a Book-Entry Confirmation or an Agent’s Message (each as defined below) if the depositing Shareholder has not delivered a Letter of Transmittal). The term “**Book-Entry Confirmation**” means a confirmation of a book-entry transfer of a Shareholder’s Shares into the Depositary’s account at CDS or DTC, as applicable. The term “**Agent’s Message**” means a message, transmitted by DTC to and received by the Depositary and forming part of a Book-Entry Confirmation, which states that DTC has received an express acknowledgement from the depositing participant, which acknowledgement states that such participant has received and agrees to be bound by the Letter of Transmittal and that the Corporation may enforce such Letter of Transmittal against the participant.

A Non-Registered Shareholder who wishes to deposit Shares under the Offer should immediately contact such person's investment dealer, stock broker, commercial bank, trust company or other nominee in order to take the necessary steps to be able to deposit such Shares under the Offer.

Participants of CDS or DTC in the United States should contact the Depository, or any other applicable depository, to obtain instructions as to the method of depositing Shares under the terms of the Offer. CDS in Canada and DTC in the United States will be issuing instructions to participants as to the method of depositing Shares under the terms of the Offer.

In accordance with Instruction 5 of the Letter of Transmittal, or the Book-Entry Confirmation or Agent's Message in lieu thereof, each Shareholder desiring to deposit Shares pursuant to the Offer must indicate whether the Shareholder is making an Odd Lot deposit by completing Box A captioned "Odd Lots" in such Letter of Transmittal, or the Book-Entry Confirmation in lieu thereof, in order to qualify for the preferential treatment available to Odd Lot holders.

Signature Guarantees

No signature guarantee is required on the Letter of Transmittal if either (i) the Letter of Transmittal is signed by the Registered Shareholder(s) exactly as the name(s) of the Registered Shareholder(s) appears on the Share certificate deposited therewith and payment and delivery is to be made directly to such Registered Shareholder(s) or (ii) Shares are deposited by an Eligible Institution. See Instruction 4 of the Letter of Transmittal. In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution.

If a certificate representing Shares is registered in the name of a person other than the person signing the Letter of Transmittal, or if payment or delivery is to be made, or certificates representing Shares not purchased or deposited are to be issued to a person other than the Registered Shareholder, the certificate must be endorsed or accompanied by an appropriate share transfer power of attorney, in either case, duly and properly completed and signed exactly as the name of the Registered Shareholder appears on the certificate with the signature on the certificate or share transfer power of attorney guaranteed by an Eligible Institution.

Book-Entry Transfer Procedures – CDS

The Depository intends to establish an account with respect to the Shares at CDS for purposes of the Offer. Any financial institution that is a participant in CDS may make book-entry delivery of the Shares through CDSX by causing CDS to transfer such Shares into the Depository's account in accordance with CDS procedures for such transfer. Delivery of Shares to the Depository by means of a book-entry transfer through CDSX will constitute a valid tender under the Offer.

Shareholders may accept the Offer by following the procedures for a book-entry transfer established by CDS, provided that a Book-Entry Confirmation through CDSX is received by the Depository at its Toronto, Ontario office address set forth on the back cover page of this Offer and Circular prior to the Expiry Time. Shareholders, through their respective CDS participants, who utilize CDSX to accept the Offer through a book-entry transfer of their holdings into the Depository's account with CDS will be deemed to have completed and submitted a Letter of Transmittal and to be bound by the terms thereof and, therefore, such instructions received by the Depository are considered a valid tender in accordance with the terms of the Offer. **Delivery of documents to CDS does not constitute delivery to the Depository.**

Book-Entry Transfer Procedures – DTC

The Depository intends to establish an account with respect to the Shares at DTC for purposes of the Offer. Any financial institution that is a participant in DTC may make book-entry delivery of the Shares by causing DTC to transfer such Shares into the Depository's account in accordance with DTC procedures for such transfer.

Although delivery of the Shares may be effected under the Offer through book-entry transfer into the Depository's account at DTC, the Letter of Transmittal (or a manually signed photocopy thereof) with any required signature guarantees, or (in the case of a book-entry transfer) an Agent's Message in lieu of the Letter of Transmittal and any other required documents must, in any case, be transmitted to and received by the Depository at its Toronto, Ontario office address set forth on the back cover page of the Offer and Circular prior to the Expiry Time in connection with the tender of such Shares. **Delivery of documents to DTC does not constitute delivery to the Depository.**

Shareholders who are tendering by book-entry transfer to the Depository's account at DTC may execute their tender through DTC's Automated Tender Offer Program ("ATOP") by transmitting their acceptance to DTC in accordance with DTC's ATOP procedures. DTC will then verify the acceptance, execute a book-entry delivery to the Depository's account at DTC and send an Agent's Message to the Depository. Delivery of the Agent's Message by DTC will satisfy the terms of the Offer in lieu of execution and delivery of a Letter of Transmittal by the participant identified in the Agent's Message. Accordingly, the Letter of Transmittal need not be completed by a Shareholder tendering through ATOP.

Procedure for Guaranteed Delivery

If a Shareholder wishes to deposit Shares pursuant to the Offer and cannot deliver certificates for such Shares, or the book-entry transfer procedures described above cannot be completed prior to the Expiry Time, or time will not permit all required documents to reach the Depository prior to the Expiry Time, such Shares may nevertheless be deposited if all the following conditions are met:

- (a) such deposit is made by or through an Eligible Institution;
- (b) a properly completed and duly executed Notice of Guaranteed Delivery, or a manually executed photocopy thereof, in the form provided by Callidus is received by the Depository at its office in Toronto, Ontario as set out in the Notice of Guaranteed Delivery, prior to the Expiry Time; and
- (c) the certificates for all Deposited Shares in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal, or a manually executed photocopy thereof, relating to such Shares, with signatures guaranteed by an Eligible Institution if so required in accordance with the Letter of Transmittal, and any other documents required by the Letter of Transmittal, are received by the Depository at its Toronto, Ontario office address as set out in the Notice of Guaranteed Delivery before 5:00 p.m. (Toronto time) on or before the third business day after the Expiry Date.

The Notice of Guaranteed Delivery may be delivered by hand, courier or mail, or transmitted by facsimile transmission to the office of the Depository in Toronto, Ontario, as set out therein, and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

The tender information specified in a Notice of Guaranteed Delivery by a person completing such Notice of Guaranteed Delivery will, in all circumstances, take precedence over any inconsistent tender information that is specified in the related Letter of Transmittal that is subsequently deposited.

Notwithstanding any other provision hereof, payment for Shares deposited and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares, a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) relating to such Shares, with signatures guaranteed if required, and any other documents required by the Letter of Transmittal.

Method of Delivery

The method of delivery of certificates representing Shares and all other required documents is at the option and risk of the depositing Shareholder. If certificates representing Shares are to be sent by mail, registered mail with return receipt requested, properly insured, is recommended and the mailing must be made sufficiently in advance of the Expiry Date to permit delivery to the Depositary at or prior to the Expiry Time. Delivery will be effective only upon actual receipt of share certificates representing such Shares by the Depositary.

Determination of Validity

All questions as to the number of Shares to be accepted and taken up, the price per Share to be paid therefor, the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any deposit of Shares, will be determined by Callidus, in its sole discretion, which determination will be final and binding on all parties. The Corporation reserves the absolute right to reject any or all deposits of Shares judged by it not to be in proper form or which, in the opinion of its counsel, may be unlawful for it to accept under the laws of any jurisdiction. The Corporation also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any deposit of Shares. No deposit of Shares will be deemed to be validly made until all defects and irregularities have been cured or waived. Neither the Corporation nor the Depositary nor any other person will be under any duty to give notification of any defect or irregularity in deposits or incur any liability for failure to give any such notice. The Corporation's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Notice of Guaranteed Delivery) will be final and binding.

Under no circumstances will interest accrue or be paid by Callidus or the Depositary on the Purchase Price to any person depositing Shares regardless of any delay in making payment, including any delay in making payment to any person using the guaranteed delivery procedures, and the payment for Shares deposited pursuant to the guaranteed delivery procedures will be the same as that for Shares delivered to the Depositary on or prior to the Expiry Date, even if the Shares to be delivered pursuant to the guaranteed delivery procedures are not so delivered to the Depositary at such date and, therefore, payment by the Depositary on account of such Shares is not made until after the date the payment for the Deposited Shares accepted for payment pursuant to the Offer is to be made by the Corporation.

Formation of Agreement

The proper deposit of Shares pursuant to any one of the procedures described above will constitute a binding agreement between the depositing Shareholder and the Corporation, effective as of the time at which Callidus takes up Shares deposited by the depositing Shareholder, upon the terms and subject to the conditions of the Offer contained herein and in the Letter of Transmittal.

Further Assurances

Each Shareholder accepting the Offer covenants under the terms of the Letter of Transmittal to execute, upon request of Callidus, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Deposited Shares to the Corporation. Each authority therein conferred or agreed to be conferred may be exercised during any

subsequent legal incapacity of such Shareholder and will, to the extent permitted by law, survive the death or incapacity, bankruptcy or insolvency of the Shareholder and all obligations of the Shareholder therein will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

5. WITHDRAWAL RIGHTS

Except as otherwise expressly provided in this Section 5 or otherwise required or permitted by applicable laws, all deposits of Shares pursuant to the Offer will be irrevocable. Shares deposited pursuant to the Offer may be withdrawn by or on behalf of the depositing Shareholder: (a) at any time up to and including the Expiry Date; (b) at any time when the Shares have not been taken up by Callidus; (c) at any time before the expiration of ten days from the date that a notice of change or variation (other than a variation that (i) consists solely of an increase in the consideration offered for the Shares under the Offer where the time for deposit is not extended for greater than ten days, or (ii) consists solely of the waiver of one or more conditions of the Offer) has been given in accordance with Section 8 of this Offer to Purchase entitled “Extension and Variation of the Offer”; or (d) if the Shares have not been paid for by Callidus within three business days after having been taken up.

For a withdrawal to be effective, a written notice of withdrawal must be actually physically received in a timely manner by the Depository at the place of deposit of the relevant Shares. Any such notice of withdrawal must be signed by or on behalf of the person(s) who signed the Letter of Transmittal or Notice of Guaranteed Delivery that accompanied the Shares being withdrawn and must specify the name of the person(s) who deposited the Shares to be withdrawn, the name of the Registered Shareholder(s), if different from that of the person(s) who deposited such Shares, and the number of Shares to be withdrawn. If the certificates have been delivered or otherwise identified to the Depository then, prior to the release of such certificates, the depositing Shareholder must submit the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution, except in the case of Shares deposited by an Eligible Institution or if the notice of withdrawal is signed by the Registered Shareholder(s) exactly as the name(s) of the Registered Shareholder(s) appears on the certificate representing the Shares deposited with the Letter of Transmittal. **A withdrawal of Shares deposited pursuant to the Offer can be accomplished only in accordance with the foregoing procedure. The withdrawal will take effect only upon actual receipt by the Depository of the properly completed and executed written notice.**

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Callidus, in its sole discretion, which determination will be final and binding on all parties. Neither the Corporation nor the Depository or any other person will be obligated to give any notice of any defects or irregularities in any notice of withdrawal and none of them will incur any liability for failure to give any such notice.

A Non-Registered Shareholder who wishes to withdraw Shares under the Offer and whose certificate is registered in the name of an investment dealer, stock broker, bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to withdraw such Shares under the Offer.

Any Shares validly withdrawn will thereafter be deemed not to have been deposited for purposes of the Offer. However, withdrawn Shares may be redeposited prior to the Expiry Time by again following the procedures described in Section 4 of this Offer to Purchase entitled “Procedure for Depositing Shares”.

If Callidus (i) extends the period of time during which the Offer is open, (ii) is delayed in its purchase of Shares, or (iii) is unable to purchase Shares pursuant to the Offer for any reason, then, without prejudice to the Corporation’s rights under the Offer, the Depository may, subject to applicable

law, retain on behalf of the Corporation all Deposited Shares, and such Deposited Shares may not be withdrawn except to the extent depositing Shareholders are entitled to withdrawal rights as described in this Section 5 of this Offer to Purchase entitled “Withdrawal Rights”.

6. CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, Callidus will not be required to accept for purchase, to purchase or pay for any Shares deposited and may withdraw, terminate, cancel, extend or amend the Offer or may postpone the take up and payment for Shares deposited if, at any time before the payment for any such Shares, any of the following events will have occurred (or will have been determined by the Corporation, in its sole judgment, to have occurred) which, in the Corporation’s sole judgment in any such case and regardless of the circumstances, makes it inadvisable to proceed with the Offer or with such acceptance for purchase or payment:

- (a) there shall have been threatened, instituted or pending any action or proceeding by any government or governmental authority or regulatory or administrative agency in any jurisdiction, or by any other person in any jurisdiction, before any court or governmental authority or regulatory or administrative agency in any jurisdiction, (i) challenging or seeking to cease trade, make illegal, delay or otherwise directly or indirectly restrain or prohibit the making of the Offer or the acceptance for payment of some or all of the Shares by the Corporation, or otherwise directly or indirectly relating in any manner to or affecting the Offer, or (ii) that, in the sole judgment of the Corporation, has or may have a material adverse effect on the Shares or the business, income, assets, liabilities, properties, condition (financial or otherwise), operations, results of operations or prospects of the Corporation and its subsidiaries taken as a whole, or has or may materially impair the contemplated benefits of the Offer to the Corporation;
- (b) there shall have been any approval withheld or any action or proceeding threatened, instituted or pending or taken or any statute, rule, regulation, stay, decree, judgment or order or injunction proposed, sought, enacted, enforced, promulgated, amended, issued or deemed applicable to the Offer or the Corporation or any of its subsidiaries, by any court, government or governmental authority or regulatory or administrative agency or any statute, rule or regulation shall become operative or applicable in any jurisdiction that might directly or indirectly result in any of the consequences referred to in clause (i) or (ii) of paragraph (a) above or that would or might prohibit, prevent, restrict or delay consummation of the Offer or would or might materially impair the contemplated benefits of the Offer to the Corporation or otherwise make it inadvisable to proceed with the Offer;
- (c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any securities exchange or in the over-the-counter market in Canada or the United States, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in Canada or the United States (whether or not mandatory), (iii) a natural disaster or the commencement or material worsening of a war, armed hostilities, act of terrorism or other international or national calamity directly or indirectly involving Canada or the United States, (iv) any limitation by any governmental, regulatory or administrative authority or agency or any other event that might affect the extension of credit by banks or other lending institutions, (v) any significant decrease in the market price of the Shares after the close of business on April 21, 2016, (vi) any change in the general political, market, economic or financial conditions that has or may have a material adverse effect on the Corporation’s business, operations or prospects or the trading in, or value of, the Shares, (vii) any decline in any of the S&P/TSX

Composite Index, the Dow Jones Industrial Average or the S&P 500 Index by an amount in excess of 10%, measured from the close of business on April 21, 2016, or (viii) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof;

- (d) there shall have occurred any change or changes (or any development involving any prospective change or changes) in the business, income, assets, liabilities, properties, condition (financial or otherwise), operations, results of operations or prospects of the Corporation or its subsidiaries that, individually or in the aggregate, has, have or may have a material adverse effect on the Corporation and its subsidiaries taken as a whole;
- (e) National Bank Financial shall have withdrawn or amended the Valuation or Liquidity Opinion in respect of the Offer;
- (f) Callidus shall have concluded that the Offer or the taking up and payment for any or all of the Deposited Shares by the Corporation is illegal or otherwise not in compliance with applicable laws, or that necessary exemptions under applicable securities legislation in Canada, including exemptions from the obligation to take up Shares in the event that the Offer is extended in certain circumstances, are not available on acceptable terms to the Corporation in respect of the Offer and, if required under any such legislation, the Corporation shall not have received the necessary exemptions from or waivers of the appropriate courts or securities regulatory authorities in respect of the Offer;
- (g) any take-over bid or tender or exchange offer with respect to some or all of the securities of Callidus, or any amalgamation, arrangement, merger, business combination or acquisition proposal, disposition of assets, or other similar transaction with or involving Callidus or any of its affiliates, other than the Offer, or any solicitation of proxies, other than by management, to seek to control or influence the Board, shall have been proposed, announced or made by any individual or entity;
- (h) any change shall have occurred or been proposed to the Tax Act or the current published administrative policies or assessing practices of the CRA or other relevant taxing authority or to relevant tax jurisprudence (including without limitation with respect to any such tax authority or tax jurisprudence the United States Internal Revenue Service and the application and interpretation of the Internal Revenue Code of 1986, as amended) that is detrimental to the Corporation, its affiliates or any one or more Shareholders or with respect to making the Offer or taking up and paying for the Shares pursuant to the Offer;
- (i) Callidus shall have determined that the consummation of the Offer and the purchase of the Shares may cause the Shares to be de-listed from TSX; or
- (j) Callidus shall have determined that Callidus would be subject to Part VI.1 tax under the Tax Act in connection with the Offer.

The foregoing conditions are for the sole benefit of Callidus and may be asserted by the Corporation, in its sole discretion, regardless of the circumstances (including any action or inaction by the Corporation) giving rise to any such conditions, or may be waived by the Corporation, in its sole discretion, in whole or in part at any time. The failure by the Corporation at any time to exercise its rights under any of the foregoing conditions will not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and circumstances will not be deemed a waiver with respect to any other facts and circumstances; and each such right will be deemed an ongoing right which may be

asserted at any time or from time to time. Any determination by the Corporation concerning the events described in this Section 6 will be final and binding on all parties.

Any waiver of a condition by Callidus, or the withdrawal of the Offer by the Corporation, will be deemed to be effective on the date on which written notice of such waiver or withdrawal is delivered or otherwise communicated to the Depositary at its principal office in Toronto, Ontario. The Corporation, after giving notice to the Depositary of any waiver of a condition or the withdrawal of the Offer, will forthwith thereafter make a public announcement of such waiver or withdrawal and provide or cause to be provided notice of such waiver or withdrawal to the TSX and the applicable Canadian securities regulatory authorities. If the Offer is withdrawn, the Corporation will not be obligated to take up, accept for purchase or pay for any of the Deposited Shares, and the Depositary will, as soon as practicable, return all certificates for Deposited Shares, Letters of Transmittal and Notices of Guaranteed Delivery and any related documents to the parties by whom they were deposited.

7. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR DEPOSITED SHARES

If all conditions referred to in Section 6 of this Offer to Purchase entitled “Conditions of the Offer”, have been satisfied or waived by Callidus at or prior to the Expiry Time, the Corporation will, subject to the terms and conditions of the Offer (including the pro-ration provisions and the preferential acceptance of Odd Lots described herein) take up and pay for Shares validly deposited pursuant to the Offer and not withdrawn promptly after the Expiry Time upon the terms of the Offer and subject to and in accordance with applicable securities laws. The Corporation will pay for Deposited Shares within three business days after taking up such Deposited Shares and cancel such Deposited Shares promptly following payment.

Number of Shares

For the purposes of the Offer, Callidus will be deemed to have taken up and accepted for payment, subject to pro-ration and the preferential acceptance of Odd Lots, that number of Deposited Shares having an aggregate Purchase Price of not more than Cdn\$50 million that are validly deposited and not withdrawn if, as and when the Corporation gives oral (to be confirmed in writing) or written notice to the Depositary of its acceptance of such Shares for payment pursuant to the Offer.

The Corporation reserves the right, in its sole discretion, to delay taking up or paying for any Deposited Shares or to terminate the Offer and not take up or pay for any Deposited Shares if any condition referred to in Section 6 of this Offer to Purchase entitled “Conditions of the Offer” is not satisfied or waived, by giving written notice thereof or other communication confirmed in writing to the Depositary. The Corporation also reserves the right, in its sole discretion and notwithstanding any other condition of the Offer, to delay taking up and paying for Deposited Shares in order to comply, in whole or in part, with any applicable law.

Payment

Each Registered Shareholder who has tendered Shares under the Offer will receive payment of the Purchase Price for accepted Shares in Canadian dollars, unless such Shareholder exercises the applicable election in the Letter of Transmittal to use the Depositary’s currency exchange services to convert payment of the Purchase Price of the tendered Shares into United States dollars as described below. In the absence of a Shareholder making such an election in the Letter of Transmittal, such Shareholder will receive payment of the Purchase Price for the tendered Shares in Canadian dollars. There is no additional fee payable by Shareholders who elect to use the Depositary’s currency exchange services. Shares taken up and paid for by Callidus will be promptly cancelled by Callidus.

Each Non-Registered Shareholder who has tendered Shares under the Offer will receive payment of the Purchase Price for accepted Shares in Canadian dollars, unless such Non-Registered Shareholder contacts the intermediary in whose name such Non-Registered Shareholder's Shares are registered and requests that the intermediary make an election on their behalf to receive the Purchase Price per Share in United States as described below. If the intermediary does not make an election on such Non-Registered Shareholder's behalf, such Non-Registered Shareholder will receive payment in Canadian dollars.

The exchange rate that will be used to convert payments from Canadian dollars into United States dollars will be the rate available from Computershare Trust Company of Canada, in its capacity as foreign exchange service provider, on the date the funds are converted, which rate will be based on the prevailing market rate on the date the funds are converted. The risk of any fluctuations in such rates, including risks relating to the particular date and time at which funds are converted, will be solely borne by the tendering Shareholder. Computershare Trust Company of Canada will act as principal in such currency conversion transactions.

Payment for Deposited Shares accepted for purchase, and not withdrawn, pursuant to the Offer will be made by depositing the aggregate Purchase Price for such Deposited Shares with the Depositary by bank transfer or other means satisfactory to the Depositary, who will act as agent for the depositing Shareholders for the purpose of receiving payment from the Corporation and transmitting such payment to the depositing Shareholders. The Depositary will also coordinate with CDS and DTC, as applicable, with respect to Shareholders who have deposited Shares by way of book-entry transfer which are taken up and accepted for payment by Callidus, to arrange for payment to be made to such Shareholders in accordance with the applicable settlement procedures of CDS and DTC, as applicable. Receipt of payment by the Depositary will be deemed to constitute receipt of payment by persons depositing Shares. Under no circumstances will interest accrue or be paid by the Corporation or the Depositary to persons depositing Shares regardless of any delay in paying for any Shares or otherwise.

In the event of pro-ration of Deposited Shares, the Corporation will determine the pro-ration factor and pay for those Deposited Shares accepted for payment promptly after the Expiry Date in accordance with this Section 7. However, the Corporation does not expect to be able to announce the final results of any such pro-ration for at least three business days after the Expiry Date. The Purchase Price for Shares deposited and purchased will be paid by cheque issued to the order of, and certificate(s) representing Shares not deposited or not purchased under the Offer will be issued or returned to, the person signing the relevant Letter of Transmittal or to the order of such other person as identified by the person signing such Letter of Transmittal, by properly completing the boxes captioned "Special Payment Instructions" and/or "Special Delivery Instructions" in such Letter of Transmittal. In the absence of an address being provided, cheques or certificates will be forwarded to the address of the person as shown on the share register(s) for the Deposited Shares.

Certificates for all Shares not purchased, including Shares not purchased due to pro-ration and Shares not accepted for purchase pursuant to the terms and conditions of the Offer for any reason, will be returned promptly after the Expiry Date or termination of the Offer without expense to the depositing Shareholder. In the case of Shares deposited by book-entry transfer pursuant to the procedures set out in Section 4 of this Offer to Purchase entitled "Procedure for Depositing Shares", such Shares will be credited to the depositing Shareholder's account maintained with CDS or DTC, as applicable.

The Depositary will forward, at the Corporation's expense, cheques representing the cash payment for a Shareholder's Shares taken up under the Offer and certificates representing all Shares not purchased by first-class mail, postage pre-paid, to the person signing the relevant Letter of Transmittal or to such other person or such other address as identified by the person in such Letter of Transmittal (unless, in the case of a cheque, the person signing the Letter of Transmittal instructs the Depositary to hold such cheque for pick-up) by properly completing the box captioned "Special Delivery Instructions"

in such Letter of Transmittal. See Section 9 of this Offer to Purchase entitled “Payment in the Event of Mail Service Interruption” in the event of a real or possible mail service interruption. Cheques mailed in accordance with this paragraph will be deemed to have been delivered at the time of mailing.

If you are a Registered Shareholder and you deposit your Shares directly to the Depository, you will not be obligated to pay any brokerage fees or commissions. If you are a Non-Registered Shareholder who holds your Shares through an investment dealer, stock broker, commercial bank, trust company or other nominee, you should consult with such persons regarding whether fees or commissions will apply in connection with a deposit of Shares pursuant to the Offer.

8. EXTENSION AND VARIATION OF THE OFFER

Subject to applicable law, Callidus expressly reserves the right, in its sole discretion and regardless of whether or not any of the conditions specified under Section 6 of this Offer to Purchase entitled “Conditions of the Offer” have been satisfied or waived, at any time or from time to time, to extend the period of time during which the Offer is open or to vary the terms and conditions of the Offer by giving written or oral (to be confirmed in writing) notice of extension or variation to the Depository and by causing the Depository to provide, where required by law, as soon as practicable thereafter, a copy of the notice in the manner set forth under Section 11 of this Offer to Purchase entitled “Notice”, to all Shareholders. As soon as practicable after giving notice of an extension or variation to the Depository, the Corporation will make a public announcement of the extension or variation and provide or cause to be provided notice of such extension or variation to the TSX and the Canadian securities regulatory authorities. Any notice of extension or variation will be deemed to have been given and be effective on the day on which it is delivered or otherwise communicated in writing to the Depository at its principal office in Toronto, Ontario.

Where the terms of the Offer are varied (other than (i) a variation consisting solely of the waiver of one or more conditions of the Offer, or (ii) a variation consisting solely of an increase in the consideration offered under the Offer where the Expiry Date is not extended for a period greater than ten days), the period during which Shares may be deposited pursuant to the Offer will not expire before ten days after the notice of variation has been given to Shareholders, unless otherwise permitted by applicable law and subject to abridgement or elimination of that period pursuant to such orders or other forms of relief as may be granted by applicable securities regulatory authorities.

During any such extension or in the event of any variation, all Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by the Corporation in accordance with the terms of the Offer, subject to Section 5 of this Offer to Purchase entitled “Withdrawal Rights”. An extension of the Expiry Date or a variation of the Offer or change in information does not constitute a waiver by the Corporation of its rights under Section 6 of this Offer to Purchase entitled “Conditions of the Offer”.

If, prior to the Expiry Time, a variation in the terms of the Offer increases the consideration offered to Shareholders by the Corporation, such increase will be applicable to all Deposited Shares that are taken up pursuant to the Offer. The Purchase Price to be paid by the Corporation for any Shares taken up and paid for as a result of an extension of the Offer will be the same Purchase Price paid to Shareholders whose Shares are taken up and paid for pursuant to, and prior to the extension of, the Offer.

Notwithstanding the foregoing, except as required by applicable securities laws, the Offer may not be extended by the Corporation if all of the terms and conditions of the Offer have been satisfied, except those waived by the Corporation, unless the Corporation first takes up all Shares validly deposited under the Offer and not withdrawn.

The Corporation also expressly reserves the right, in its sole discretion, (i) to terminate the Offer and not to accept for purchase or pay for any Shares upon the occurrence of any of the events specified in Section 6 of this Offer to Purchase entitled “Conditions of the Offer”, or (ii) at any time or from time to time, to amend the Offer in any respect, including, without limitation, increasing or decreasing the maximum value of Shares that Callidus may purchase and/or the range of prices it may pay pursuant to the Offer, subject to compliance with applicable Canadian securities laws .

If, prior to the Expiry Time or after the Expiry Time but before the expiry of all rights to withdraw Shares deposited to the Offer, a change (other than a change that is not within the control of the Corporation or its affiliates) has occurred in the information set forth in the Offer and Circular or in any notice of change or variation that would reasonably be expected to affect the decision of Shareholders to accept the Offer, the Corporation will cause a notice of change to be delivered to all Shareholders whose Shares have not been taken up as of the date of such change and will extend the time during which the Offer is open to the extent required under applicable Canadian securities laws.

Any such extension, delay, termination or amendment will be followed as promptly as practicable by a public announcement thereof. Without limiting the manner in which Callidus may choose to make any public announcement, except as required by applicable law, Callidus will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a news release through its usual news wire service.

9. PAYMENT IN THE EVENT OF MAIL SERVICE INTERRUPTION

Notwithstanding the provisions of the Offer and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, cheques in payment for Shares purchased under the Offer and certificates for any Shares to be returned will not be mailed if Callidus determines that delivery by mail may be delayed. Persons entitled to cheques or certificates which are not mailed for this reason may take delivery at the office of the Depositary at which the deposited certificates for the Shares were delivered until the Corporation has determined that delivery by mail will no longer be delayed. The Corporation will provide notice as provided under Section 11 of this Offer to Purchase entitled “Notice”, of any determination not to mail under this Section 9 as soon as reasonably practicable after such determination is made. The deposit by the Corporation of cheques with the Depositary in these circumstances will constitute delivery to the persons entitled to them and payment for the Shares will be deemed to have been made immediately upon such deposit.

10. LIENS; DIVIDENDS

Shares acquired pursuant to the Offer will be acquired by Callidus free and clear of all hypothecs, liens, charges, encumbrances, security interests, claims, restrictions and equities whatsoever, together with all rights and benefits arising therefrom, including, without limitation, the right to any and all dividends, distributions, payments, securities, rights, assets or other interests which may be declared, paid, issued, distributed, made or transferred on or in respect of such Shares to Shareholders of record on or after the date that Callidus takes up and accepts for payment the Shares under the Offer. Any dividends, distributions, payments, securities, rights, assets or other interests which may be declared, paid, issued, distributed, made or transferred on or in respect of such Shares to Shareholders of record prior to the date upon which the Shares are taken up and accepted for payment under the Offer, including the dividend expected to be paid on May 20, 2016, will be for the account of such Shareholders. However, Shareholders that tender to the Offer will not be entitled to the dividend expected to be paid to Shareholders of record as of May 31, 2016. Each Shareholder of record as of the applicable record date prior to the date upon which the Shares are taken up and accepted for payment under the Offer will be entitled to receive that dividend, distribution, payment, security, right, asset or other interest (if any), whether or not such Shareholder deposits Shares pursuant to the Offer.

Each depositing Shareholder will be bound by a representation and warranty that such Shareholder has full power and authority to deposit, sell, assign and transfer the Deposited Shares and any and all dividends, distributions, payments, securities, rights, assets or other interests which may be declared, paid, issued, distributed, made or transferred on or in respect of the Deposited Shares with a record date on or after the date that Callidus takes up and accepts for payment the Deposited Shares and that, if the Deposited Shares are accepted for purchase by Callidus, Callidus will acquire good title thereto, free and clear of all hypothecs, liens, charges, encumbrances, security interests, claims, restrictions and equities whatsoever, together with all rights and benefits arising therefrom.

11. NOTICE

Without limiting any other lawful means of giving notice, any notice to be given by Callidus or the Depositary under the Offer will be deemed to have been properly and validly given if it is mailed by first-class mail, postage prepaid, to the Registered Shareholders at their respective addresses as shown on the share register(s) maintained in respect of the Shares and, except as otherwise provided in the Offer, will be deemed to have been received on the first business day following the date of mailing. These provisions apply despite (i) any accidental omission to give notice to any one or more Shareholders and (ii) an interruption of mail service in any relevant jurisdiction following mailing. In the event of any interruption of mail service following mailing, the Corporation will use reasonable efforts to disseminate the notice by other means, such as publication. Except as otherwise required or permitted by law, in the event that post offices in any relevant jurisdiction are not open for deposit of mail, or there is reason to believe there is or could be a disruption in all or any part of the postal service, any notice that the Corporation or the Depositary may give or cause to be given under the Offer will be deemed to have been properly and validly given and to have been received by Shareholders if it is issued by way of a news release and if it is published once in the National Edition of the *Globe & Mail* or the *National Post* and in a French language daily newspaper of general circulation in the Province of Québec.

12. OTHER TERMS

- (a) No broker, dealer or other person has been authorized to give any information or to make any representation on behalf of the Corporation other than as contained in the Offer and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, and, if any such information or representation is given or made, it must not be relied upon as having been authorized by the Corporation.
- (b) The Offer and all contracts resulting from the acceptance thereof are governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party to any agreement resulting from the acceptance of the Offer unconditionally and irrevocably attorns to the exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals therefrom.
- (c) The provisions of the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery accompanying this Offer to Purchase, including the instructions contained therein, as applicable, form part of the terms and conditions of this Offer to Purchase.
- (d) The Corporation, in its sole discretion, will be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the Offer and Circular, the Letter of Transmittal, the Notice of Guaranteed Delivery, the validity of any acceptance of the Offer, the pro rata entitlement of each depositing Shareholder, if applicable, and the validity of any withdrawals of Shares.

- (e) The Offer is not being made to, nor will deposits of Shares be accepted from or on behalf of, Shareholders residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. The Corporation may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and to extend the Offer to Shareholders in any such jurisdiction.
- (f) For the purposes of subsection 191(4) of the Tax Act, the “specified amount” in respect of each Share will be Cdn\$14.

None of the Corporation, the Board or the Depositary makes any recommendation to Shareholders as to whether to deposit or refrain from depositing any or all of such Shareholder’s Shares pursuant to the Offer. Shareholders are strongly urged to review and evaluate carefully all information in the Offer and Circular, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit Shares to the Offer and, if so, how many Shares to deposit.

The accompanying Circular, together with this Offer to Purchase, constitutes the issuer bid circular required under Canadian securities legislation with respect to the Offer. **Shareholders are urged to carefully review the accompanying Circular and the related Letter of Transmittal and Notice of Guaranteed Delivery for additional information relating to the Offer and the Corporation.**

Dated: April 22, 2016

CALLIDUS CAPITAL CORPORATION

By: *(Signed) “Jim Riley”*

JIM RILEY
Director

CIRCULAR

This Circular is being furnished in connection with the Offer by Callidus to purchase for cash up to a maximum of Cdn\$50 million of its Shares for cancellation, upon the terms and subject to the conditions set forth in the accompanying Offer to Purchase, at a Purchase Price of Cdn\$14 per Share. Capitalized words and defined terms used in this Circular, unless otherwise defined herein, have the meanings given to them above under the heading "Glossary" found at pages 7 to 10 of the Offer to Purchase. The terms and conditions of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery are incorporated into and form part of this Circular. Reference is made to the Offer to Purchase for details of the terms and conditions of the Offer.

1. CALLIDUS CAPITAL CORPORATION

Callidus is a corporation existing under the laws of Ontario pursuant to articles of amalgamation dated January 1, 2013, as amended from time to time. Callidus is a reporting issuer in each of the provinces and territories of Canada. Callidus is registered as an exempt market dealer in Ontario, Alberta, British Columbia and Québec, and as an investment fund manager in Ontario, Québec and Newfoundland and Labrador.

Callidus is a specialty asset-based lender, focused primarily on Canadian companies and select U.S. companies that are unable to obtain adequate financing from traditional lenders. Callidus provides flexible and innovative loan structuring, with limited or no covenants and an efficient credit approval process. The Corporation's loans are generally structured as demand, first lien (senior secured) facilities, on a fully collateralized basis, with targeted Gross Yields of approximately 20%.

Callidus addresses an important gap in the lending markets by providing financing to borrowers whose perceived credit risk is too high for the lending criteria of traditional lenders, and whose capital requirements are too small to access high yield markets. Callidus also provides borrowers with access to capital to fund growth or acquisitions. Additionally, Callidus can assist borrowers through challenging periods by working with the operators and drawing on the extensive experience of the Corporation's management team. Callidus seeks to work with borrowers that are likely to improve their financial stability and gain the ability to repay the funding Callidus has advanced through loan commitments from traditional lenders or otherwise.

The Corporation believes that its expertise in assessing the quality of each prospective borrower, and its ability to complete timely detailed due diligence, enables Callidus to identify opportunities for significant returns in situations where risks can be assessed, controlled and managed. As part of its strategy to manage the perceived risk of these borrowers and each loan, Callidus takes an active approach to lending as it carefully assesses and lends against collateral, typically accounts receivable, inventory, machinery and equipment, real estate and other term assets, and monitors this collateral on an ongoing basis. In addition, the Corporation seeks to provide lending in industries where management has expertise. Callidus has consistently generated significant returns while effectively and prudently managing its risk exposure.

As at March 29, 2016, Callidus managed \$1,143 million of gross loans receivable before derecognition. For the 12 months ended December 31, 2015, Callidus had total revenue of \$171 million and an Average Loan Portfolio Outstanding of \$1,022 million.

The registered and head office of the Corporation is located at 4620 - 181 Bay Street, P.O Box 792, Bay Wellington Tower, Brookfield Place, Toronto, Ontario, M5J 2T3.

The Corporation's authorized capital consists of an unlimited number of Shares and an unlimited number of preferred shares issuable in series. As at the date of the Offer and Circular, there were 51,091,287 Shares issued and outstanding. The Shares are listed and posted for trading on the TSX under the symbol "CBL". On March 30, 2016, the last trading day immediately prior to the announcement of the Corporation's intention to make the Offer, the closing price per Share on the TSX was Cdn\$10.39. The volume weighted average trading price of the Shares on the TSX for the 30 trading days preceding the announcement of the Offer was Cdn\$8.99.

Callidus is subject to the information and reporting requirements of the applicable Canadian provincial securities laws and the rules of the TSX and, in accordance therewith, files periodic reports and other information with the applicable Canadian securities regulatory authorities and the TSX relating to its business, financial condition and other matters. The Corporation files reports, statements and other information with the Canadian Securities Administrators, which may be accessed on SEDAR at www.sedar.com.

2. BACKGROUND TO THE OFFER

Throughout 2015, Callidus' Board and management were of the view that the trading price of the Shares did not reflect their underlying value. The Corporation undertook various actions in an attempt to address the issue, including undertaking a normal course issuer bid and the institution of a dividend policy. However, notwithstanding those measures, the Board and management continued to be of the view that the Shares were undervalued and that other measures to increase the Share price should be considered.

On December 18, 2015, the Board met to discuss, among other things, the merits of pursuing a substantial issuer bid and the terms on which such a bid might be made. During its deliberations, the Board considered a number of relevant factors including the trading price of the Shares, the potential uses for the Corporation's available cash resources and the impact of similar issuer bids on the trading price of the shares of comparable companies.

National Bank Financial was engaged on March 29, 2016 to provide a liquidity opinion in connection with the Offer.

The Board met again on March 29, 2016 and further considered the proposed substantial issuer bid. The Board determined that it would be in the best interests of the Corporation to proceed with a substantial issuer bid and determined to set the Purchase Price at \$14 per Share, being the price at which the Shares were offered under the Corporation's initial public offering. The Board also determined to engage National Bank Financial to prepare the Valuation in order to assist Shareholders in considering the Offer, given the substantial difference between the Purchase Price of Cdn\$14 per Share and the fair market value range set forth in the Valuation. In determining the Purchase Price, the Board also considered the current and historic trading prices of the Shares and the expected results of the Valuation. The Board determined to proceed with the Offer at a purchase price of \$14 per Share, subject to receiving and reviewing the Valuation and Liquidity Opinion. The Board noted that while the Purchase Price was substantially and materially below the fair market value of the Shares expected to be set out in the Valuation it nevertheless represented a significant premium to the trading price of the Shares. National Bank Financial was engaged on March 30, 2016 as an independent and qualified valuator to commence their review and preparation of a formal valuation of the Shares in accordance with MI 61-101. On March 30, 2016, the Corporation announced its intention to make the Offer.

On April 22, 2016, National Bank Financial delivered the Valuation to the Board. Pursuant to the Valuation, based on the scope of National Bank Financial's review and subject to the assumptions provided therein, as of April 22, 2016, National Bank Financial determined that the fair market value per

Share falls within the range of Cdn\$18 to Cdn\$22. See Section 4 of the Circular entitled “Valuation”. The Board also received the Liquidity Opinion from National Bank Financial which states that based on and subject to the assumptions and limitations stated in the Liquidity Opinion, there is a liquid market for the Shares as of March 29, 2016 and that it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer.

After considering the various factors set out above and below in Section 3 of this Circular entitled “Purpose of the Offer and Recommendation of the Board”, the Board ratified the making of the Offer and the pricing under the Offer, approved the Offer and Circular, the Letter of Transmittal and Notice of Guaranteed Delivery and approved various other matters relating to the Offer.

3. PURPOSE OF THE OFFER AND RECOMMENDATION OF THE BOARD

Callidus believes that the purchase of Shares under the Offer represents an effective use of the Corporation’s financial resources and is in the best interests of Callidus.

The Board gave careful consideration to a number of factors, including the following:

- (a) the Board believes that the current trading price of the Shares is substantially and materially lower than the fair market value per Share, as evidenced by the Valuation;
- (b) the expenditure of up to Cdn\$50 million to purchase Shares is an effective use of the Corporation’s cash resources;
- (c) the Offer is an equitable and efficient means of distributing capital of up to Cdn\$50 million in cash to Shareholders while providing Shareholders with an option to elect whether to participate in the distribution;
- (d) after giving effect to the Offer, Callidus is expected to continue to have sufficient financial resources and working capital to conduct its ongoing operations, including to finance the continued growth of its loan portfolio;
- (e) the deposit of Shares under the Offer is optional and is available to all Shareholders, and all Shareholders are free to accept or reject the Offer, subject to applicable legal constraints;
- (f) the Offer represents a premium of approximately 56% over the volume weighted average trading price of the Shares on the TSX of Cdn\$8.99 for the last 30 trading days preceding the date of the Corporation’s announcement of its intention to make the Offer on March 30, 2016;
- (g) the Offer provides Shareholders who are considering the sale of all or a portion of their Shares with the opportunity to sell such Shares for cash without the usual transaction costs associated with market sales, in addition to the significant premium to the trading price of the Shares;
- (h) the Liquidity Opinion from National Bank Financial confirming that it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer;

- (i) the Offer is not conditional on any minimum number of Shares being deposited;
- (j) Shareholders who do not deposit their Shares under the Offer will realize a proportionate increase in their equity interest in Callidus to the extent that Shares are purchased by Callidus pursuant to the Offer; and
- (k) generally, Shareholders owning an Odd Lot, whose Shares are purchased pursuant to the Offer, will not only avoid the payment of any brokerage fees and commissions (subject to any fees or commissions that Non-Registered Shareholders may be charged by the nominee holding their Shares on their behalf) but also any Odd Lot discounts, each of which may otherwise be applicable on a sale of their Shares in a transaction on a stock exchange.

The foregoing summary of information and factors is not intended to be an exhaustive list of the information and factors considered by the Board in determining to authorize and approve the Offer, but includes the material factors considered by the Board in reaching its decision. The Board evaluated various factors, including those summarized above, in light of their own knowledge of the business, assets, financial condition, operations and prospects of Callidus and based upon the advice of their advisors. In view of the numerous factors considered, the Board did not find it practicable to, and did not quantify or otherwise attempt to assign relative weight to specific factors in reaching its decision. In addition, individual members of the Board may have given different weight to different factors. The determination of the Board to approve the Offer was made after careful consideration, evaluation and deliberation of all of the factors involved and various other information.

None of the Corporation, the Board or the Depositary makes any recommendation to Shareholders as to whether to deposit or refrain from depositing any or all of such Shareholder's Shares pursuant to the Offer. No person has been authorized to make any such recommendation. Shareholders are strongly urged to review and evaluate carefully all information in the Offer and Circular, including the Valuation, to consult their own financial, tax and legal advisors, and to make their own decisions as to whether to deposit Shares to the Offer and, if so, how many Shares to deposit. The Valuation contains National Bank Financial's opinion that, based on the scope of its review and subject to the assumptions, restrictions and limitations provided therein, as of April 22, 2016, the fair market value per Share falls within the range of Cdn\$18 to Cdn\$22.

Shareholders who do not tender their Shares to the Offer or whose Shares are not accepted due to the preferential acceptance of Odd Lots or pro-rata should be aware that while remaining Shareholders will have a proportionately increased equity interest in the Corporation, the amounts available for future returns of capital to Shareholders, if any, on a per Share basis may be less than the Purchase Price under the Offer and future values of the Shares cannot be assured and are subject to risks.

The Board has obtained the Liquidity Opinion from National Bank Financial to the effect that, based on and subject to the assumptions and limitations stated in the Liquidity Opinion, there is a liquid market for the Shares as of March 29, 2016 and that it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. A copy of the Liquidity Opinion of National Bank Financial is attached hereto as Schedule A.

4. VALUATION

National Bank Financial was engaged by the Board as the independent valuator to prepare a formal valuation of the Shares in accordance with MI 61-101. The Valuation contains National Bank

Financial's opinion that, based on the scope of its review and subject to the assumptions, restrictions and limitations provided therein, as of April 22, 2016, the fair market value per Share falls within the range of Cdn\$18 to Cdn\$22. A copy of the Valuation is attached hereto as Schedule B.

The full text of the Valuation, which sets forth, among other things, the assumptions, the limitations on the scope of review undertaken by National Bank Financial and includes a discussion of the valuation methodologies used by National Bank Financial, is attached hereto as Schedule B. A copy of the Valuation is being filed on SEDAR at www.sedar.com under the Corporation's profile concurrently with the filing of the Offer and Circular.

Shareholders are urged to read the Valuation in its entirety. References to the Valuation in this Circular are qualified in their entirety by reference to the full text of the Valuation. National Bank Financial provided the Valuation solely for the information and assistance of the Board in connection with their consideration of the Offer. The Valuation is not, and should not be considered to be, a recommendation to Shareholders, or to others, to take any course of action. The Valuation has been prepared solely for the purposes stated, it may not have considered issues relevant to third parties and National Bank Financial has no responsibility whatsoever to any third party. Any use of the Valuation by a third party is entirely at its own risk.

Engagement of Valuator

Representatives of the Corporation initially contacted the Valuator on December 18, 2015 regarding potentially engaging the Valuator to prepare a liquidity opinion and a valuation of the Shares. Pursuant to the Liquidity Opinion Engagement Letter and the Valuation Engagement Letter, the Corporation engaged the Valuator to prepare, under the supervision of the Board, the Liquidity Opinion and the Valuation in accordance with MI 61-101.

The terms of the Valuation Engagement Letter provide that the Valuator is to be paid a total fee of \$550,000 for services to be rendered thereunder. In addition, the Valuator is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Corporation under certain circumstances. No part of the Valuator's fee is contingent upon the conclusions reached in the Valuation or on the completion of the Offer.

Credentials of Valuator

The Valuator is one of Canada's largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Valuation is the opinion of the Valuator and the form and content thereof have been reviewed and approved for release by a group of managing directors of the Valuator, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Independence of Valuator

None of the Valuator, National Bank of Canada or any of their affiliated entities (as such term is defined for purposes of MI 61-101):

- i. is an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of MI 61-101) of the Corporation or its respective associates or affiliates;
- ii. is an advisor to the Corporation in connection with the Offer;
- iii. is a manager or co-manager of a soliciting dealer group formed in respect of the Offer (or a member of such a group performing services beyond the customary soliciting dealer's functions

- or receives more than the per security or per securityholder fees payable to the other members of the group);
- iv. has a financial incentive in respect of the conclusions reached in the Valuation or on the completion of the Offer;
 - v. has a material financial interest in the completion of the Offer;
 - vi. during the 24 months before the Valuator was first contacted by the Corporation in respect of the Offer, had a material involvement in an evaluation, appraisal or review of the financial condition of the Corporation or any of its affiliated entities, acted as a lead or co-lead underwriter of a distribution of securities of the Corporation or any of its affiliated entities or had a material financial interest in transactions involving the Corporation or any of its affiliated entities except as described in the Valuation; or
 - vii. is a lead or co-lead lender or manager of a lending syndicate in respect of the Offer or a lender of a material amount of indebtedness to the Corporation or any of its affiliated entities.

In 2014, the Valuator participated in the Corporation's initial public offering of Shares, but did not act as lead or co-lead underwriter in respect of such offering. National Bank of Canada has been a co-lender to Catalyst Fund Limited Partnership V, a fund managed by CCGI, since 2015.

The Valuator acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Corporation and from time to time, may have executed or may execute transactions for such entities and their respective associates and affiliates and clients from whom it received or may receive compensation. The Valuator, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Corporation and its associates and affiliates and the Offer.

In addition, in the ordinary course of its business, the Valuator or its controlling shareholder, National Bank of Canada, may have extended or may extend loans, or may have provided or may provide other financial services, to the Corporation, CCGI, the funds managed by CCGI (the "Catalyst Funds") or their respective associates or affiliates. Except as expressed in the Valuation, there are no understandings, agreements or commitments between the Valuator or National Bank of Canada, on the one hand, and the Corporation, CCGI, the Catalyst Funds or their respective associates or affiliates, on the other hand, with respect to any future business dealings.

The Valuator is of the view, and the Board has determined on the basis of the foregoing, that the Valuator is qualified and independent of the Corporation for the purposes of MI 61 101.

5. PRIOR VALUATIONS

Pursuant to the provisions of MI 61-101, an issuer making an offer for its securities must, with certain limited exceptions, disclose every prior valuation or appraisal of its securities or any material asset made in the 24 months before the date of such offer whether or not prepared by an independent valuator, which would reasonably be expected to affect the decision of a securityholder to retain or dispose of the securities affected by the offer. To the knowledge of the directors and officers of Callidus, after reasonable enquiry, other than the Valuation prepared in connection with the Offer, a copy of which is attached hereto as Schedule B, no "prior valuations" (as such term is defined in MI 61-101) regarding Callidus, its securities or material assets have been prepared within the 24 months preceding the date hereof.

6. BONA FIDE PRIOR OFFERS

No *bona fide* offer that relates to the Shares or is otherwise relevant to the Offer has been received by the Corporation during the 24 months preceding the date that the Offer was publicly announced.

7. FINANCIAL INFORMATION

A copy of the Corporation's most recent audited consolidated financial statements for the fiscal year ended December 31, 2015 is available on SEDAR at www.sedar.com under the Corporation's profile. Shareholders who wish to obtain a copy of these financial statements may do so, without charge, upon request to the Chief Financial Officer of Callidus, 4620 - 181 Bay Street, P.O. Box 792, Bay Wellington Tower, Brookfield Place, Toronto, Ontario, M5J 2T3, Telephone: (416) 945-3014 or by e-mail to the Chief Financial Officer at dnohdomi@calliduscapital.ca. The Corporation's unaudited interim consolidated financial statements for the three month period ended March 31, 2016 is expected to be released on or about May 14, 2016.

8. PRICE RANGE OF SHARES; DIVIDENDS; PREVIOUS SALES AND PURCHASES OF SHARES

Authorized and Outstanding Capital

The Corporation's authorized capital consists of an unlimited number of Shares and an unlimited number of preferred shares issuable in series. As at the date hereof, there are 51,091,287 Shares issued and outstanding. Holders of Shares are entitled to receive notice of, attend and vote at all meetings of Shareholders on the basis of one vote per Share held. As at the date hereof, no series of preferred shares has been created and there are no issued and outstanding preferred shares. The directors may fix, from time to time, before the issue of any series of preferred shares, the rights, privileges, restrictions and conditions attaching to each such series, including, without limitation, the issue price per share, the dividend rate, any redemption or conversion terms and any sinking fund provisions. With respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the preferred shares are entitled to preference over the Shares and any other shares ranking junior to the preferred shares and may also be given such other preference over the Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of each series.

Trading of Shares

As at the date of this Offer and Circular, the Shares are listed and posted for trading on the TSX under the symbol "CBL". The following table sets forth the high and low trading prices per Share and volume of Shares traded on the TSX for the periods indicated.

Period	High Price (Cdn\$)	Low Price (Cdn\$)	Volume
Apr 2015.....	18.21	14.76	5,252,869
May 2015.....	16.14	13.90	3,957,081
Jun 2015.....	14.60	13.38	2,275,754
Jul 2015.....	14.15	12.85	3,114,901

Period	High Price (Cdn\$)	Low Price (Cdn\$)	Volume
Aug 2015.....	14.08	11.22	3,817,020
Sep 2015	13.45	11.12	1,491,428
Oct 2015.....	12.28	10.90	1,829,549
Nov 2015.....	11.51	9.53	2,882,737
Dec 2015	9.99	6.94	5,881,545
Jan 2016.....	9.00	7.63	2,221,415
Feb 2016.....	8.86	7.59	1,145,748
Mar 2016.....	13.75	8.43	2,410,916
Apr 1 - Apr 21 2016.....	13.77	12.98	4,213,747

Source: TMX Historical Data Access

Callidus announced its intention to make the Offer after markets closed on March 30, 2016. The closing price per Share on the TSX on March 30, 2016, the last trading day immediately prior to the announcement of the Corporation's intention to make the Offer, was Cdn\$10.39. The volume weighted average trading price of the Shares on the TSX for the 30 trading days preceding the announcement of the Offer was Cdn\$8.99. The Purchase Price represents a premium of approximately 56% over the volume weighted average trading price of the Shares on the TSX for the last 30 trading days preceding the date of the Corporation's announcement.

Shareholders are urged to obtain current market quotations for the Shares.

Dividend Policy

On August 6, 2015, the Board adopted a dividend policy pursuant to which the Corporation intends to declare and pay quarterly cash dividends to Shareholders of record as of the close of business on the last business day of each calendar quarter. The quarterly dividend was initially set at \$0.175 per Share (\$0.70 per annum). The first dividend was paid for the quarter ending September 30, 2015. The Corporation also adopted a dividend reinvestment plan (the "DRIP") pursuant to which eligible Shareholders may elect to automatically reinvest their cash dividends payable in respect of the Shares to acquire additional Shares.

Effective April 2016, the Board determined to declare and pay the dividend monthly.

The following table summarizes the dividends declared and paid by Callidus on the Shares since its inception:

Record Date	Payment Date	Regular or Special	Amount per Share (Cdn\$)
September 30, 2015	October 20, 2015	Regular quarterly	0.175
December 31, 2015	January 20, 2016	Regular quarterly	0.175
March 31, 2016	April 20, 2016	Regular quarterly	0.175

Record Date	Payment Date	Regular or Special	Amount per Share (Cdn\$)
April 30, 2016	May 20, 2016 (expected)	Regular monthly	0.0583

Previous Purchases and Sales of Shares

Except for the purchase of Shares pursuant to a normal course issuer bid initiated by Callidus as detailed below, and excluding securities purchased or sold pursuant to the exercise of warrants, conversion rights or employee stock options or in connection with security based compensation arrangements, no securities of the Corporation have been purchased or sold by the Corporation during the 12 months preceding the date of the Offer. Callidus purchased Shares through the normal course issuer bid because the Corporation believed that the market price of the Shares did not reflect the underlying value of the Corporation and that any purchases under the normal course issuer bid would benefit all Shareholders who continued to hold Shares by increasing their equity interest in the Corporation.

Date of Purchase	Number Purchased	Average Purchase Price (Cdn\$)
May 19, 2015	40,000	14.6435
May 20, 2015	38,152	14.7000
May 21, 2015	40,752	14.6525
May 22, 2015	40,052	14.4809
May 25, 2015	34,252	14.3572
May 26, 2015	27,900	14.0906
May 27, 2015	176,352	14.2391
May 28, 2015	31,752	14.3501
May 29, 2015	26,952	14.4439
June 1, 2015	15,100	14.4187
June 2, 2015	225,452	14.5498
June 3, 2015	6,300	14.4995
June 4, 2015	15,700	14.4454
June 5, 2015	21,900	14.3047
June 8, 2015	20,000	14.3161
June 9, 2015	12,200	14.0280
June 10, 2015	15,200	14.0846
June 11, 2015	12,900	13.9830
June 12, 2015	25,000	14.1578
June 15, 2015	15,400	14.0266
June 16, 2015	19,500	13.8971
June 17, 2015	72,900	14.0571
June 18, 2015	6,100	13.6644
June 19, 2015	5,000	13.5034
June 22, 2015	8,300	13.5913
June 23, 2015	5,200	13.8635

Date of Purchase	Number Purchased	Average Purchase Price (Cdn\$)
June 24, 2015	4,700	13.9206
June 25, 2015	1,000	13.9850
June 26, 2015	1,500	13.9733
June 29, 2015	9,600	13.8712
June 30, 2015	5,900	13.9903
July 6, 2015	53,700	13.7730
July 7, 2015	37,500	13.5001
July 8, 2015	27,252	13.3938
July 9, 2015	37,852	13.1340
July 10, 2015	41,652	13.2014
July 13, 2015	291,352	13.8045
July 14, 2015	10,000	13.8582
July 15, 2015	6,400	13.8655
July 20, 2015	13,900	14.0506
July 23, 2015	1,700	13.5924
July 24, 2015	5,000	13.1500
July 27, 2015	6,000	13.2195
July 28, 2015	5,000	13.2804
July 29, 2015	7,000	13.7683
July 30, 2015	4,800	13.7867
August 4, 2015	240,400	13.9599
August 5, 2015	41,652	13.5017
August 6, 2015	39,752	12.7879
August 7, 2015	35,252	13.4198
August 10, 2015	188,600	13.4802
August 12, 2015	4,000	12.8860
September 1, 2015	2,600	13.2500
September 2, 2015	2,600	13.1315
September 3, 2015	2,600	13.3808
September 4, 2015	2,600	13.1000
September 8, 2015	2,600	13.1038
September 9, 2015	2,600	13.0435
September 10, 2015	2,600	12.9981
September 11, 2015	2,600	12.9615
September 14, 2015	2,600	12.8912
September 15, 2015	2,600	12.9296
September 16, 2015	2,600	12.8446
September 17, 2015	2,600	12.9408
September 18, 2015	2,500	12.6536

Date of Purchase	Number Purchased	Average Purchase Price (Cdn\$)
September 21, 2015	2,600	12.7508
September 22, 2015	2,600	12.0692
September 23, 2015	2,600	12.1050
September 24, 2015	2,600	12.0835
September 25, 2015	2,600	11.9594
September 28, 2015	2,600	11.7108
September 29, 2015	2,600	11.2912
September 30, 2015	2,600	11.2125
October 1, 2015	2,600	11.7338
October 2, 2015	2,600	11.4031
October 5, 2015	2,600	11.5192
October 6, 2015	2,600	11.1746
October 7, 2015	2,600	11.9200
October 8, 2015	2,600	12.0000
October 9, 2015	2,600	12.0967
October 13, 2015	2,600	12.0223
October 14, 2015	2,600	12.0835
October 15, 2015	2,600	11.9700
October 16, 2015	2,600	11.8904
October 19, 2015	2,600	11.8627
October 20, 2015	2,600	11.8400
October 21, 2015	2,600	11.7515
October 22, 2015	2,600	11.4300
October 23, 2015	2,600	11.6423
October 26, 2015	2,600	11.3981
October 27, 2015	2,600	11.2154
October 28, 2015	2,600	11.5088
October 29, 2015	2,600	11.2650
October 30, 2015	2,600	11.0262
November 2, 2015	2,600	11.2473
November 3, 2015	2,600	11.1546
November 4, 2015	2,600	11.1500
November 5, 2015	2,600	11.2000
November 6, 2015	2,600	11.3200
November 9, 2015	2,600	10.8181
November 11, 2015	67,900	10.6800
November 17, 2015	20,000	10.6591
November 18, 2015	18,300	10.6274
November 19, 2015	20,000	10.6066

Date of Purchase	Number Purchased	Average Purchase Price (Cdn\$)
November 20, 2015	20,000	10.5071
November 23, 2015	14,400	10.1899
November 24, 2015	19,100	9.9560
November 25, 2015	20,000	9.6903
November 26, 2015	19,500	9.7701
November 27, 2015	19,200	9.7502
November 30, 2015	20,000	9.8436
December 1, 2015	20,000	9.9255
December 2, 2015	19,000	9.6856
December 3, 2015	20,000	9.5364
December 4, 2015	20,000	9.4426
December 7, 2015	19,516	9.1871

Callidus purchased the maximum number of Shares under the normal course issuer bid and, accordingly no more Shares will be purchased thereunder and no purchases of Shares will be made in the open market through a trustee to satisfy the delivery of Shares under the Corporation's equity-based compensation plans during the Offer.

Previous Distributions of Shares

Except as described below, during the five years preceding the Offer, Callidus has not made any distribution of Shares.

To the knowledge of Callidus, there have not been any distributions of Shares from the holdings of a "control person", as defined in applicable Canadian securities laws.

Initial Public Offering

On April 23, 2014, Callidus issued 18,000,000 Shares under an initial public offering at a price of \$14.00 per Share for aggregate gross proceeds of \$252,000,000. As part of transactions occurring immediately prior to the closing of the initial public offering, the Corporation satisfied the participating debenture owed to Catalyst Fund Limited Partnership III and Catalyst Fund Limited Partnership IV pursuant to a debenture repayment agreement, whereby the participating debenture was repaid, in part, by the issuance of 5,939,431 Shares to Catalyst Fund Limited Partnership III and 1,529,371 Shares to Catalyst Fund Limited Partnership IV at a price per Share equal to the initial public offering price of the Shares.

On May 8, 2014, a total of 2,700,000 Shares were issued pursuant to an over-allotment option granted to certain underwriters in connection with the initial public offering.

Assignment Agreement

On December 31, 2014, Callidus issued 2,335,357 Shares to Catalyst Fund Limited Partnership IV at an issue price of \$21.41 per Common Share pursuant to an assignment agreement relating to Callidus' acquisition of Catalyst Fund Limited Partnership IV's participation interest in the Initial Portfolio.

Dividend Reinvestment Plan

On October 20, 2015, January 20, 2016, and April 20, 2016, pursuant to the DRIP, Callidus issued 473,773 Shares, 732,438 Shares and 440,933 Shares respectively.

9. OWNERSHIP OF CALLIDUS SECURITIES; TRANSACTIONS IN CALLIDUS SECURITIES

Ownership of Securities of Callidus

The following tables indicate, as at April 21, 2016, the number of outstanding securities of Callidus beneficially owned, or over which control or direction was exercised, by each director and officer of Callidus and, to the knowledge of Callidus after reasonable enquiry, by each associate and affiliate of Callidus, each insider of Callidus (other than the directors and officers), and each associate and affiliate of such insider. Callidus does not beneficially own, or have direction or control over, any outstanding securities of any class of the Corporation. No person or company is acting jointly or in concert with Callidus in connection with the Offer.

Name	Relationship with Callidus	Number of Shares⁽¹⁾ and percentage of outstanding Shares held (%)⁽²⁾	Number of deferred share units and percentage of outstanding deferred share units held (%)	Number of stock options and percentage of outstanding stock options held (%)
Ann Davis	Director	-	4,372 (33.3%)	-
Tibor Donath	Director	6,572 (<0.1%)	4,372 (33.3%)	-
David Sutin	Director	25,000 (<0.1%)	4,372 (33.3%)	-
Newton Glassman	Chief Executive Officer, Executive Chairman and Director	32,426,176 ⁽³⁾ (63.5%)	-	-
David Reese	President and Chief Operating Officer	12,500 (<0.1%)	-	297,321 (13.5%)
Jim Riley	Director and Secretary	31,938,176 ⁽³⁾ (62.5%)	-	-
Dan Nohdomi	Vice President and Chief Financial Officer	-	-	321,388 (14.6%)
Braslyn Ltd.	Insider	5,869,500 ⁽⁴⁾ (11.5%)	-	-
CCGI	Insider	31,926,177 ⁽⁵⁾ (62.5%)	-	-

Notes:

- (1) The information concerning securities beneficially owned, directly or indirectly, or over which control or direction is exercised, not being entirely within the knowledge of Callidus, has been furnished by the respective directors and officers listed above and based upon information publicly filed on SEDI.
- (2) The percentage of outstanding securities disclosed is calculated as the number of securities of the class held by such director or officer divided by the aggregate number of securities of that same class issued and outstanding as of the date hereof.
- (3) Includes Shares owned by funds managed by CCGI.
- (4) Based on the report under National Instrument 62-103 -- *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* publicly filed on SEDAR by Braslyn Ltd. dated January 4, 2016 and the insider reports available at www.sedi.ca.
- (5) Includes Shares owned by the following funds, which are managed by CCGI: Catalyst Fund Limited Partnership II (3,605,468 Shares), Catalyst Fund II Parallel Limited Partnership (667,781 Shares), Catalyst Fund Limited Partnership II (19,241,615 Shares) and Catalyst Fund Limited Partnership IV (8,411,313 Shares).

To the knowledge of the Corporation, as at April 22, 2016, all directors and officers of Callidus as a group beneficially owned, controlled or held directly or indirectly, an aggregate of 32,482,248 Shares, or 63.6% of the outstanding Shares. No person or company is acting jointly or in concert with the Corporation in connection with the Offer.

To the knowledge of the directors and officers of Callidus, after reasonable enquiry, the only persons or companies that beneficially own or exercise control or direction over Shares carrying more than 10% of the votes attached to the Shares as of April 22, 2016, are included in the chart above.

Acceptance of the Offer

To the knowledge of the Corporation, after reasonable enquiry, no director or officer of the Corporation, no associate or affiliate of a director or officer or the Corporation, no insider of the Corporation, no associate or affiliate of the Corporation or of any insider of the Corporation has accepted or intends to accept the Offer and deposit any of such person's or company's Shares to the Offer. However, in the event that the circumstances or decisions of any such persons or companies change, they may decide to tender Shares to the Offer or sell their Shares through the facilities of the TSX or otherwise during the period prior to the Expiry Date. CCGI has indicated that the Catalyst Funds will not tender Shares to the Offer.

Effect of Offer on Voting Interests

In the event that Callidus purchases 3,571,428 Shares pursuant to the Offer (the maximum number of Shares that the Corporation could purchase), the effect of the Offer will be to increase the equity and voting interest of continuing Shareholders by 7.0%. A summary of the estimated increase in their respective voting interests of those known to Callidus to beneficially own or exercise control or direction over 10% or more of the Shares if such Shares are not deposited pursuant to the Offer is as follows:

Name	Voting Interests Pre- Offer	Voting Interest Post-Offer (Assuming Purchase of 1,785,714 Shares)	Voting Interest Post-Offer (Assuming Purchase of 3,571,428 Shares)
Braslyn Ltd.	5,869,500	11.9%	12.4%
CCGI	31,926,177	64.8%	67.2%

Commitments to Acquire Shares

Callidus has no agreements, commitments or understandings to purchase, and will not purchase prior to the Expiry Time, Shares, other than pursuant to the Offer. To the knowledge of the Corporation, after reasonable enquiry, no person or company named above under “Ownership of Callidus Securities; Transactions in Callidus Securities” has any agreement, commitment or understanding to purchase Shares.

Benefits from the Offer

To the knowledge of the Corporation, after reasonable enquiry, no person or company named above under “Ownership of Callidus Securities; Transactions in Callidus Securities” will receive any direct or indirect benefit from accepting or refusing to accept the Offer, other than those benefits available to any Shareholder from accepting or refusing to accept the Offer.

Agreements, Commitments or Understandings with Securityholders

There are no agreements, commitments or understandings made or proposed to be made between the Corporation and any securityholder of the Corporation with respect to the Offer.

10. MATERIAL CHANGES IN THE AFFAIRS OF CALLIDUS AND OTHER MATERIAL FACTS

Except as described or referred to herein, Callidus is not aware of any material fact concerning the Shares or any other matter not previously generally disclosed and known to the Corporation that would reasonably be expected to affect the decision of Shareholders to accept or reject the Offer. See Section 7 of this Circular entitled “Financial Information”. Except as described or referred to herein or as otherwise publicly disclosed, the Corporation has no current plans or proposals to make any material change in its business, corporate structure, management or personnel.

Callidus currently has no intention to acquire Shares from Shareholders who do not accept the Offer by way of compulsory acquisition. Canadian securities laws prohibit Callidus and its affiliates from acquiring any Shares other than pursuant to the Offer until at least 20 business days after the Expiry Date or the date of termination of the Offer. Subject to applicable law, Callidus may in the future purchase additional Shares on the open market, pursuant to normal course issuer bids, in private transactions, through subsequent issuer bids, or otherwise. Any such purchases may be on the same terms or on terms that are more or less favourable to Shareholders than the terms of the Offer. Any possible future purchases by Callidus will depend on many factors, including the market price of the Shares, the Corporation’s business and financial position, the results of the Offer, and general economic and market conditions.

11. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Shareholder and no representation is made with respect to the income tax consequences to any particular Shareholder. Accordingly, Shareholders should consult their own tax advisors concerning the application and effect of the income and other taxes of any country, province, territory, state or local tax authority, having regard to their particular circumstances.

The Corporation has been advised by Fasken Martineau DuMoulin LLP that the following summary describes certain of the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to Shareholders who sell Shares to Callidus pursuant to the Offer.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsel's understanding of the current published administrative practices of the CRA. This summary does not otherwise take into account or anticipate any changes in income tax law or administrative practice, whether by judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. This summary is not exhaustive of all Canadian federal income tax considerations.

This summary is not applicable to a Shareholder: (i) that is a "financial institution" for the purposes of the "mark-to-market" rules; (ii) that is a "specified financial institution"; (iii) that reports its "Canadian tax results" in a currency other than Canadian dollars; or (iv) an interest in which is a "tax shelter investment", as each of those terms is defined in the Tax Act. This summary is also not applicable to a Shareholder that acquired Shares pursuant to the exercise of an employee stock option. Such Shareholders should consult their own tax advisors regarding their particular circumstances.

Having regard to the deemed dividend tax treatment described below on a sale of Shares pursuant to the Offer as opposed to capital gains treatment which would generally apply to a sale in the market, Shareholders who wish to sell their Shares and who are not generally exempt from Canadian federal income tax may wish to consult their tax advisors regarding selling their Shares in the market as an alternative to selling Shares pursuant to the Offer, in order that capital gains treatment apply on the disposition of their Shares.

Foreign Exchange

Amounts relevant to the computation of income or gains for purposes of the Tax Act must be determined in Canadian dollars based on the exchange rate quoted by the Bank of Canada at noon of the day the amount first arose (or such other rate as is acceptable to CRA).

RESIDENTS OF CANADA

The following portion of the summary is applicable to a Shareholder who, at all relevant times for the purposes of the Tax Act is or is deemed to be a resident of Canada, deals at arm's length with, and is not "affiliated" with, Callidus, holds its shares as capital property and is not exempt from tax under Part I of the Tax Act ("**Resident Shareholder**").

Generally, Shares will be considered to be capital property to a Resident Shareholder provided that the Resident Shareholder does not hold the Shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. A Resident Shareholder whose Shares might not otherwise qualify as capital property may, in certain

circumstances, make an irrevocable election under subsection 39(4) of the Tax Act to have the Shares and every “Canadian security”, as defined in the Tax Act, owned by such Resident Shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

Disposition of Shares

A Resident Shareholder who sells Shares to Callidus pursuant to the Offer will be deemed to receive a taxable dividend on a separate class of shares comprising the Shares so sold equal to the excess, if any, of the amount paid by Callidus for the Shares over their paid-up capital for income tax purposes. Callidus estimates that the paid-up capital per Share on the date of take-up under the Offer will be approximately Cdn\$8.69. As a result, Callidus expects that a Resident Shareholder who sells Shares under the Offer will be deemed to receive a dividend.

Any dividend deemed to be received by a Resident Shareholder who is an individual will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received by Canadian resident individuals from a taxable Canadian corporation, including the enhanced gross-up and dividend tax credit if the dividend recipient receives notice from Callidus designating the dividend as an “eligible dividend”. There may be limitations on the ability of a corporation to designate dividends as eligible dividends. Callidus intends to designate all deemed dividends arising as a result of a sale of Shares pursuant to the Offer as eligible dividends for these purposes.

Subject to the application of subsection 55(2) of the Tax Act, as described below, any dividend deemed to be received by a Resident Shareholder that is a corporation will be included in computing such Resident Shareholder’s income as a dividend, and will ordinarily be deductible in computing its taxable income. To the extent that such a deduction is available, private corporations (as defined in the Tax Act) and certain other corporations may be liable to pay refundable tax under Part IV of the Tax Act.

Under subsection 55(2) of the Tax Act, a Resident Shareholder that is a corporation may be required to treat all or a portion of any deemed dividend that is deductible in computing taxable income as proceeds of disposition and not as a dividend where the Resident Shareholder would have realized a capital gain if it disposed of any share at fair market value immediately before the sale of Shares to the Corporation and the sale to the Corporation resulted in a significant reduction in such capital gain. The application of subsection 55(2) involves a number of factual considerations that will differ for each Resident Shareholder and a Resident Shareholder to whom it may be relevant is urged to consult his or her own tax advisors concerning its application having regard to its particular circumstances.

The amount paid by Callidus under the Offer for the Shares less any amount deemed to be received by the Resident Shareholder as a dividend (after the application of subsection 55(2) in the case of a corporate Resident Shareholder) will be treated as proceeds of disposition of the Shares. The Resident Shareholder will realize a capital gain (or capital loss) on the disposition of the Shares equal to the amount by which the Resident Shareholder’s proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Shareholder of the Shares sold to Callidus pursuant to the Offer.

Taxation of Capital Gains and Losses

Generally, a Resident Shareholder will be required to include in computing its income for a taxation year one-half of any capital gain (a “**taxable capital gain**”) realized by it in that year. A Resident Shareholder will generally be entitled to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized by the Resident Shareholder in that year, and any excess may be carried back to any of the three preceding taxation years

or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

The amount of a capital loss realized on the disposition of a share by a Resident Shareholder that is a corporation may, to the extent and under the circumstances specified in the Tax Act, be reduced by the amount of dividends received or deemed to be received on the Shares (including any dividends deemed to be received as a result of the sale of Shares to the Corporation under the Offer). Similar rules may apply where Shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

A Resident Shareholder who is an individual, including a trust, may have all or a portion of any capital loss on the sale of Shares under the Offer denied if the “superficial loss” rules in the Tax Act apply. This may arise where the Resident Shareholder (or a person affiliated with the Resident Shareholder for purposes of the Tax Act) acquires additional Shares in the period commencing 30 days prior to, and ending 30 days after, the disposition of the Shares under the Offer. Resident Shareholders are urged to consult their own tax advisors with respect to the “superficial loss” rules.

Similarly, a Resident Shareholder that is a corporation may have all or a portion of any capital loss on the sale of the Shares under the Offer suspended if it (or a person affiliated with it for purposes of the Tax Act) acquires additional Shares in the period commencing 30 days prior, and ending 30 days after, the disposition of Shares under the Offer. A Resident Shareholder that is a corporation is urged to consult its own tax advisors with respect to the “suspended loss” rules.

A Resident Shareholder that is a Canadian-controlled private corporation throughout the year (as defined in the Tax Act) may be liable to pay an additional refundable tax on its “aggregate investment income” for the year, which is defined to include an amount in respect of taxable capital gains (but not dividends, or deemed dividends, deductible in computing taxable income).

Alternative Minimum Tax

A capital gain realized, or a dividend received (or deemed to be received) by a Resident Shareholder who is an individual, including a trust (other than certain specified trusts), as a result of the sale of Shares pursuant to the Offer may give rise to a liability for alternative minimum tax. Such Resident Shareholders should consult their own tax advisors with respect to the alternative minimum tax rules set out in the Tax Act.

NON-RESIDENTS OF CANADA

The following portion of the summary is applicable to a Shareholder who, at all relevant times for purposes of the Tax Act: (i) is not resident or deemed to be resident in Canada, (ii) does not use or hold, and is not deemed to use or hold, its Shares in connection with carrying on a business in Canada, (iii) deals at arm’s length with, and is not affiliated with, Callidus, (iv) whose Shares are not taxable Canadian property, and (v) is not an insurer that carries on an insurance business in Canada and elsewhere (“**Non-Resident Shareholder**”).

A Non-Resident Shareholder who sells Shares to Callidus pursuant to the Offer will be deemed to receive a dividend equal to the excess, if any, of the amount paid by Callidus for the Shares over their paid-up capital for Canadian income tax purposes. Callidus estimates that the paid-up capital per Share on the date of take-up under the Offer will be approximately Cdn\$8.69. As a result, the Corporation expects that Non-Resident Shareholders who sell Shares under the Offer will be deemed to receive a dividend. Any such dividend will be subject to Canadian withholding tax at a rate of 25% or such lower rate as may be provided under the terms of an applicable Canadian tax treaty.

The amount paid by Callidus for the Shares (less any amount deemed to be received by the Non-Resident Shareholder as a dividend) will be treated as proceeds of disposition of the Shares. A Non-Resident Shareholder will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of Shares under the Offer provided such Shares are not taxable Canadian property to the Non-Resident Shareholder. Based on information provided by Callidus, the Shares should generally not be taxable Canadian property to a Non-Resident Shareholder, unless they are deemed to be taxable Canadian property to a particular Non-Resident Shareholder under a provision of the Tax Act.

12. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS

Callidus is not aware of any license or regulatory permit that is material to the Corporation's business that might be adversely affected by the Corporation's acquisition of Shares pursuant to the Offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency in any jurisdiction, that would be required for the acquisition or ownership of Shares by the Corporation pursuant to the Offer and that has not been obtained on or before the date hereof. Should any such approval or other action be required, the Corporation currently contemplates that such approval would be sought or other action would be taken. Callidus cannot predict whether it may determine that it must delay the acceptance for payment of Shares deposited pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if required, would be obtained or taken or would be obtained or taken without substantial conditions or that the failure to obtain or take any such approval or other action might not result in adverse consequences to the Corporation's business.

The Offer is an "issuer bid" within the meaning of MI 61-101. MI 61-101 provides that, unless exempted, an issuer proposing to carry out an issuer bid is required to engage an independent and qualified valuator to prepare a formal valuation of the affected securities and provide to the holders of the affected securities a summary of such valuation. The Corporation has obtained a formal valuation of the Shares from an independent and qualified valuator. See Section 4 of the Circular entitled "Valuation". A copy of the Valuation is attached hereto as Schedule B.

13. SOURCE OF FUNDS

Callidus has adequate freely available cash on hand and committed loan facilities to fund the purchase of the maximum number of Shares that could be purchased under the Offer.

14. DEPOSITARY

Callidus has appointed Computershare Trust Company of Canada to act as the Depositary for: (i) the receipt of certificates representing Shares and related Letters of Transmittal deposited under the Offer; (ii) the receipt of Notices of Guaranteed Delivery and certificates delivered pursuant to the procedures for guaranteed delivery set forth in Section 4 of the Offer to Purchase entitled "Procedure for Depositing Shares"; (iii) the receipt from the Corporation of cash to be paid in consideration of the Shares acquired by the Corporation under the Offer, as agent for the depositing Shareholders; and (iv) the transmittal of such cash to the depositing Shareholders, including the conversion of such cash from Canadian dollars to United States dollars for depositing Shareholders who elect to receive payment of the Purchase Price for their Shares in United States dollars. The Depositary may, but is under no obligation to, contact Shareholders by mail, telephone or facsimile, and may request investment dealers, stock brokers, commercial banks, trust companies or other nominee Shareholders to forward materials relating to the Offer to beneficial owners of Shares. The Depositary is not an affiliate of Callidus. An affiliate of the Depositary also acts as the Corporation's transfer agent and registrar.

15. STATUTORY RIGHTS

Securities legislation in the provinces and territories of Canada provides Shareholders with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to the Shareholders. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

16. FEES AND EXPENSES

No fee or commission will be payable by any Shareholder who deposits such Shares directly with the Depositary in connection with the Offer. If a Non-Registered Shareholder holds Shares through an investment dealer, stock broker, commercial bank, trust company or other nominee, that Shareholder should consult with such persons regarding whether fees or commissions will apply in connection with a deposit of Shares pursuant to the Offer. Investment dealers, stock brokers, commercial banks, trust companies and other nominees may, in certain circumstances, be reimbursed by the Corporation for customary clerical and mailing expenses incurred by them in forwarding materials to their customers.

National Bank Financial was retained by Callidus to provide a valuation of the fair market value of the Shares and to provide a liquidity opinion in accordance with MI 61-101. In connection with the engagement of National Bank Financial to prepare the Valuation and the Liquidity Opinion, the Valuator will be paid a fee and will be reimbursed for certain expenses by Callidus, which fees and expense are not contingent in whole or in part upon the outcome of the Offer or National Bank Financial's conclusions in the Valuation or the Liquidity Opinion. National Bank Financial's fees and expenses are estimated to be approximately Cdn\$760,000 (including HST) in the aggregate.

Callidus has retained Computershare Trust Company of Canada to act as the Depositary in connection with the Offer. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses incurred in connection with its duties as Depositary and will be indemnified against certain liabilities and expenses in connection with the Offer, including certain liabilities under Canadian securities laws.

Assuming the maximum number of Shares are purchased under the Offer, Callidus is expected to incur fees and expenses of approximately Cdn\$1,010,000 (including HST) in connection with the Offer, including filing, legal, Depositary, printing, translation and mailing fees and expenses and the fees related to the Valuation and the Liquidity Opinion provided by National Bank Financial. Such fees and expenses will be paid by Callidus from available cash on hand.

17. DIRECTORS' APPROVAL

The contents of the Offer and Circular have been approved, and the sending, communicating or delivery of the Offer and Circular to the Shareholders of Callidus has been authorized by the Board.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

DATED: April 22, 2016

(Signed) "Newton Glassman"

NEWTON GLASSMAN
Chief Executive Officer and Executive
Chairman

(Signed) "Dan Nohdomi"

DAN NOHDOMI
Vice President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) "Jim Riley"

JIM RILEY
Director

(Signed) "Tibor Donath"

TIBOR DONATH
Director

CONSENT OF FASKEN MARTINEAU DUMOULIN LLP

TO: The Board of Directors of Callidus Corporation

We consent to the reference to our opinion contained under “Certain Canadian Federal Income Tax Considerations” in the offer to purchase and accompanying issuer bid circular of Callidus Capital Corporation dated April 22, 2016 and the inclusion of the foregoing opinion therein.

DATED: April 22, 2016

(Signed) FASKEN MARTINEAU DuMOULIN LLP

CONSENT OF NATIONAL BANK FINANCIAL INC.

TO: The Board of Directors of Callidus Capital Corporation

We refer to the formal valuation dated April 22, 2016 and the liquidity opinion dated March 29, 2016 which we prepared for the Board of Directors of Callidus Capital Corporation in connection with the offer to purchase made by Callidus Capital Corporation to the holders of common shares. We hereby consent to the filing of the formal valuation and the liquidity opinion with the applicable securities regulatory authorities and the inclusion of our name and our valuation opinion and report dated April 22, 2016 and our liquidity opinion dated March 29, 2016 in Callidus Capital Corporation's offer to purchase and accompanying issuer bid circular and references thereto in the sections entitled "The Offer", "Conditions of the Offer", "Background to the Offer", "Purpose of the Offer and Recommendation of the Board", "Valuation" and "Fees and Expenses" in the offer to purchase and accompanying issuer bid circular dated April 22, 2016.

DATED: April 22, 2016

(Signed) NATIONAL BANK FINANCIAL INC.

SCHEDULE A
LIQUIDITY OPINION



March 29, 2016

The Board of Directors of Callidus Capital Corporation
4620 - 181 Bay Street, P.O. Box 792
Bay Wellington Tower, Brookfield Place
Toronto, Ontario, M5J 2T3
Canada

To the Board of Directors:

LIQUIDITY OPINION OF NATIONAL BANK FINANCIAL INC.

National Bank Financial Inc. (“NBF”, “we” or “us”) understands that Callidus Capital Corporation (“Callidus” or the “Company”) intends to make a substantial issuer bid (the “SIB”) to purchase for cash up to 3,571,428 of the issued and outstanding common shares (the “Shares”) of the Company at a price of \$14.00 per Share. The Catalyst Capital Group Inc. (“CCGI”), the manager of various funds who own in the aggregate 62.9% of the Shares (the “Catalyst Funds”), has advised Callidus that such funds do not intend to deposit their Shares for repurchase under the SIB. As at March 28, 2016, there were 50,094,930 Shares issued and outstanding.

In addition, we understand that the terms and conditions of the Substantial Issuer Bid will be set forth in the Offer to Purchase of the Company, the accompanying Issuer Bid Circular and the related Letter of Transmittal (which together constitute the “Offer”), and that the Offer will be mailed to shareholders on or about April 22, 2016.

NBF’s Engagement

In an agreement dated March 29, 2016 the Company engaged NBF to prepare and deliver a written opinion (the “Opinion”) to the Board of Directors of the Company (the “Board”) as to i) whether a liquid market for the Shares exists as of the date hereof and ii) whether it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. This Opinion is being delivered to assist the Board in making its determination that the Offer qualifies for the “liquid market” exemption from the valuation requirements of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“MI 61-101”).

NBF will receive a fee from the Company for its services that include providing the Opinion. Such fee is payable regardless of the conclusions reached in the Opinion or whether or not the Offer is successful. The Company has agreed to reimburse NBF for its reasonable out-of-pocket expenses and to indemnify NBF for certain liabilities arising out of NBF’s engagement in connection with the Offer.

NBF, in the ordinary course of our business, may actively trade securities of the Company and its affiliates for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities. As an investment dealer, NBF conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Company, its affiliated entities or the Offer.

Independence of NBF

None of NBF, National Bank of Canada (“National Bank”) or any of their affiliated entities (as such term is defined for purposes of MI 61-101):

- i. is an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of MI 61-101) of the Company its respective associates or affiliates;
- ii. is an advisor to Callidus in connection with the Offer;
- iii. is a manager or co-manager of a soliciting dealer group formed in respect of the Offer (or a member of such a group performing services beyond the customary soliciting dealer’s functions or receives more than the per security or per securityholder fees payable to the other members of the group);
- iv. has a financial incentive in respect of the conclusions reached in the Opinion or on completion of the Offer;
- v. has a material financial interest in the completion of the Offer;
- vi. during the 24 months before NBF was first contacted by the Company in respect of the Offer, had a material involvement in an evaluation, appraisal or review of the financial condition of the Company or any of its affiliated entities, acted as a lead or co-lead underwriter of a distribution of securities of the Company or any of its affiliated entities or had a material financial interest in transactions involving the Company or any of its affiliated entities except as described herein; or
- vii. is a lead or co-lead lender or manager of a lending syndicate in respect of the Offer or a lender of a material amount of indebtedness to the Company or any of its affiliated entities.

In 2014, NBF participated in the Company’s initial public offering of common shares, but did not act as lead or co-lead underwriter in respect of such offering. National Bank has been a co-lender to Catalyst Fund Limited Partnership V, an investment fund managed by CCGI, since 2015.

NBF acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company and from time to time, may have executed or may execute transactions for such entities and their respective associates and affiliates and clients from whom it received or may receive compensation. NBF, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company and its associates and affiliates and the Offer.

In addition, in the ordinary course of its business, NBF or its controlling shareholder, National Bank, may have extended or may extend loans, or may have provided or may provide other financial services, to the Company, CCGI, the Catalyst Funds or their respective associates or affiliates. Except as expressed herein, there are no understandings, agreements or commitments between NBF or National Bank, on the one hand, and the Company, CCGI, the Catalyst Funds or their respective associates or affiliates on the other hand with respect to any future business dealings.

Credentials of NBF

NBF is one of Canada's largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Opinion expressed herein represents the opinion of NBF and the form and content hereof has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Scope of Review

In preparing our Opinion, we have reviewed and relied upon or carried out (without attempting to verify independently the completeness or accuracy thereof), among other things, the following:

- i. the draft press release to be published by the Company in conjunction with the release of its 2015 annual results;
- ii. the daily trading activity, volumes, and price history of the Shares on the Toronto Stock Exchange (the "TSX");
- iii. the trading activity and volumes of shares of other companies listed and traded on the TSX;
- iv. the distribution of ownership of the Shares to the extent publicly disclosed;
- v. the number of Shares proposed to be purchased under the Offer relative to i) the number of outstanding Shares less ii) the number of Shares owned by related parties of the Company and Shares or blocks thereof that are known by us to be not freely tradeable;
- vi. the customary difference (i.e. the "spread") between bid and ask prices in trading activity of the Shares;
- vii. other public information with respect to Callidus;
- viii. discussions with senior management of Callidus;

- ix. discussions with senior management of CCGI with respect to its intention under the SIB;
- x. the parameters set out in MI 61-101 that quantify the basis on which a liquid market is deemed to exist in respect of a class of securities;
- xi. precedent issuer bids that we considered relevant; and
- xii. such other information as we considered necessary or appropriate in the circumstances.

We have conducted such additional analyses and investigations as we considered to be appropriate in the circumstances for the purpose of arriving at the Opinion contained herein as at date hereof.

Assumptions and Limitations

This Opinion is rendered on the basis of securities market, economic and general business and financial conditions prevailing as at the date hereof, and conditions affecting the Company and the Shares as at the date hereof. In formulating our Opinion, we have made several other assumptions, the most material assumption being that there will be no significant change in the holdings of the Shares, other than as a result of purchases by the Company under the Offer.

NBF has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Company and their consultants and advisors (collectively, the "Information"). The Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgement and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

This Opinion does not constitute a formal valuation of the Company or any of its securities or assets and the Opinion should not be construed as such. The Opinion does not constitute an opinion concerning the fairness, from a financial point of view, of the consideration offered to the shareholders pursuant to the Offer.

The Opinion has been provided to the Board for its use only in determining the availability of an exemption from the formal valuation requirements of MI 61-101 (pursuant to paragraph 3.4 (b) thereof) and may not be relied upon for any other purpose or by any other person without the prior written consent of NBF. This is not an opinion referred to in paragraph (b) of subsection 1.2(1) of MI 61-101. The Opinion is given as of the date hereof and NBF disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of NBF after the date hereof. Without limiting the foregoing, if, after the date hereof, we learn of any material change in any fact or matter affecting the Opinion, NBF reserves the right to change, modify or withdraw the Opinion.

NBF believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. NBF expresses no opinion with respect to future trading prices of the Shares and makes no recommendation to shareholders with respect to tendering their Shares to the Offer.

For purposes of this Opinion, the phrase “liquid market” has the meaning ascribed thereto in MI 61-101.

Conclusion

Based upon and subject to the foregoing, it is our opinion as at the date hereof that:

- (i) a liquid market for the Shares exists as of the date hereof; and
- (ii) it is reasonable for the Board to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for the holders the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer.

Yours very truly,

A handwritten signature in cursive script that reads "National Bank Financial Inc." The signature is written in dark ink and is positioned above the printed name of the company.

NATIONAL BANK FINANCIAL INC.

**SCHEDULE B
VALUATION**

April 22, 2016

The Board of Directors of Callidus Capital Corporation
4620 - 181 Bay Street, P.O. Box 792
Bay Wellington Tower, Brookfield Place
Toronto, Ontario, M5J 2T3
Canada

To the Board of Directors:

National Bank Financial Inc. (“National Bank Financial”, “NBF”, “we” or “us”) understands that Callidus Capital Corporation (“Callidus” or the “Company”) intends to initiate a substantial issuer bid (the “SIB”) whereby Callidus will offer to purchase for cancellation up to 3,571,428 common shares of the Company (the “Shares”) at a purchase price of \$14 per Share (the “Purchase Price”) for an aggregate purchase price not to exceed \$50 million (the “Offer”). The Board of Directors of Callidus (the “Board”) has retained NBF to prepare a formal valuation (the “Formal Valuation”) of the Shares in connection with the Offer. The Board has received an opinion from NBF that (i) a liquid market exists for the shares as at March 29, 2016 and (ii) it is reasonable to conclude that, following the completion of the Offer, there will be a market for holders of the shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer (the “Liquidity Opinion”). We understand that:

- i. a complete description of the terms and conditions of the Offer will be contained in the Offer to Purchase and Issuer Bid Circular and related documents that Callidus expects will be filed with the applicable securities regulatory authorities in Canada and expected to be mailed to shareholders on or about April 22, 2016;
- ii. The Catalyst Capital Group Inc. (“CCGI”), the manager of various funds who own in the aggregate 62.5% of the outstanding Shares (the “Catalyst Funds”), has advised Callidus that such funds will not tender any of their holdings to the Offer;
- iii. the Offer will be an “issuer bid” under *Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions* (“MI 61-101”); and
- iv. the Offer is exempt from the formal valuation requirements of MI 61-101 as a result of the delivery of the Liquidity Opinion by NBF, however the Board has determined that in order to aid holders of the Shares in considering the Offer, the Formal Valuation be prepared in accordance with MI 61-101.

ENGAGEMENT OF NATIONAL BANK FINANCIAL

Representatives of the Company initially contacted NBF on December 18, 2015 regarding potentially engaging NBF to prepare a valuation of the Shares. Pursuant to an agreement dated

March 30, 2016 (the “Engagement Agreement”), the Company engaged NBF to prepare, under the supervision of the Board, the Formal Valuation in accordance with MI 61-101.

The terms of the Engagement Agreement provide that NBF is to be paid a total fee of \$550,000 for services to be rendered thereunder. In addition, NBF is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company under certain circumstances. No part of NBF’s fee is contingent upon the conclusions reached in the Formal Valuation or on the completion of the Offer.

CREDENTIALS OF NATIONAL BANK FINANCIAL

NBF is one of Canada’s largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. This Formal Valuation is the opinion of NBF and the form and content hereof has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

INDEPENDENCE OF NATIONAL BANK FINANCIAL

None of NBF, National Bank of Canada (“National Bank”) or any of their affiliated entities (as such term is defined for purposes of MI 61-101):

- i. is an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of MI 61-101) of the Company its respective associates or affiliates;
- ii. is an advisor to Callidus in connection with the Offer;
- iii. is a manager or co-manager of a soliciting dealer group formed in respect of the Offer (or a member of such a group performing services beyond the customary soliciting dealer’s functions or receives more than the per security or per securityholder fees payable to the other members of the group);
- iv. has a financial incentive in respect of the conclusions reached in the Formal Valuation or on completion of the Offer;
- v. has a material financial interest in the completion of the Offer;
- vi. during the 24 months before NBF was first contacted by the Company in respect of the Offer, had a material involvement in an evaluation, appraisal or review of the financial condition of the Company or any of its affiliated entities, acted as a lead or co-lead underwriter of a distribution of securities of the Company or any of its affiliated entities or had a material financial interest in transactions involving the Company or any of its affiliated entities except as described herein; or
- vii. is a lead or co-lead lender or manager of a lending syndicate in respect of the Offer or a lender of a material amount of indebtedness to the Company or any of its affiliated entities.

In 2014, NBF participated in the Company’s initial public offering of common shares, but did not act as lead or co-lead underwriter in respect of such offering. National Bank has been a co-lender to Catalyst Fund Limited Partnership V, an investment fund managed by CCGI, since 2015.

NBF acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company and from time to time, may have executed or may execute transactions for such entities and their respective associates and affiliates and clients from whom it received or may receive compensation. NBF, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company and its associates and affiliates and the Offer.

In addition, in the ordinary course of its business, NBF or its controlling shareholder, National Bank, may have extended or may extend loans, or may have provided or may provide other financial services, to the Company, CCGI, the Catalyst Funds or their respective associates or affiliates. Except as expressed herein, there are no understandings, agreements or commitments between NBF or National Bank, on the one hand, and the Company, CCGI, the Catalyst Funds or their respective associates or affiliates on the other hand with respect to any future business dealings.

SCOPE OF REVIEW

In connection with rendering this Formal Valuation, we have reviewed and relied upon, or carried out as the case may be, among other things, the following:

- i. the draft Offer to Purchase and Issuer Bid Circular dated April 22, 2016;
- ii. the audited financial statements for Callidus of the year ended December 31, 2015;
- iii. publicly available documents regarding Callidus including annual and interim reports, financial statements, management discussion and analysis, management information circulars and annual information forms;
- iv. the debenture repayment agreement dated April 23, 2014 among the Company, Catalyst Fund Limited Partnership III and Catalyst Fund Limited Partnership IV (the “Debenture Repayment Agreement”);
- v. the participation agreement dated April 23, 2014 among the Company, CCC Funding Corporation, Catalyst Fund Limited Partnership IV and CCGI (the “Participation Agreement”);
- vi. the letter agreement dated February 16, 2015 from the Company to Catalyst Fund Limited Partnership III, Catalyst Fund Limited Partnership IV, CCGI and CCC Funding Corporation (the “Letter Agreement”);
- vii. Callidus management’s four year financial forecast for the years ending December 31, 2016 to 2019;
- viii. certain other non-public information prepared and provided to us by Callidus management, primarily financial in nature, concerning the business, assets, liabilities and prospects of Callidus;
- ix. discussions with Callidus’ management with respect to, among other things, the Offer, as well as Callidus’ business, operations, financial position, budget, key assets and prospects;

- x. various reports published by equity research analysts and industry sources regarding Callidus and other comparable public companies, to the extent deemed relevant by us;
- xi. asset based lending industry statistics and related trends and drivers;
- xii. trading statistics and selected financial information of Callidus and other select public companies;
- xiii. comparable acquisition transactions considered by us to be relevant;
- xiv. discussions with operating and senior management of Callidus;
- xv. discussions with members of the Board;
- xvi. discussions with legal counsel to Callidus;
- xvii. discussions with the Company's auditor and review of the auditor's working papers;
- xviii. such information, analysis and discussions (including discussions with third parties) as NBF considered necessary or appropriate in the circumstances; and
- xix. a certificate addressed to NBF, dated as of the date hereof, from senior officers of Callidus, regarding the completeness and accuracy of the information upon which this opinion is based (the "Certificate").

NBF has not, to the best of its knowledge, been denied access by the Company to any information requested by NBF.

PRIOR VALUATIONS

The Company has represented to NBF that, to the knowledge of the Company, its directors and senior officers after reasonable enquiry, there are no prior valuations (as defined in MI 61-101) of the Company or its material assets or its securities prepared in the past 24 months.

ASSUMPTIONS AND LIMITATIONS

This Formal Valuation is subject to the assumptions, explanations and limitations set forth below.

NBF has relied upon, and has assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by it from public sources or provided by the Company or its officers, associates, affiliates, consultants, advisors and representatives (collectively, the "Information"). The Formal Valuation is conditional upon the completeness, accuracy and fair presentation of such Information. In accordance with the Engagement Agreement, but subject to the exercise of its professional judgment, NBF has not attempted to verify independently the completeness, accuracy or fair presentation of the Information.

NBF has assumed that the forecasts, projections and budgets of the Company provided to us and relied upon by us in our analyses have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of the Company as to matters covered thereby, having regard to the Company's industry, business, plans and prospects. We have relied

upon and assumed the accuracy and fair presentation of audited financial statements of the Company and the reports of the auditors thereon.

In preparing the Formal Valuation, NBF has made several assumptions, including that the disclosure provided or incorporated by reference in the Offer to Purchase and Issuer Bid Circular with respect to Callidus and its subsidiaries and affiliates and the Offer will be accurate in all material respects.

Senior management of the Company have represented to us in the Certificate, among other things, that:

- i. all information, data and other material (other than the financial material, documentation and other data referred to in paragraph (iv) below) (the “Data”) provided orally by, or in the presence of, an officer or employee of the Company or any of its subsidiaries or in writing by the Company or any of its subsidiaries or their respective agents to NBF relating to the Company or any such subsidiaries or the Offer for the purpose of preparing the Formal Valuation was, at the date the Data was provided to NBF, after taking into account updates to earlier Data for actual results, subsequent to the release of the Company’s fiscal year 2015 financials, provided in later dated or subsequently revised Data and is as of the date of such Certificate, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Offer and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Offer necessary to make the Data not misleading in light of the circumstances under which the Data was made or provided;
- ii. since the dates on which the Data was provided to NBF, except as disclosed in writing to NBF, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and no material change has occurred in the Data or any part thereof which would have or which would reasonably be expected to have a material effect on the Formal Valuation;
- iii. since the dates on which the Data was provided to NBF, except as disclosed in writing to NBF, no material transaction has been entered into by the Company or any of its subsidiaries, other than as publicly disclosed or other than in the ordinary course of business;
- iv. all financial material, documentation and other financial data concerning the Offer, the Company and its subsidiaries, excluding any projections or forecasts and other future oriented financial information concerning the Offer, the Company and its affiliates (collectively, “FOFI”), provided to NBF were prepared on a basis consistent in all material respects with the accounting policies applied in the audited consolidated financial statements of the Company dated as at December 31, 2015, reflect the assumptions disclosed therein (which assumptions management of the Company believes to be reasonable) and, to the best of management’s knowledge, information and belief, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such financial material, documentation or data not misleading in light of the circumstances in which such financial material, documentation and data was provided to NBF; and

- v. all FOFI provided to NBF has been prepared using assumptions which were reasonable on the date such FOFI was prepared, having regard to the Company's industry, business, financial condition, plans and prospects, and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make such FOFI (as of the date of the preparation thereof) not misleading in light of the circumstances in which such FOFI was provided to NBF.

The Formal Valuation is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company and its affiliates, as they were reflected in the Information reviewed by NBF. In its analyses and in preparing the Formal Valuation, NBF made judgments with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of the Company or any other party involved in the Offer.

We are not legal, tax or accounting experts and express no view as to the legal, tax or accounting aspects of the Offer.

The Formal Valuation is provided as of the date hereof and NBF disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Formal Valuation of which it may become aware after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Formal Valuation after the date hereof, NBF reserves the right to change, modify or withdraw the Formal Valuation.

The Formal Valuation has been prepared and provided for the use of the Board in evaluating the Offer, and may not be used or relied upon by any other person or for any other purpose without our express prior written consent. Subject to the terms of the Engagement Agreement, NBF consents to the publication of the Formal Valuation in its entirety and a summary thereof (in a form acceptable to NBF) in the Offer to Purchase and Issuer Bid Circular and to the filing thereof, as necessary, with the securities commissions or similar regulatory authorities in Canada.

NBF expresses no opinion with respect to future trading prices of the Shares and makes no recommendation to shareholders with respect to tendering their Shares to the Offer.

The Formal Valuation has been prepared in accordance with the Disclosure Standards for Formal Valuations of the Investment Industry Regulatory Organization of Canada ("IIROC"), but IIROC has not been involved in the preparation or review of the Formal Valuation.

NBF has based its Formal Valuation upon a variety of factors. Accordingly, NBF believes that its analyses must be considered as a whole. Selecting portions of its analyses or the factors considered by NBF, without considering all factors and analyses together, could create a misleading view of the process underlying the Formal Valuation. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

OVERVIEW OF THE COMPANY

Established in 2003, Callidus is a specialty asset-based lender, focused primarily on Canadian companies and select U.S. companies that are unable to obtain adequate financing from traditional lenders. The Company's loans are generally structured as demand, first lien (senior secured) facilities, on a fully collateralized basis, with targeted gross yields of approximately 20%. Through

its 'Callidus Lite' product, the Company also provides lower cost loans to lower-risk borrowers targeting gross yields of 12% to 14%.

Callidus provides financing to borrowers whose perceived credit risk is too high for the lending criteria of traditional lenders, and whose capital requirements are too small to access high yield markets. The Company also provides borrowers with access to capital to fund growth or acquisitions. The Company seeks to work with borrowers that are likely to improve their financial stability and gain the ability to repay the funding Callidus has advanced through loan commitments from traditional lenders or otherwise.

As part of its strategy to manage the perceived risk of these borrowers and each loan, Callidus actively manages its loan portfolio and lends against collateral, typically accounts receivable and inventory, and monitors this collateral on an ongoing basis. In addition, the Company seeks to provide lending in industries where management has expertise.

Pursuant to the Participation Agreement, the Catalyst Funds have agreed to guarantee losses incurred by the Company on certain loans in the portfolio at the time of the Company's initial public offering that closed April 23, 2014 (the "IPO"). The guarantee covers any losses of principal incurred by the Company on certain specified loans until fully realized ("watch-list loans"). Watch-list loans are identified by management as subject to heightened monitoring due to the financial condition of the borrowers. All other loans in the portfolio at the time of the IPO were also guaranteed for losses of principal until such time as the loans are renewed by the Company at their next scheduled credit review.

The Catalyst Funds are also entitled to participate in the growth of new loan portfolios established going forward by funding new loans, thereby acquiring a participation interest in that loan portfolio. Callidus agreed to establish and maintain a number of different loan portfolios, creating a new loan portfolio concurrent with the establishment of a new Catalyst Fund. The Catalyst Funds' pro rata portion of watch-list loans with respect to which Callidus purchases the Catalyst Funds' participation interest subsequent to the IPO are guaranteed for losses of principal. The Catalyst Funds' pro rata portion of non-watch-list loans purchased by Callidus subsequent to the IPO are guaranteed for losses of principal until such time as the loans are renewed by the Company at their next scheduled credit review.

Historical Financial Information

The following table summarizes the Company's consolidated operating results for the three years up to and including the year ended December 31, 2015:

(\$ millions)	Year Ended December 31,		
	2013A	2014A	2015A
Average loan portfolio outstanding ¹	\$251.2	\$545.7	\$1,021.6
Gross yield ²	21.2%	20.3%	18.9%
Gross yield on core product	n/a	20.5%	19.3%
Gross yield on Callidus Lite	n/a	12.3%	14.2%
Income Statement Data (After Derecognition)			
Total revenue	\$53.3	\$99.0	\$171.3
Operating expenses	(\$11.0)	(\$12.7)	(\$20.6)
Provision for loan losses	(\$6.0)	(\$19.0)	(\$35.7)
Recovery under the Catalyst guarantee	-	\$22.6	\$11.8
Net interest income	\$11.4	\$70.6	\$132.4
Net interest margin	4.5%	12.9%	13.0%
Provision for loan losses/assets acquired from loans ratio ³	2.7%	3.5%	4.7%
Operating expense ratio ⁴	4.4%	2.3%	2.0%
Net income (loss)	(\$5.7)	\$41.8	\$62.0
ROE ⁵	n/a	10.6%	12.9%

The following table summarizes the Company's consolidated balance sheet statements and other data as at the end of the years 2013 to 2015:

(\$ millions)	As at December 31		
	2013A	2014A	2015A
Total assets	\$400.6	\$883.4	\$1,121.8
Gross loans receivable ⁶	\$381.3	\$830.5	\$1,220.7
Assets acquired from loans	\$11.4	-	\$102.4
Revolving credit facility and senior debt	\$69.6	\$260.1	\$294.0
Subordinated bridge facility, due to Catalyst	-	\$116.0	\$291.5
Leverage ratio ⁷	n/a	38.1%	50.9%

1. Average loan portfolio outstanding is calculated before derecognition for the annual periods using daily loan balances outstanding. The average loan portfolio outstanding grosses up the loans receivable for (i) assets acquired from loans, (ii) the provision for loan losses, and (iii) discounted facilities.

2. Gross yield is defined as total revenues before derecognition divided by the average loan portfolio outstanding after adjusting for loans classified as assets acquired from loans.

3. Provision for loan losses/assets acquired from loans ratio is defined as provision for loan losses and assets acquired from loans divided by gross loans receivable.

4. Operating expense ratio is defined as operating expenses (consisting of salaries and wages, stock options expense, general and administrative expenses, net of Catalyst's share of overhead expenses) divided by average loan portfolio outstanding.

5. Return on equity is defined as net income after derecognition attributable to common shareholders divided by average common shareholders' equity.

6. Gross loans receivable is defined as the sum of (i) the aggregate amount of loans receivable on the relevant date, (ii) the loan loss allowance on such date, (iii) the book value of assets acquired from loans as they appear on the balance sheet, and (iv) discounts on loan acquisitions. Presented before derecognition.

7. Leverage ratio is defined as total debt (net of cash and cash equivalents) divided by gross loans receivable before derecognition.

Trading Information

Callidus' Shares are listed for trading on the Toronto Stock Exchange ("TSX"). The following table sets forth, for the periods indicated, the high and low closing prices quoted and the volume traded on the TSX:

	Closing Price (\$ per Share)		Total Volume
	High	Low	
2014			
April 23 rd to April 30 th	\$17.01	\$15.55	3,017,861
May	\$18.75	\$15.65	889,659
June	\$18.35	\$17.20	863,717
July	\$20.95	\$17.90	1,235,405
August	\$23.40	\$18.50	2,453,313
September	\$23.15	\$21.00	689,204
October	\$22.74	\$20.20	1,103,454
November	\$22.52	\$20.75	3,027,604
December	\$21.45	\$16.81	3,531,164
2015			
January	\$18.24	\$16.65	2,753,367
February	\$17.92	\$16.88	1,640,727
March	\$17.80	\$15.07	4,454,022
April	\$17.90	\$15.15	5,252,869
May	\$16.07	\$13.90	3,957,081
June	\$14.50	\$13.61	2,275,754
July	\$14.07	\$12.93	3,114,901
August	\$13.65	\$12.11	3,817,020
September	\$13.19	\$11.17	1,491,428
October	\$12.17	\$11.13	1,829,549
November	\$11.31	\$9.75	2,882,737
December	\$9.89	\$7.30	5,881,545
2016			
January	\$8.90	\$7.89	2,221,415
February	\$8.79	\$7.85	1,145,748
March 1 st to March 30 th	\$10.67	\$8.50	1,733,083

The closing price of the Callidus Shares on the TSX on March 30, 2016, the last trading day prior to announcement of the Offer, was \$10.39.

VALUATION OF THE SHARES

Definition of Fair Market Value

For the purposes of the Formal Valuation, "fair market value" means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, with each acting at arm's-length, and where neither party is under any compulsion to act.

In accordance with MI 61-101, NBF has made no downward adjustment to the fair market value of the Shares to reflect the liquidity of the Shares, the effect of the Offer or the fact that the Shares do not form part of a controlling interest. A valuation prepared on the foregoing basis is referred to as

an “en bloc” valuation.

Approach to Value

The Formal Valuation is based upon techniques and assumptions that NBF considered appropriate in the circumstances for the purposes of arriving at an opinion as to the range of fair market values of the Shares. The fair market value of the Shares was analyzed on a going concern basis and is expressed on a per Share basis.

Valuation Methodologies and Analysis

For the purposes of determining the fair market value of the Shares, NBF relied on principally three methodologies:

- comparable trading approach;
- precedent transaction approach; and
- discounted cash flow (“DCF”) approach.

In addition, NBF reviewed historical trading data for the Shares and research analyst target prices.

NBF notes that Callidus has disclosed that it may seek to privatize the company and that the Catalyst Funds have advised Callidus that they have no intention of ever selling their interest in Callidus. Furthermore, as previously disclosed, four interested parties have approached Callidus in respect of a privatization but at this juncture no proposals have been received by Callidus in respect of its privatization or considered in respect of the Formal Valuation.

NBF is aware that certain potential buyers of all of the Shares may realize unique benefits as a result of such a transaction. Furthermore, these benefits are not necessarily available to all buyers and the amount of any benefit may vary by buyer. As the Formal Valuation is on an “en bloc” basis, the value of such benefits, if any, cannot be attributed to the “en bloc” value of Callidus and, accordingly, has not been factored into our valuation conclusion.

Comparable Trading Approach

NBF considered the available public information with respect to comparable entities within the specialty finance, mortgage and lending industries in Canada. For the purposes of its analysis, NBF considered the eight specific entities listed below, which included entities noted in investor materials previously presented by Callidus and entities utilized by research analysts in public reports which were considered to be the most comparable to the Company.

Company	Mkt. Cap (C\$ MM)	P ¹ / EPS ²		P ¹ / BV ⁴	P ¹ / TBV ⁵
		'16E ³	'17E ³		
<u>Canadian Specialty Finance</u>					
Element Financial	\$5,645	9.1x	7.6x	1.1x	1.9x
Chesswood Group	\$184	7.5x	7.3x	1.2x	2.0x
Accord Financial	\$79	n/a	n/a	1.1x	1.2x
Crown Capital Partners	\$79	10.6x	7.1x	0.8x	0.8x
RIFCO	\$27	7.0x	5.1x	0.9x	0.9x
Average		8.5x	6.8x	1.0x	1.4x
Median		8.3x	7.2x	1.1x	1.2x
<u>Canadian Mortgage & Lending</u>					
Home Capital Group	\$2,625	8.5x	7.8x	1.6x	1.8x
Equitable Group	\$841	6.8x	6.4x	1.2x	1.2x
MCAN Mortgage	\$300	9.1x	8.5x	1.2x	1.2x
Average		8.1x	7.6x	1.3x	1.4x
Median		8.5x	7.8x	1.2x	1.2x

1. Price per share.

2. Earnings per share (EPS).

3. Forward estimates sourced from Bloomberg on April 15, 2016; adjusted to reflect December 31 fiscal year end.

4. Book value per share (BV), as at December 31, 2015.

5. Tangible book value per share (TBV), as at December 31, 2015.

While none of the entities reviewed was considered directly comparable to the Company, NBF selected what it considered to be reasonably representative public trading multiples, before making any adjustment to reflect an “en bloc” valuation of the Shares. NBF considered the most appropriate trading multiples to evaluate the Company to be P / EPS for the years ending December 31, 2016 and December 31, 2017, and P / BV using the book value per share as at December 31, 2015. Company estimates for December 31, 2016 and December 31, 2017 reflect the Base Case forecast which is reviewed in further detail under the DCF approach.

In selecting the multiple ranges shown below, NBF gave consideration to several factors, including differences in business mix, growth, profitability, capital structure and size between the Company and the entities reviewed. The following is a summary of the value of the Shares resulting from the selection of trading valuation multiples above, before making any adjustment to reflect the “en bloc” valuation of the Shares:

P / EPS	EPS	Multiple Range		Implied Value per Share	
		Low	High	Low	High
2016E	\$1.49	7.5x	9.5x	\$11.15	\$14.12
2017E	\$2.21	6.5x	8.5x	\$14.33	\$18.74
Average				\$12.74	\$16.43

P / BV	BV	Multiple Range		Implied Value per Share	
		Low	High	Low	High
Dec. 31, 2015	\$9.96	1.30x	1.60x	\$12.95	\$15.93

Market trading prices generally do not reflect “en bloc” values. To adjust for en bloc value, NBF

considered and reviewed take-over premiums paid in precedent Canadian public entity transactions. For the purposes of this analysis, premium is defined as the amount (expressed in percentage terms) by which the price paid per share or unit under the precedent transaction exceeded the closing price of the shares or units the day immediately prior to, and the volume weighted average price for the 20 trading day period immediately prior to, the announcement of the transaction. Based on the takeover premiums paid in precedent Canadian public company transactions, NBF selected and applied a premium of 30% to 35% to the comparable company equity trading value of the Shares to determine an “en bloc” equity value per Share.

	Value Range – P / EPS	
	Low	High
Average value per Share	\$12.74	\$16.43
Change of control premium	35%	30%
En-bloc equity value per Share	\$17.20	\$21.36

	Value Range – P / BV	
	Low	High
Value per Share	\$12.95	\$15.93
Change of control premium	35%	30%
En-bloc equity value per Share	\$17.48	\$20.71

Precedent Transaction Approach

NBF also considered the precedent transaction approach and reviewed precedent acquisition transactions involving entities in the specialty finance industry which were comparable and for which there was sufficient public information to derive multiples. NBF applied the relevant metrics derived from prices paid in comparable purchase and sale transactions to the Company’s EPS (excluding unusual provisions) for the last twelve months ended December 31, 2015 (“LTM”) and BV. In arriving at a range for the precedent transaction approach, NBF primarily relied on its professional judgment and experience.

Ann. Date	Target	Acquiror	Equity Value (C\$MM)	P / EPS	P / BV
May-15	Firestone Financial	Berkshire Hills Bancorp	\$65	12.5x	1.7x
Feb-15	Blue Chip Leasing & Ecohome Financial	Chesswood Group	\$64	17.1x	nmf ¹
Feb-15	Macquarie Equipment Finance	Huntington Bancshares	\$576	n/a	1.6x
Dec-14	MicroFinancial	Fortress Investment Group	\$176	15.2x	1.6x
Sept-14	Carfinco	Banco Santander	\$298	14.0x	4.1x
Jun-14	PHH Arval	Element Financial	\$1,526	24.1x	1.6x ²
Dec-13	Nicholas Financial	Prospect Capital	\$215	9.8x	1.4x ³
May-13	Sprott Resource Lending	Sprott	\$243	nmf	1.1x
Dec-12	Celtic Leasing	MB Financial Bank	\$58	nmf	2.2x
Sept-12	First Investors Financial	Aquiline Capital	\$98	11.6x	1.5x
May-12	TLS Fleet Management	Element Financial	\$147	14.1x	1.8x
	Average			14.8x	1.8x
	Median			14.0x	1.6x

1. Annualized earnings for the nine months ended Sept. 30, 2014.

2. Book value adjusted to include step-up in tax basis; unadjusted P/BV multiple of 3.8x.

3. Transaction cancelled.

NBF applied a range of P / EPS and P / BV multiples to the Company's relevant financial metrics as shown in the following tables:

Method	Metric	Multiple Range		Implied Equity Value per Share	
		Low	High	Low	High
P / EPS (LTM)	\$1.54 ¹	10.0x	14.0x	\$15.40	\$21.56
P / BV (Dec. 31, 2015)	\$9.96	1.60x	2.10x	\$15.93	\$20.91

1. EPS excluding unusual provisions.

Discounted Cash Flow Approach

The DCF methodology reflects the growth prospects and risks inherent in the Company's business by taking into account the amount, timing and relative certainty of projected levered free cash flows expected to be generated by the Company. The DCF approach requires that certain assumptions be made regarding, among other things, future levered free cash flows, discount rates and terminal values. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values. NBF's DCF approach involved, among other things, discounting to a present value (i) the Company's projected levered after-tax free cash flows from April 1, 2016 to December 31, 2025 and (ii) a terminal value determined as at December 31, 2025.

Principal Assumptions and Key Drivers

For the purpose of deriving projected levered after-tax free cash flows for use in the DCF analysis, NBF reviewed management's forecast for the years ended December 31, 2016 to December 31, 2019 and discussed with management the appropriate assumptions for the years ended December 31, 2020 to December 31, 2025. In consultation with management, NBF made certain assumptions

and developed the “Base Case” for the purposes of its DCF analysis.

Relationship with CCGI and the Catalyst Funds

Under the Base Case, the Catalyst Funds continue to participate in the loan portfolio as per the funding formula pursuant to the Participation Agreement until the end of 2020, when for the purposes of its DCF analysis, NBF assumed that the Company begins to converge to its ‘steady state’ long term growth trajectory. Under the Base Case, the Catalyst Funds continue to participate in funding new loan origination until the end of 2020, when, for the purposes of its DCF analysis, NBF assumed the Company had completed all purchases of the Catalyst Funds’ participating interests in the loan portfolio.

Loan Portfolio Growth

In projecting loan portfolio growth, NBF considered and accepted the projected loan originations provided by management for the years 2016 to 2019. NBF reviewed the Company’s historical performance since 2011 and its market position relative to its competitors and, in consultation with Callidus management, determined projected loan originations for the years ended 2020 to 2025.

Provision for Loan Losses

In projecting loan loss provisions, NBF considered and accepted the projected loan loss provisions provided by management for the years 2016 to 2019. NBF reviewed the Company’s historical performance since 2011 and in consultation with Callidus management, determined projected loan loss provisions for the years ended 2020 to 2025.

Leverage and Funding

In projecting future financing sources and cost of funding, NBF considered and accepted management’s projections for the years 2016 to 2019. Based upon a review of the capital structures of comparable entities in the asset based lending industry and in discussions with management, NBF developed the forecasted levels of leverage and cost of funding for the years 2020 to 2025.

Dividend Reinvestment Program

For the years 2016 to 2025, NBF considered and accepted the projected Callidus dividend policy provided by management, as well as management’s projection that the Catalyst Funds would continue to participate in the Company’s dividend reinvestment program (“DRIP”) until the year 2020, when, for the purposes of forecasting the Company in its long term growth trajectory, NBF assumed all dividends were paid in cash thereafter.

Tax Attributes

We understand that the Company has no significant tax loss carry-forwards or other tax attributes to shelter future income tax.

Levered After-Tax Free Cash Flow

The following summary of the levered after-tax free cash flow projections used in the DCF analysis is presented before derecognition accounting treatment unless otherwise noted.

(\$ millions)	Nine Months Ended	Year Ended December 31				Total 2021E to 2025E
		2016E	2017E	2018E	2019E	
Net Income to Callidus ¹	\$57	\$118	\$135	\$190	\$209	\$1,579
Net loan repayments (originations)	(\$378)	(\$410)	(\$415)	(\$420)	(\$424)	(\$1,692)
Change in debt net of Catalyst participation	\$319	\$293	\$271	\$209	\$183	\$687
Levered after-tax free cash flow	\$21	\$34	\$31	\$18	\$20	\$917
Attributable levered after-tax FCF²	\$21	\$33	\$28	\$16	\$16	\$745
Net loans receivable	\$1,410	\$1,788	\$2,169	\$2,548	\$2,924	\$4,294 ³

1. Net income after derecognition.

2. Levered after-tax free cash flows adjusted for the fully-diluted number of Callidus Shares outstanding as at March 31, 2016 as a percentage of the average fully-diluted Callidus Shares outstanding for the forecasted period, after taking into account DRIP Shares assumed to be issued from treasury to CCGI and the Catalyst Funds in future periods. Assumes future DRIP Shares issued at a P/BV multiple of 1.05x, the observed multiple of Callidus shares trading on the TSX on March 30, 2016, the last trading day prior to announcement of the Offer.

3. Balance as at December 31, 2025.

Discount Rates

Projected levered after-tax free cash flows for the Company used in the Base Case were discounted based on the estimated cost of equity for the Company (the “Cost of Equity”). The Cost of Equity was calculated based upon an assumed optimal capital structure determined based upon a review of the capital structures of comparable entities and the risks inherent in the Company’s business and in the asset based lending industry. NBF used the capital asset pricing model (“CAPM”) approach to determine the appropriate Cost of Equity. The CAPM approach calculates the Cost of Equity with reference to the risk-free rate of return, the risk of equity relative to the market (“beta”), and the market equity risk premium. NBF also applied a capitalization premium.

NBF reviewed a range of unlevered betas for a select group of comparable entities that have risks similar to the Company in order to select the appropriate unlevered beta for the Company. The selected unlevered beta was re-levered using the assumed optimal capital structure and then used to calculate the cost of equity.

The assumptions used by NBF in calculating the Cost of Equity for the Company were as follows:

Risk free rate ¹	1.62%
Equity risk premium ²	6.03%
Capitalization premium ³	1.70%
Selected unlevered beta	0.675
Optimal debt in capital structure	60.0%
Tax rate	26.5%
Levered beta	1.42
Company Cost of Equity	11.9%

1. Average of 10 year and 30 year Government of Canada bond yield as at April 15, 2016.

2. Duff & Phelps 2016 Valuation Handbook, long-horizon expected equity risk premium (supply side).

3. Duff & Phelps 2016 Valuation Handbook, low-cap size premia.

Based upon the foregoing and taking into account sensitivity analyses on the variables discussed above and the assumptions used in the Base Case, NBF determined the appropriate Cost of Equity for the Company to be in the range of 11.0% to 13.0%.

Terminal Value

NBF developed terminal equity values at the end of the forecast period by calculating the present value at the selected Cost of Equity of terminal period levered after-tax cash flow after applying a perpetual growth rate of 1.5% to 2.5%. The growth rates used to calculate terminal value were selected based on NBF's assessment of the risk and growth prospects of the Company beyond the terminal year and the long-term outlook for the asset based lending industry.

Summary of DCF Approach

The following is a summary of the value of the Shares resulting from the DCF analysis:

	Value Range	
	Low	High
Terminal growth rate	1.5%	2.5%
Cost of Equity	13.0%	11.0%
NPV ¹ of attributable ² free cash flow	\$370	\$416
NPV ¹ of attributable ² terminal value	\$641	\$1,043
Equity value	\$1,011	\$1,458
Fully-diluted Shares outstanding (mm)	51	51
Equity value per Share	\$19.77	\$28.52

1. Net Present Value.

2. Adjusted for the fully-diluted number of Callidus Shares outstanding as at March 31, 2016 as a percentage of the average fully-diluted Callidus Shares outstanding for the forecasted period, after taking into account DRIP Shares assumed to be issued from treasury to CCGI and the Catalyst Funds in future periods. Assumes future DRIP Shares issued at a P/BV multiple of 1.05x, the observed multiple of Callidus shares trading on the TSX on March 30, 2016, the last trading day prior to announcement of the Offer.

Sensitivity Analysis

In completing our DCF analysis, NBF did not rely on any single series of projected cash flows but performed a variety of sensitivity analyses using the table below.

Variable	Sensitivity	Impact on Equity Value per Share	
		+	-
Loan portfolio growth rate	+ / - 2.5%	\$3.51	(\$3.42)
Provisions for credit losses	+ / - 1.0%	(\$3.12)	\$3.21
Average cost of debt	+ / - 1.0%	(\$2.04)	\$2.19
Cost of equity	+ / - 1.0%	(\$3.06)	\$3.83
Terminal growth rate	+ / - 0.5%	\$0.91	(\$0.83)

EQUITY INTERESTS

In arriving in its opinion as to the fair market value of the Shares, NBF considered the value that may accrue to Callidus from equity and equity-like interests currently owned by Callidus as a result of credit bid processes or through normal course negotiations with borrowers. Currently there are 7 equity and equity-like interests contractually owned by Callidus in the portfolio with a further 3

under negotiation with borrowers but as yet not contractually secured. Management indicated that they would anticipate that this ‘pool’ of equity and equity-like interests would continue to grow into the future as part of the re-negotiation of loans as they mature, as well as through new originations.

Based upon projections delivered to NBF by management, NBF understands that the risk adjusted probability weighted undiscounted value for the 7 equity and equity-like interests currently contractually owned by Callidus and the 3 equity and equity-like interests currently under negotiation in the aggregate amounts to between approximately \$75 million and \$130 million. NBF also understands that Callidus has yet to monetize any of these interests, the outcome of the negotiation for the equity and equity-like interests not currently owned is unclear and that there is substantial uncertainty regarding potential monetization.

In arriving at its opinion as to the fair market value of the Shares, NBF has concluded that the pool of equity and equity-like interests does add value over and above the values derived from the principal approaches considered and, as such, we have selected a fair market value range per Share for the equity and equity-like interests of between \$0.50 and \$1.00 per Share.

VALUATION SUMMARY

The following is a summary of the range of fair market values of the Shares resulting from the comparable trading approach, the precedent transaction approach and the DCF approach, before taking into account the fair market value attributable to the pool of equity and equity-like interests referred to above:

	Equity Value per Share	
	Low	High
Comparable Trading (with premium)	\$17.20	\$21.36
Precedent Transaction	\$15.40	\$21.56
DCF	\$19.77	\$28.52

VALUATION CONCLUSION

In arriving at its opinion as to the fair market value of the Shares, NBF has not attributed any particular weight to any specific factor but has made qualitative judgments based on its experience in rendering such opinions on circumstances then prevailing as to the significance and relevance of each factor.

Based upon and subject to the foregoing, including such other matters as we considered relevant, NBF is of the opinion that, as of April 22, 2016, the fair market value of the Shares is in the range of \$18.00 to \$22.00 per Share.

Yours very truly,



NATIONAL BANK FINANCIAL INC.

The Letter of Transmittal, the Notice of Guaranteed Delivery, certificates representing Shares and any other required documents should be sent or delivered by each depositing Shareholder or the Shareholder's investment dealer, stock broker, commercial bank, trust company or other nominee to the Depositary at its Toronto, Ontario office address below:

The Depositary for this Offer is:



Computershare Trust Company of Canada

By regular Mail

Computershare Trust Company of Canada
P.O. Box 7021
31 Adelaide Street East
Toronto, Ontario
M5C 3H2

Attention: Corporate Actions

By Hand, Courier or Registered Mail:

Computershare Trust Company of Canada
100 University Avenue
8th Floor
Toronto, Ontario
M5J 2Y1

Attention: Corporate Actions

Toll Free: 1-800-564-6253

E-mail: corporateactions@computershare.com

Any questions or requests for assistance may be directed to the Depositary at the address and telephone number set forth above. Additional copies of the Offer to Purchase and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Depositary. Manually executed photocopies of the Letter of Transmittal and the Notice of Guaranteed Delivery will be accepted. Shareholders may also contact their investment dealer, stock broker, commercial bank, trust company or other nominee for assistance concerning the Offer.