PROSPECTUS

Initial Public Offering April 15, 2014

CALLIDUS CAPITAL CORPORATION

$252,000,000
18,000,000 Common Shares

This prospectus qualifies the distribution to the public (the "**Offering**") of 18,000,000 common shares ("**Offered Shares**") in the capital of Callidus Capital Corporation ("**Callidus**" or the "**Corporation**"), at a price of $14.00 per Offered Share (the "**Offering Price**"). The Offered Shares are being offered by Canaccord Genuity Corp. (the "**Lead Underwriter**") and CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc., GMP Securities L.P., Desjardins Securities Inc. and Dundee Securities Ltd. (collectively, with the Lead Underwriter, the "**Underwriters**") pursuant to an underwriting agreement between the Corporation, Catalyst Fund II (as defined herein), Catalyst Fund III (as defined herein), Catalyst Fund IV (as defined herein) and the Underwriters dated April 15, 2014 (the "**Underwriting Agreement**").

There is currently no market through which the common shares of the Corporation ("Common Shares") may be sold and purchasers may not be able to resell Common Shares purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of Common Shares, and the extent of issuer regulation. See "Risk Factors".

In connection with the Offering, the Underwriters may, subject to applicable law, over-allot or effect transactions that stabilize or maintain the market price of Common Shares at levels other than those which otherwise might prevail on the open market. The Underwriters may offer Offered Shares at a price lower than the Offering Price. Any such reduction in price will not affect the proceeds received by the Corporation. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

An investment in Offered Shares is subject to a number of risks that should be considered by a prospective purchaser. Prospective purchasers should carefully consider the risk factors described under "Risk Factors" before purchasing Offered Shares.

Price: $ 14.00 per Offered Share

	Price to the Public(1)	Underwriting Fee	Net Proceeds to the Corporation(2)(3)
Per Offered Share	**$14.00**	**$0.805**	**$13.195**
Total Offering(2)	**$252,000,000**	**$14,490,000**	**$237,510,000**

Notes:

(1) The Offering Price has been determined by negotiation between the Corporation, Catalyst Fund II, Catalyst Fund III, Catalyst Fund IV, and the Underwriters.

(2) The Corporation has agreed to grant to the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time and from time to time, for a period of 30 days following the closing of the Offering ("**Closing**"), to purchase up to an additional 2,700,000 Common Shares (representing 15% of the Offered Shares offered pursuant to the Offering,) on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, underwriting fee ("**Underwriting Fee**"), and the net proceeds to the Corporation will be $289,800,000, $16,663,500, and $273,136,500**,** respectively. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of Common Shares upon the exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires those Common Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

(3) After deducting the Underwriting Fee payable by the Corporation, but before deducting expenses of the Offering estimated to be $3,000,000, which the Corporation will pay out of the proceeds it receives from the Offering.

The following table sets out the number of Offered Shares that may be sold by the Corporation to the Underwriters pursuant to the exercise of the Over-Allotment Option:

Underwriter's Position	Maximum Number of Common Shares Available	Exercise	Exercise Price
Over-Allotment Option	2,700,000	Within 30 days following Closing	$14.00 per Common Share

Unless otherwise indicated, all information in this prospectus assumes that the Over-Allotment Option will not be exercised.

The Underwriters, as principals, conditionally offer the Offered Shares qualified under this prospectus, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement as further described under the heading "Plan of Distribution", and subject to the approval of certain legal matters on behalf of the Corporation by Fasken Martineau DuMoulin LLP and on behalf of the Underwriters by Cassels Brock & Blackwell LLP.

Subscriptions for Offered Shares will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. The closing date of the Offering is expected to occur on or about April 23, 2014 or such other date as the Corporation and the Underwriters may agree, but in any event no later than the date that is 42 days after the date of the receipt for this prospectus (the "**Closing Date**").

Offered Shares will be delivered electronically through the non-certificated inventory ("**NCI**") system of CDS Clearing and Depository Services Inc. ("**CDS**"). On the Closing Date, the Corporation, via its transfer agent, will electronically deliver the Offered Shares registered to CDS or its nominee. A holder of an Offered Share participating in the NCI system will not be entitled to a certificate or other instrument from the Corporation or the Corporation's transfer agent evidencing that person's interest in or ownership of Offered Shares, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS participant. See "Plan of Distribution".

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and is qualified in its entirety by, and should be read together with, the more detailed information and the financial data and statements contained elsewhere in this prospectus. Please refer to "Appendix 'A' – Glossary of Terms" for the meaning of certain terms used in this prospectus.

Business Overview

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, without dilution to their equity ownership. 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 and fixed operating 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 has a strong track record, as evidenced by, among other things, no realized losses on principal on Callidus-originated loans after consideration of liquidated collateral and costs to settle from 2011 until 2013.

As at April 10, 2014, Callidus managed $471 million of loan assets. For the 12 months ended December 31, 2013, Callidus had total revenue of $53.3 million and Adjusted EBITDA(1) of $41.5 million on Average Loan Portfolio Outstanding(1) of $251 million.

Credit Markets

Callidus targets a market with borrowers whose perceived risk is too high for the lending criteria of traditional lenders, and whose capital requirements are too small to access high yield markets. Many traditional lenders have lending criteria that are not met by the credit profile of the borrowers in the Corporation's target market and such lenders are generally unwilling to commit the time and resources necessary to monitor each loan effectively. Callidus believes it generates a higher return relative to the perceived risk profile of its loans due to its unique approach to lending. Callidus effectively manages the risk of its portfolio by prudent collateral-backed lending, and through active management of its loans. The following chart illustrates the market in which Callidus operates:

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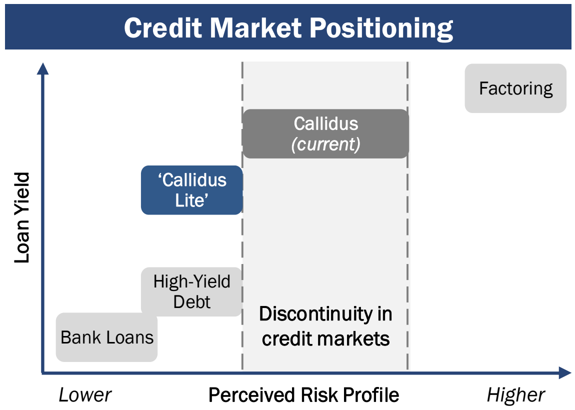
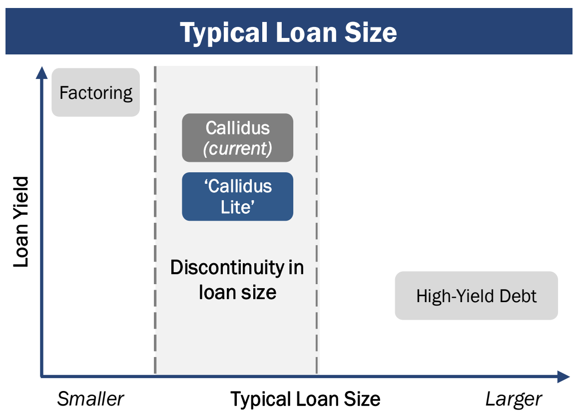
(1) Please see definitions of Adjusted EBITDA and Average Loan Portfolio Outstanding under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures". These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable to similar measures used by other issuers.



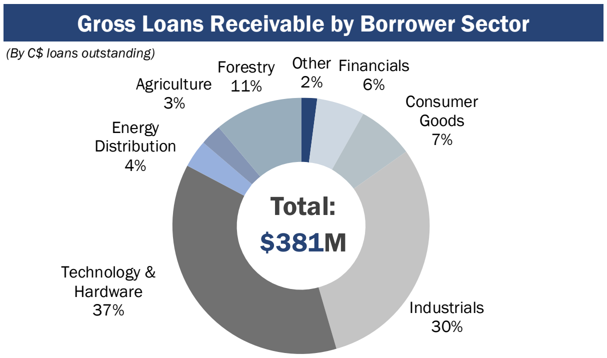
Callidus generally commits to loans ranging in size from $5 million to $50 million. Management believes there is a general lack of credit available in the market at these loan sizes for borrowers with the same risk profile as a typical Callidus borrower. Callidus loans are generally larger than those of factoring companies, which typically provide loans of $5 million or less, and are generally smaller than those of high yield lenders, which typically provide loans of $50 million or more. While banks provide loans of all sizes, these loans are not generally available to borrowers with the same risk profile as a typical Callidus borrower. The following chart illustrates the typical loan size for various debt products:

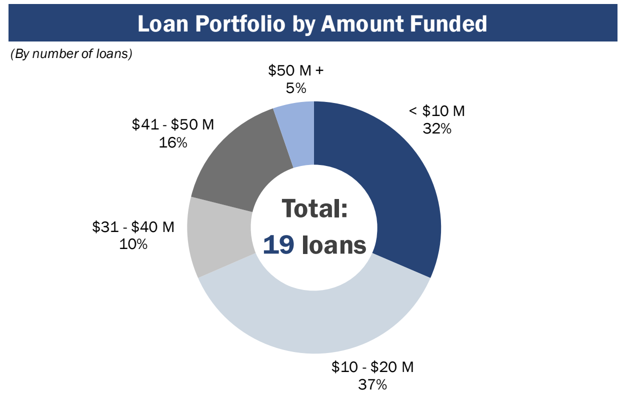


Current Loan Portfolio

As of December 31, 2013, the Loan Portfolio consisted of 19 loans with an aggregate Gross Loans Receivable amount outstanding[2] of $381 million. The largest loan commitment was approximately US$75 million and the smallest loan commitment was approximately $4 million. The Corporation's loans are diversified across a variety of industries, with the technology and hardware industry and the industrials industry comprising the largest segments. Callidus will often target sectors that are experiencing a downturn as such borrowers may be under financial pressure and may be unable to access capital from traditional lenders. During 2011, the Corporation received 100% of the common shares of a borrower, in exchange for a loan valued at $12.6 million. This entity is being held for sale on the statement of financial position. The asset held for sale is recorded at the lower of carrying value or fair value less cost to sell. Some of the loans in the Loan Portfolio contain a payment-in-kind interest provision. Unless a portion of a loan with a payment-in-kind interest provision is sold, the Corporation will not receive cash in respect of such loan until such time as cash payment is due.

(2) Please see definition of Gross Loans Receivable under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures". These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable to similar measures used by other issuers. As at December 31, 2013, the Gross Loans Receivable consisted of $350 million loans receivable, $11 million assets held for sale, $10 million loan loss allowance, and $10 million in discounts on loan acquisitions.





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Note: As at December 31, 2013, the Gross Loans Receivable consisted of $350 million loans receivable, $11 million assets held for sale, $10 million loan loss allowance, and $10 million in discounts on loan acquisitions.

The average amount funded per loan is approximately $20 million, with the principal amount outstanding typically between 65% and 75% of the committed amount at any given time. The original commitment term is typically 12 months, with extensions permitted subject to credit re-approval and renewal fees. The average period of time a loan and its renewal is outstanding typically ranges from 18 to 24 months.

Growth Strategy

Following the completion of the Offering, the Corporation's public company status may raise the profile of Callidus as a solution for borrowers and for lenders with challenging loan portfolios in addition to increasing the Corporation's access to capital. Callidus believes its Loan Portfolio will grow in the following ways:

- **Organic Growth in Canada:** Management estimates that the market size in Canada for its current product is approximately $1 billion in loans at any time, of which management believes that approximately $650 million is currently addressed by either Callidus or its competitors. Callidus believes it is well positioned to capture a significant share of this unserviced market given the Corporation's flexible and innovative approach to lending, the Corporation's extensive in-house team and proprietary systems, management's significant ABL experience and workout expertise, the presence of relatively few known competitors in the Bridge or Distressed ABL Providers market segment (see "Asset-Based Lending Industry – General") and the Corporation's access to capital from both public markets and the Catalyst Funds.

  The Corporation's Gross Loans Receivable grew at a compound annual growth rate of 57% from 2011 to 2013. During the same period, potential new loans being considered by the Corporation remained steady. As a result, the Corporation believes that there is significant market demand for the Corporation's loan product. The Corporation is currently considering potential new loans totalling approximately $300 million. As part of its overall strategy to grow the Loan Portfolio, the Corporation targets $50 million to $150 million of net new loans for each loan originator per year. However, there can be no assurance that Callidus will be able to grow its Loan Portfolio as anticipated.

  Callidus has historically served primarily Ontario and Québec based borrowers; however, more recent growth reflects lending opportunities across Canada. Callidus intends to expand its geographical reach by increasing the number of loan officers and adding originators outside of Ontario. In addition, Callidus is increasingly providing larger loans and expects to further increase its average loan size.

- **Expansion of Loan Product:** In order to extend the Corporation's lending market, the Corporation will expand 'Callidus Lite', a lower-priced loan product for relatively lower-risk borrowers. Management expects that 'Callidus Lite' will have targeted Gross Yields of between 12% and 14%. Certain of the borrowers in this market may have traditional lending alternatives available to them; however management believes these borrowers may accept the higher pricing of the 'Callidus Lite' product in exchange for flexible and innovative loan structuring along with limited or no covenants.

  Management believes that the 'Callidus Lite' product represents an incremental market opportunity that is distinct from the market for its current loans. 'Callidus Lite' will allow Callidus to extend its potential lending market and loan duration, while preserving attractive returns.

- **Expansion in the United States:** Management believes that the United States market presents a significantly larger opportunity than the Canadian market. Regulatory standards in the United States such as the Dodd–Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") combined with Basel III Accord ("**Basel III**") place constraints on commercial lenders that do not apply to Callidus. Although the United States is a different lending market, management has extensive experience in successfully originating and underwriting debt transactions in the United States. The Corporation's existing loan products have been made available in the United States on a situational basis through existing borrower relationships. Callidus demonstrated the flexibility of its systems, back office and procedures through six U.S. based transactions since 2011. In addition, five Canadian based transactions since 2011 had U.S. collateral or exposure as a substantial part of their operations, requiring Callidus to test and validate its ability to perfect U.S. collateral and successfully address other structural issues. Consistent with the Corporation's targeted geographical expansion across Canada, new origination and underwriting officers allow for natural coverage of the northern United States and expansion of the Loan Portfolio.

- **Growth through Acquisitions of Loan Portfolios:** Management believes that there will be opportunities to acquire asset-based loan portfolio assets from other lenders in Canada and the United States on an opportunistic basis, at discounted values. Callidus has successfully acquired and managed loan portfolios from lenders seeking to exit challenging situations in the past. The Offering provides Callidus access to capital to execute on such future opportunities.

- **Purchase of Loan Assets from the Catalyst Funds:** Following completion of the Offering, the Catalyst Funds will continue to have an interest in the Loan Portfolio. When a Catalyst Fund intends to dispose of an interest in the Loan Portfolio, Callidus will have the option to acquire such interest for an amount equal to the aggregate funded amount of the interest in the Loan Portfolio being sold plus such Catalyst Fund's entitlement to undistributed interest and fees on the applicable Loan Portfolio, pursuant to the terms of the Participation Agreement. As private equity funds, the Catalyst Funds expect to have a need to redeploy their capital into other investments and have a limited investment horizon, thereby creating a necessity to sell their interests in the Loan Portfolio once capital is needed for other investments. Catalyst Funds established after the closing of the Offering will be entitled to invest in interests in the Loan Portfolio, providing for mutual interest in the performance of the Loan Portfolio and another source of financing for growth in Callidus' loan assets. In addition, in the event of any Realization Proceedings for a loan prior to the approved renewal at the next scheduled credit review for that loan (generally one year after the initial advance or the last extension), the applicable Catalyst Fund will make a payment to Callidus in an amount equal to the difference between the amounts advanced by Callidus to the borrower under that loan and the amounts actually received by Callidus in connection with that loan, whether by way of proceeds of realization or repayment of principal. See "Funding Arrangements –Participation Agreement".

Competitive Strengths

Management of Callidus believes that the Corporation has material competitive strengths compared to its competitors. Management believes that competitors manage smaller loan portfolios than the Corporation and that the lack of scale and limited access to capital has provided a challenging environment for its competitors. In contrast, Callidus has benefitted from access to the capital of the Catalyst Funds providing ample capital to grow its business to date and has been able to reach a size where access to attractive leverage alternatives has provided additional sources of capital. The experienced management team and effective collateral monitoring system that Callidus has built since its inception has facilitated the increase in the size of the Loan Portfolio while still maintaining the ability to keep a proactive relationship with borrowers that management believes is critical to success in the markets in which the Corporation operates.

Strong Track Record

Callidus is a successful asset-backed lender with a history of consistently generating significant returns. Callidus has a strong track record, as evidenced by, among other things, no realized losses on principal on Callidus-originated loans after consideration of liquidated collateral and costs to settle from 2011 until 2013. In aggregate, the Corporation's loans have had a Gross Yield[(3)] on funds advanced of over 20% since 2010. The Corporation's Loan Portfolio grew at a compound annual growth rate of 57% from 2011 to 2013.

Unique and Differentiated Business Model

- *Speed of Execution* - Callidus has a streamlined credit approval process that provides for rapid decision making, with the Credit Committee involved in the approval process from an early stage. All loans are subject to unanimous Credit Committee

(3) Please see definition of Gross Yield under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures". This financial measure is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, it may not be comparable to similar measures used by other issuers.

approval. The Credit Committee consists of three members of the executive team. See "Description of the Business – Lending Review Process".

- *Structural Flexibility* **-** Callidus provides practical solutions to its borrowers through flexible and innovative loan structuring. Callidus can provide flexible solutions to meet the needs of borrowers, including, but not limited to, providing loans margined against accounts receivable and inventory, and term loans margined against other assets, including equipment, real estate and manufacturing facilities. Payments in kind and longer amortizations may also be considered in appropriate circumstances. Callidus' loans typically have limited or no covenants, as loans are normally payable on demand. See "Description of the Business – Lending Principles".

- *Ongoing Relationships with Borrowers***-** Callidus engages in a high degree of monitoring of the collateral securing the Loan Portfolio and regular interaction with its borrowers. The Corporation's experienced team of finance professionals actively monitors each loan on a daily, weekly or monthly basis, as appropriate depending on the risks. In most cases, Callidus maintains control of the borrower's deposit account through the use of blocked accounts, which facilitates loan repayment and reduces fraud. Financial results and collateral values are regularly monitored against business plans and industry trends. Frequent meetings with the borrowers' management are combined with regular field audits. Third party collateral appraisers, as appropriate, confirm initial asset values and professional restructuring advisors are involved, as necessary. This extensive system of collateral monitoring and management contact mitigates risk by acting as an early warning system of potential credit issues. Early detection of issues ensures that proactive remedies can be implemented.

Support from CCGI

The Catalyst Capital Group Inc. ("**CCGI**") is a Toronto-based private equity investment management firm with over $3 billion in assets under management. CCGI supports Callidus by providing funding through the Catalyst Funds and the involvement of senior executives in the Corporation's business.

Pursuant to its partnership arrangements with the Catalyst Funds, CCGI expects to be entitled to 20% of the Common Shares held by Catalyst Fund II and Catalyst Fund III at Closing, representing an approximate 8% interest in the issued and outstanding Common Shares, as a result of its carried interest in the performance of Catalyst Fund II and Catalyst Fund III. Such Common Shares will be subject to a lock-up of at least two years. See also "Principal Shareholders" and "Risk Factors – Risks Relating to the Offering – Future Sales of Common Shares by Existing Shareholders". Further, CCGI, as manager of the Catalyst Funds (existing and future) will have the ability to deploy funds from new Catalyst Funds directly into the Active Portfolio thereby providing a source of financing for growth in Callidus' loan assets.

Any Catalyst Funds currently directly invested in the Initial Portfolio, or any new Catalyst Funds investing in the growth of future Loan Portfolios, will be entitled to a participation interest in the Loan Portfolio, and will bear the debt service costs associated with the leverage allocated to its interest in the Loan Portfolio and a *pro rata* share of all expenses relating to the management of the Loan Portfolio based on its participation interest in the Loan Portfolio. Each of Callidus and the Catalyst Funds with a participation interest in the Loan Portfolio have a mutual interest in the performance of the Loan Portfolio.

Experienced Management

The members of the Callidus management team have significant experience in the Canadian asset-based financing market and have close strategic relationships with various professional groups, including accountants, restructuring professionals and appraisers. The Corporation's management team and the Credit Committee also have extensive expertise across various sectors. This experience and expertise, combined with the Corporation's disciplined approach to evaluating potential borrowers, enables Callidus in identifying high return lending opportunities where risks can be controlled and managed to ensure minimal portfolio losses.

Key Terms of the Proposed Offering

Pre-Closing Transactions

Historically, the Loan Portfolio has been 100% funded by the Catalyst Funds through the Participating Debenture. Prior to Closing, the amounts owing under the Participating Debenture will be repaid in full. The repayment of the Participating Debenture will be satisfied as follows: (i) as to approximately $105 million, by the issuance of 5,939,431 Common Shares to Catalyst Fund III and 1,529,371 Common Shares to Catalyst Fund IV at a price per Common Share equal to the Offering Price; (ii) as to $50 million, by granting to Catalyst Fund IV an approximately 18% undivided participation interest in the Initial Portfolio in accordance with the Participation Agreement, as such participation interest may be adjusted in accordance with the terms of the Participation Agreement; (iii) as to approximately $125 million, by issuance of promissory notes of approximately $67 million to Catalyst Fund III and approximately $58 million to Catalyst Fund IV (such promissory notes to be repaid from the proceeds of the Offering); and (iv) as to the balance of approximately $109 million, by payment of approximately $50 million to Catalyst Fund III and approximately $59 million to Catalyst Fund IV from cash on hand and funding pursuant to the Second Credit Agreement (as defined herein). See “Pre-Closing Transactions”.

Catalyst Fund III and Catalyst Fund IV will agree in the Debenture Repayment Agreement that, in the event that Realization Proceedings have been initiated in connection with any loan included in the Loan Portfolio on the Closing Date or any such proceedings are initiated in connection with such a loan prior to its approved renewal at the next scheduled credit review for that loan (generally one year after the initial advance or the last extension), even if the loss on the loan is not realized until a later time, Catalyst Fund III and Catalyst Fund IV, collectively, will pay to Callidus an amount equal to the difference between the amounts advanced by Callidus to the borrower under that loan and the amounts actually received by Callidus in connection with that loan, whether by way of proceeds of realization or repayment of principal. Catalyst Fund III and Catalyst Fund IV will also agree to pay to Callidus an amount equal to the difference between the amounts advanced by Callidus to the borrower under certain specified loans and the amounts actually received by Callidus in connection with those loans, regardless of whether they are renewed. Any such amounts paid by Catalyst Fund III or Catalyst Fund IV will be considered an asset of the Initial Portfolio and available for reinvestment in future loans. See “Pre-Closing Transactions - Repayment of Participating Debenture”.

Following completion of the transactions contemplated by the Debenture Repayment Agreement, Callidus will not be responsible for, or entitled to, any of the risks or rewards in connection with Catalyst Fund IV’s 18% participation interest in the Initial Portfolio, representing a 18% undivided beneficial ownership interest in the principal and income of each of the loans in that Initial Portfolio. Catalyst Fund IV’s interest in the Initial Portfolio will be derecognized from Callidus’ balance sheet for the purposes of IFRS. Callidus and Catalyst Fund IV will bear the risk of loan losses with respect to loans for which Realization Proceedings have not been initiated prior to their renewal in accordance with their respective interests in the Initial Portfolio.

No Catalyst Fund will be entitled to fund any growth in the Initial Portfolio and any such funding will be provided by Callidus. Accordingly, the Catalyst Funds will not have any entitlement to fund growth in the Loan Portfolio until such time as a new Loan Portfolio is established which will be concurrent with the first closing of the offering of securities of a new Catalyst Fund. It is currently anticipated that the earliest a new Catalyst Fund will be established is the second half of 2015.

Funding Arrangements

The Catalyst Funds will be entitled to participate in the growth of new Loan Portfolios established after the closing of the Offering by funding new loans pursuant to the Participation Agreement thereby acquiring a participation interest in that Loan Portfolio. The participation interest represents an undivided beneficial ownership interest in the principal and income of each of the loans in that Loan Portfolio and the applicable Catalyst Fund will assume all of the risks and rewards in connection with its participation interest. The Loan Portfolio will be derecognized from Callidus’ balance sheet for the purposes of IFRS to the extent of the Catalyst Funds’ interest therein.

A new loan portfolio will be established on each date of the first closing of the offering of securities of a new Catalyst Fund. It is currently anticipated that the earliest a new Catalyst Fund will be established is the second half of 2015. Once a new loan portfolio is established it will be the Active Portfolio and any then existing loan portfolio will be considered a Passive Portfolio. Subject to certain exceptions, no further growth will be permitted in a Passive Portfolio.

The Corporation will determine, in its sole discretion, whether any additional funding required in the Loan Portfolio will be financed through Debt Capital or through New Equity Funding. In the event that Callidus determines to finance all or a portion of the financing required with New Equity Funding, until the Management Services Agreement has been terminated, Callidus must offer the Catalyst Funds an opportunity to fund a portion of the growth pursuant to the Participation Agreement. The extent of the Catalyst Funds’ entitlement to fund the growth of the Active Portfolio will be based on the available capital of each of Callidus and the applicable Catalyst Fund determined in accordance with the Funding Formula and the amount of leverage that the applicable Catalyst Fund elects to allocate to its participation interest. See “Funding Arrangements – Participation Agreement”.

As new Catalyst Funds are raised and capital is committed to such funds, the Catalyst Funds’ entitlement to fund the growth in a Loan Portfolio could be as high as 75% of the growth in a Loan Portfolio at any particular time, with the result that Callidus may only be entitled to fund 25% of such growth and would therefore only receive 25% of the benefit of such growth. Accordingly, the proportion of loans to new borrowers funded by the Catalyst Funds may increase and Callidus’ aggregate funded amount in the Loan Portfolio could decrease which may have an adverse effect on net income to Callidus. In the event of a proposed sale of a Catalyst Fund’s participation interest in a Loan Portfolio, the Catalyst Funds have granted Callidus an option to acquire that Catalyst Fund’s interest in the Loan Portfolio based on the funded amount of the interest in the Loan Portfolio being sold, thereby allowing Callidus to recapture that growth from the Catalyst Funds. See "Risk Factors – Callidus' Equity Participation in the Loan Portfolio May Decrease as the Size of the Loan Portfolio Increases".

The actual amount of growth to be funded by the Catalyst Funds is subject to the limitation that the aggregate capital invested in the Loan Portfolio by all Catalyst Funds taken together cannot be greater than $300 million and Callidus' right to provide 100% of New Equity Funding to an aggregate investment in the Loan Portfolio of $230 million with the result that the Catalyst Funds' proportion of the overall funding of the Loan Portfolio will not exceed 57%. The amount that may be funded by the Catalyst Funds is further limited by the requirement that the leverage allocated by the Catalyst Funds to a particular Loan Portfolio may not exceed the leverage allocated to that portfolio by Callidus and the further restriction that, with respect to any particular funding of growth, the leverage allocated by the Catalyst Funds may not exceed the leverage allocated to that funding by Callidus without Callidus' consent.

In connection with the sale to Callidus of any participation interest of a Catalyst Fund in the Loan Portfolio, the applicable Catalyst Fund will agree in the Participation Agreement that in the event any Realization Proceedings have been initiated with respect to any of the loans in the Loan Portfolio at the time of the sale, or if any such proceedings are initiated in connection with any such loan prior to its approved renewal at the next scheduled credit review for that loan (generally one year after the initial advance or the last extension), the applicable Catalyst Fund will make a payment to Callidus in an amount equal to the loss on that loan. That amount will be calculated as the difference between the amounts advanced by Callidus to the borrower under that loan and the amounts actually received by Callidus in connection with that loan, whether by way of proceeds of realization or repayment of principal. Any such amounts will be considered an asset of the Loan Portfolio and not Callidus Growth Capital for the purposes of the Participation Agreement. The Catalyst Funds will not be required to make any payments related to losses on interest income. Callidus and the applicable Catalyst Fund will bear the risk relating to loan losses with respect to loans for which Realization Proceedings have not been initiated prior to their renewal in accordance with their respective interests in the applicable Loan Portfolio.

Decisions with respect to funding of the Loan Portfolio will be made by CCGI on behalf of the Catalyst Funds subject to the Funding Formula. Newton Glassman, the Executive Chairman and Chief Executive Officer of Callidus, is also the Managing Partner of CCGI. In some cases, the interests of CCGI and the Catalyst Funds may not be the same as those of the Corporation's other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Corporation or its other shareholders.

The Catalyst Funds shall be responsible for their proportionate share of the costs incurred by Callidus in connection with managing, enforcing and collecting the loans as well as the debt service costs related to the leverage allocated to a Loan Portfolio. Additionally, pursuant to the Participation Agreement, the Catalyst Funds will pay to Callidus a participation fee with respect to the expenses of the Corporation that are not directly related to the Loan Portfolio and which are attributable to the Catalyst Funds, including salaries and wages, and general and administrative expenses.

Management Services Agreement

Pursuant to the terms of the Management Services Agreement, CCGI will provide Callidus with the services of Mr. Glassman, as Executive Chairman and Chief Executive Officer of the Corporation, and Mr. Riley, as Secretary of the Corporation, or such other persons to perform those functions as may be acceptable to Callidus, acting reasonably; and (b) provide Callidus with access to CCGI's senior management, analysts and research library, as required. It is expected that each of Mr. Glassman and Mr. Riley will devote approximately 25% of his working time to Callidus. Callidus will pay to CCGI a nominal sum in consideration for making available the services of the Executive Chairman and Chief Executive Officer of the Corporation and the Secretary of the Corporation. CCGI will not be paid any other compensation or fees in connection with making available the services of the Executive Chairman and Chief Executive Officer of the Corporation and the Secretary of the Corporation. In the event that Callidus appoints a full-time chief executive officer, it shall be at Callidus' expense.

Pursuant to the Management Services Agreement, CCGI has agreed that for a period ending on the later of (a) five years from the Closing Date, and (b) two years after the termination of the Management Services Agreement, neither CCGI nor its affiliates will (i) engage in; (ii) establish or manage any fund or other entity that engages in; or (iii) invest in any other fund or entity that engages principally in the asset-based lending business as carried on by Callidus. In addition, CCGI has agreed that during the term of the Management Services Agreement any opportunities within such business description that are made available to CCGI or its affiliates will first be offered to Callidus. CCGI and its affiliates will not be restricted from entering into lending transactions with one of the Catalyst Funds' portfolio companies or from making or acquiring loans as part of an overall investment objective of acquiring control or influence over an entity (other than an entity that engages principally in the asset-based lending business as carried on by Callidus).

The Management Services Agreement will remain in force until the earlier of (i) the date on which the Corporation and CCGI mutually agree in writing to terminate the Management Services Agreement; and (ii) the date on which CCGI gives written notice of the termination of the Management Services Agreement, provided that such notice may not be given for so long as any Catalyst Fund holds Common Shares or holds a direct participation interest in any Loan Portfolio. No additional fees will be payable by Callidus to CCGI on termination of the Management Services Agreement. See “Executive Officers and Directors Compensation – Management Services Agreement”.

Summary of Selected Financial Information

The following table presents selected financial information as at and for the years ended December 31, 2013, 2012 and 2011 derived from the audited annual financial statements of Callidus prepared in accordance with IFRS. The following data should be read along with “Presentation of Financial Matters – Selected Financial Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and the audited financial statements and related notes of the Corporation, included elsewhere in this prospectus. All financial information with respect to the Corporation has been presented in Canadian dollars. The information appearing elsewhere in this prospectus on which the financial information in this summary is based has been audited.

	Year ended December 31		
	2013	2012	2011
	($ thousand)	($ thousand)	($ thousand)
Revenue:			
Interest	47,102	21,451	18,720
Fees and other	6,222	6,070	3,095
	53,324	27,521	21,815
Interest expense and participation fees:			
Catalyst Funds	37,494	17,870	14,074
Senior debt and revolving credit facilities	4,414	4,307	3,245
	41,908	22,177	17,319
Net interest income	11,416	5,344	4,496
Other income (loss):			
Provision for loan losses	(5,976)	(2,030)	(3,199)
Foreign exchange losses	(1,363)	(433)	940
Other income	451	-	-
	(6,888)	(2,463)	(2,259)
Non-interest expenses:			
Management fees	-	-	260
Salaries and wages	4,248	3,004	2,379
Stock options	5,152	-	-
General and administrative	2,036	1,745	1,287
	11,436	4,749	3,926
Loss before income tax	(6,908)	(1,868)	(1,689)
Income taxes (recovery):			
Current	34	(66)	-
Deferred	(1,228)	-	-
Loss and comprehensive loss for the year	(5,714)	(1,802)	(1,689)

Pro-forma Financial Statements

The following table sets forth the Pro-forma Consolidated Statements of Comprehensive Income of Callidus for the year ended December 31, 2013 after giving effect to the Pre-Closing Transactions and the Offering. The tables below should be read together with “Prospectus Summary – Summary of Selected Financial Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Use of Proceeds” and Callidus’ historical audited financial statements and related notes included elsewhere in this prospectus.

			2013 ($ thousand)		
	IFRS	Adjustments	Normalized	Co-Own. (7)	Pro Forma
Revenue					
Interest	47,102	-	47,102	(8,424)	38,678
Fees and other	6,222	-	6,222	(1,113)	5,109
	53,324	-	53,324	(9,537)	43,787
Interest expense and participation fees:					
Catalyst Funds (1)	37,494	(37,494)	-	-	-
Senior debt and revolving credit facilities (2)	4,414	1,805	6,219	(1,012)	5,207
	41,908	(35,689)	6,219	(1,012)	5,207
Net interest income	11,416	35,689	47,105	(8,525)	38,580
Other income (loss):					
Provision for loan losses	(5,976)	-	(5,976)	1,069	(4,907)
Foreign exchange loss	(1,363)	-	(1,363)	244	(1,119)
Other income	451	-	451	(81)	370
Participation fees (3)	-	-	-	1,403	1,403
	(6,888)	-	(6,888)	2,635	(4,253)
Non-interest expenses:					
Salaries and wages	4,248	-	4,248	-	4,248
Stock options (4)	5,152	-	5,152	-	5,152
General and administrative (5)	2,036	1,000	3,036	-	3,036
	11,436	1,000	12,436	-	12,436
Income/(loss) before income taxes	(6,908)	34,689	27,781	(5,890)	21,891
Income taxes (recovery) (6)					
Current	34	7,328	7,362	(1,317)	6,045
Deferred	(1,228)	1,228	-	-	-
Income/(loss) attributable to shareholders	(5,714)	26,133	20,419	(4,573)	15,846

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Notes

(1) The Catalyst Funds will no longer collect interest or participation fees in the form collected prior to Closing, as all indebtedness due to the Catalyst Funds pursuant to the Participating Debenture will be repaid prior to Closing. See “Pre-Closing Transactions”.

(2) The adjusted interest expenses reflects the Corporation's 40% leverage target on Gross Loans Receivable. Additional leverage above that which was in place on average for 2013 is assumed to be in the form of the New Senior Debt, with an assumed effective interest rate of 3.58%. Having the New Senior Debt facility in place is a condition precedent to Closing. Interest expense related to a portion of the Corporation's debt is adjusted as part of the participation fee. See note (3) below.

(3) The participation fee, to be paid in the future by the Catalyst Funds to Callidus, accounts for the expenses of the Corporation that are not directly related to the Loan Portfolio, which are attributable to the Catalyst Funds pursuant to the Participation Agreement. In fiscal 2013, the participation fee shown accounts for a portion of interest and fees on debt that is not subject to Derecognition for accounting purposes, salaries and wages, and general and administrative expenses.

(4) The stock option expense in 2013 represents a non-cash item. An additional $3.3 million of stock-based compensation cost is expected to be recognized over a weighted average period of two years as part of this one-time issuance. This table assumes that no other options will be granted. Please refer to Note 16 of the Financial Statements.

(5) Subsequent to Closing, management estimates that the Corporation will incur additional general and administrative costs on a continuing basis including but not be limited to expenses associated with ongoing financial reporting and disclosure, public company listing fees, increased director fees and related director and officer insurance costs, investor relations and annual shareholder meetings.
(6) Income taxes have been adjusted to reflect management's expectation for the Corporation to pay income taxes at a substantially similar rate to the statutory tax rate of 26.5%.
(7) The Catalyst Funds will retain an approximately 18% undivided interest in the Initial Portfolio, and will share approximately 18% of the returns and associated expenses of the Initial Portfolio, including a proportionate share of any public company costs.

Adjusted EBITDA Schedule

			2013 ($ thousand)		
	Adjusted	**Public Costs** (2)	**Normalized**	**Co-Own.** (3)	**Pro Forma**
Revenue	53,324	-	53,324	(9,537)	43,787
Less: Provision for loan losses	(5,976)	-	(5,976)	1,069	(4,907)
Add: Other income	451	-	451	(81)	370
Add: Participation fees, net of portion related to interest expense	-	-	-	1,303	1,303
Less: Non-interest expenses	(11,436)	(1,000)	(12,436)	-	(12,436)
Less: Stock option expense (4)	5,152	-	5,152	-	5,152
Adjusted EBITDA(1)	41,515	(1,000)	40,515	(7,246)	33,269

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Notes
(1) See "Non-IFRS Measures".
(2) Subsequent to Closing, management estimates that the Corporation will incur additional general and administrative costs on a continuing basis including but not be limited to expenses associated with ongoing financial reporting and disclosure, public company listing fees, increased director fees and related director and officer insurance costs, investor relations and annual shareholder meetings.
(3) The Catalyst Funds will retain an approximately 18% undivided interest in the Initial Portfolio, and will share approximately 18% of the returns and associated expenses of the Initial Portfolio, including a proportionate share of any public company costs.
(4) The stock option expense in 2013 represents a non-cash item. An additional $3.3 million of stock-based compensation cost is expected to be recognized over a weighted average period of two years as part of this one-time issuance. This table assumes that no other options will be granted. Please refer to Note 16 of the Financial Statements.

Consolidated Capitalization

The following table sets forth the consolidated capitalization of Callidus: (i) as at December 31, 2013; (ii) as at December 31, 2013 after giving effect to the Pre-Closing Transactions; and (iii) as at December 31, 2013 after giving effect to the Pre-Closing Transactions and the Offering. The table below should be read together with "Prospectus Summary – Summary of Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds" and Callidus' historical audited financial statements and related notes included elsewhere in this prospectus.

	Authorized	**Outstanding as at December 31, 2013**	**Outstanding as at December 31, 2013 after giving effect to the Pre-Closing Transactions [7]**	**Outstanding as at December 31, 2013 after giving effect to the Pre-Closing Transactions and Offering [7][8]**
		($ thousand)	($ thousand)	($ thousand)
Cash and cash equivalents	—	$38,014	$16,042	$125,552
Total Debt	—	$400,594	$283,063	$158,063
Participating Debenture[1]	—	$330,703	$—	$—
Promisssory notes[2]	—	$—	$125,000	$—
Credit Agreement[3]				
Revolving Facility	—	$19,879	$—	$—
Term Loan	—	$49,683	$41,596	$41,596
FX Facility	—	$329	$329	$329
Second Credit Agreement[4]				
Class A Loans	—	—	$96,782	$96,782
Class B Loans	—	—	$19,356	$19,356
Share Capital[5]				
Common Shares[6]	unlimited	$1 (100 Common Shares)	$104,563 (28,042,732 Common Shares)	$339,073 (46,042,732 Common Shares)
Preferred Shares	unlimited	$— (nil Preferred Shares)	$— (nil Preferred Shares)	$— (nil Preferred Shares)
Shareholders' Equity	—	($4,699)	$99,864	$334,374

Notes:

(1) The Participating Debenture will be repaid as part of the Pre-Closing Transactions. See "Pre-Closing Transactions".

(2) The promissory notes will be issued as part of the Pre-Closing Transactions. See "Pre-Closing Transactions".

(3) The Credit Agreement provides for a $40 million Revolving Facility and a $50 million Term Loan, as well as a $7.5 million FX Facility. See "Funding Arrangements".

(4) The Second Credit Agreement provides for an aggregate of approximately US$167 million of Class A Loans and approximately US$33 million of Class B Loans. See "Funding Arrangements".

(5) At Closing, the Corporation's authorized share capital will consist of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. No series of Preferred Shares will be issued as at Closing. See "Description of Share Capital".

(6) This table does not reflect Options outstanding to purchase Common Shares. See "Executive Officers and Directors Compensation – Incentive Plan Awards – Narrative Discussion of Incentive Plans – Incentive Plan".

(7) Prior to or concurrently with Closing, the Corporation will complete the Pre-Closing Transactions. See "Pre-Closing Transactions".

(8) The net proceeds to the Corporation from the Offering (assuming no exercise of the Over-Allotment Option) are estimated to be $234,510,000, based on the issuance of 18,000,000 Offered Shares for aggregate gross proceeds of $252,000,000 less the Underwriting Fee of $14,490,000 and expenses of the Offering estimated to be $3,000,000.

The Offering

Issuer:	Callidus Capital Corporation
Offering:	18,000,000 Offered Shares
Offering Price:	$14.00 per Offered Share
Common Shares Outstanding prior to the Offering:	As at the date hereof, there are 100 Common Shares issued and outstanding, and certain Catalyst Funds (as defined herein) managed, controlled and directed by CCGI or its affiliates, beneficially own 100 Common Shares, representing 100% of the outstanding Common Shares. Following completion of the Pre-Closing Transactions, and prior to Closing, there will be 28,042,732 Common Shares issued and outstanding, and the Catalyst Funds will beneficially own 100% of the outstanding Common Shares. See "Principal Shareholders" and "Options to Purchase Securities".
Common Shares Outstanding after the Offering:	Immediately after Closing and assuming the Over-Allotment Option has not been exercised, the Catalyst Funds, which are managed, controlled and directed by CCGI or its affiliates, will beneficially own 28,042,732 Common Shares, representing approximately 60.91% of the outstanding Common Shares. See "Principal Shareholders", "Executive Officers and Directors" and "Pre-Closing Transactions".
Over-Allotment Option:	The Corporation has granted the Underwriters an Over-Allotment Option, exercisable in whole or in part at any time and from time to time, for a period of 30 days following Closing, to purchase up to an additional 2,700,000 Common Shares (representing 15% of the Offered Shares offered pursuant to the Offering at the Offering Price. If the Over-Allotment Option is exercised in full, the total price to the public, the Underwriting Fee and the net proceeds to the Corporation will be $289,800,000, $16,663,500, and $273,136,500, respectively. See "Plan of Distribution – Over-Allotment Option".
Use of Proceeds:	The net proceeds to be received by Callidus from the Offering are estimated to be $234,510,000 ($270,136,500 if the Over-Allotment Option is exercised in full), after deducting the Underwriting Fee of $14,490,000 (or $16,663,500 if the Over-Allotment Option is exercised in full) and the expenses of the Offering, which are estimated to be $3,000,000. Callidus expects to use the anticipated net proceeds of the Offering of $234,510,000 as follows: approximately $125,000,000 will be used to repay to the Catalyst Funds indebtedness incurred by Callidus in order to finance the loans in the existing Loan Portfolio and approximately $109,510,000 will be held by the Corporation to finance additional loans after the Closing Date. Pending use of the net proceeds of the Offering, such net proceeds will be invested as determined by the Board. See "Use of Proceeds" and "Description of the Business".
Restrictions on the Sales of Common Shares:	Pursuant to the Underwriting Agreement, the Corporation has agreed that without the prior written consent of the Lead Underwriter, it will not, during the period ending 180 days after the Closing Date: (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Common Shares, rights to purchase Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares; (ii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Common Shares; or (iii) agree or announce any intention to do any of the foregoing, other than Common Shares issuable under the Over-Allotment Option or under equity compensation plans of the Corporation outstanding at Closing; regardless of whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares, or other securities or interests, in

cash or otherwise. See “Plan of Distribution”.

Lock-up Arrangements:

Prior to Closing, the Lead Underwriter will enter into a lock-up agreement with CCGI and each of Catalyst Fund II, Catalyst Fund III and Catalyst Fund IV pursuant to which each such party will agree, subject to certain exceptions, not to offer, sell, contract to sell, agree to sell, pledge, hypothecate, grant or otherwise dispose of, or agree to dispose of, directly or indirectly, any Common Shares or securities convertible into or exchangeable or exercisable for any Common Shares or Common Shares issuable on the conversion or exchange of any convertible security (whether such Common Shares or convertible securities were held or received prior to, at, or after Closing, but excluding any Common Shares acquired on the secondary market after the completion of the Offering), enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of Common Shares, without the prior written consent of the Lead Underwriter, for the following periods:

(a) with respect to 3,964,786 Common Shares representing the number of Common Shares anticipated to be distributed to CCGI or its affiliates as its carried interest (the “**CCGI Shares**”), until the later of (i) two years after the Closing Date; and (ii) the date on which CCGI or its affiliates would become entitled to such Common Shares pursuant to the provisions of the partnership agreement of the applicable Catalyst Fund (or, if CCGI does not become entitled to such Common Shares with respect to a particular Catalyst Fund, on the date such fund has disposed of substantially all of its investments); and

(b) with respect to all other Common Shares held beneficially by the Catalyst Funds, 180 days after the Closing Date.

See “Plan of Distribution” and “Principal Shareholders”.

Risk Factors:

An investment in Common Shares is speculative and involves a high degree of risk. Prospective purchasers of Common Shares should carefully consider information set forth under the heading “Risk Factors” and other information included in this prospectus before deciding to invest in Common Shares.

Risks relating to Callidus’ operations include: (i) lending to small and mid-sized companies; (ii) the creditworthiness of borrowers and the risk they may default on their loans; (iii) default or bankruptcy by a borrower, (iv) uncertainty associated with the adequacy of credit loss provisions; (v) an inability to replicate the historical performance of the Loan Portfolio as its size increases; (vi) failure to properly perfect liens on the collateral securing loans and the value of such collateral being insufficient to cover loan losses; (vii) members of Callidus’ management, including Messrs. Glassman, Reese and Riley, ceasing to be employed by Callidus; (viii) the presence of conflicts of interest and the potential participation by Callidus’ directors and officers in businesses which may compete with Callidus; (ix) CCGI and the Catalyst Funds exercising significant control over Callidus; (x) Callidus’ participation in the Loan Portfolio potentially decreasing as the portfolio size increases; (xi) the concentration of Loan Portfolio assets in certain industry sectors; (xii) the inability of Callidus to predict if or when a borrower will prepay a loan; (xiii) uncertain forecasts of, and fluctuations in, quarterly net finance income and results of operations; (xiv) changes in market interest rates and their effect on the fair values and cash flows of financial instruments; (xv) a borrower assuming additional indebtedness of equal or greater seniority to that held by Callidus; (xvi) fraudulent misrepresentation by the borrower of its financial health, operations, or compliance with loan terms; (xvii) the inability of Callidus to exercise control over its borrowers; (xviii) Callidus’ lending being almost exclusively to private companies whose securities may be illiquid or subject to restrictions on transfer; (xix) the time burden on management associated with enforcement proceedings for non-performing loans; (xx) potential default under the Credit Facilities or other indebtedness; (xxi) the inability of Callidus to secure funding for its loans and to fund its existing obligations; (xxii) the concentration of Callidus’ indebtedness with a limited number of lenders; (xxiii) the use of leverage by Callidus; (xxiv) the impact of changes in market and general economic conditions; (xxv) the entry of new competitors into the market or increased activity by existing competitors; (xxvi) the inability of Callidus to develop and penetrate new markets; (xxvii) the inability of Callidus to realize the potential benefits from its growth strategy; (xxviii) Callidus' ability to identify, attract, hire, train, retain, and motivate highly qualified management and employees; (xxix) the potential for Callidus to become the subject of legal, government or regulatory proceedings, or government or regulatory investigations; (xxx) the Board modifying or waiving operating policies or strategies without prior notice to, or approval by, Callidus shareholders; (xxxi) the effect of changes in the Canadian dollar exchange rate relative to the currency of other countries and the use of derivative instruments to hedge against such risk; (xxxii) the failure of computer and data processing systems; (xxxiii) a security breach in Callidus' computer systems; (xxxiv) trading restrictions that may result from Callidus' access to material non-public information relating to its borrowers; (xxxv) Callidus' use of payment-in-kind interest provisions with certain borrowers; and (xxxvi) changes to the regulations that govern the asset-based lending industry and the risk that such changes may impede the industry's ability to extend credit.

Risks relating to the Offering include: (i) the lack of a prior public market for the Common Shares; (ii) the ability of Callidus to invest the net proceeds of the Offering without investors having an opportunity to evaluate the merits of such investment plans; (iii) Callidus being unable to invest the proceeds of the Offering in suitable investment opportunities in a timely manner; (iv) the uncertainty associated with Callidus not having identified all of the portfolio investment opportunities into which a portion of the Offering's proceeds will be invested; (v) the potential for investors in Common Shares to lose their entire investment; (vi) volatility and fluctuations in the market price of the Common Shares; (vii) uncertainty surrounding the existence, amount and timing of future dividends; (viii) dilution from Callidus raising additional funds through the issuance of further equity; (ix) the impact on the price of the Common Shares resulting from the sale of a substantial number of Common Shares by an existing shareholder (or shareholders); and (x) inaccurate or unfavourable research or reports about Callidus published by analysts and other third-parties.

PRE-CLOSING TRANSACTIONS AND BASIS OF PRESENTATION OF CALLIDUS

As disclosed under the heading "Pre-Closing Transactions" in this prospectus, prior to or concurrently with Closing, Callidus will complete the Pre-Closing Transactions. Accordingly, unless otherwise indicated, it is assumed that the Pre-Closing Transactions have been completed. References to "management" in this prospectus mean the executive officers of the Corporation. Any statements in this prospectus made by or on behalf of management are made in such persons' capacities as executive officers of the Corporation and not in their personal capacities.

NOTICE TO INVESTORS

General Matters

Prospective purchasers should rely only on the information contained in this prospectus. The Corporation and the Underwriters have not authorized any other person to provide prospective purchasers with additional or different information. If anyone provides prospective purchasers with additional, different or inconsistent information, including information or statements in media articles about Callidus, prospective purchasers should not rely on it and such information does not form part of this prospectus. The Corporation and the Underwriters are not making an offer to sell or seeking offers to buy Offered Shares in any jurisdiction where the offer or sale is not permitted. Prospective purchasers should assume that the information appearing in this prospectus is given only as at the date of the prospectus, regardless of its time of delivery or of any sale of Offered Shares. Callidus' business, properties, financial condition, operations, results of operations and prospects may have changed since that date.

For investors outside of Canada, neither the Corporation nor any of the Underwriters has done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about and to observe any restrictions relating to the Offering and the distribution of this prospectus. See "Plan of Distribution".

Certain capitalized terms and phrases used in this prospectus are defined under the heading "Appendix 'A' – Glossary of Terms".

Unless otherwise indicated, information contained in this prospectus concerning Callidus' industry, including Callidus' general expectations and market position, market opportunity, market share and other management estimates, is based solely on management's current understanding and knowledge of the industry and is not based on any independent publicly available source. Management estimates and the information provided under the heading "Asset-Based Lending Industry" are based on assumptions made by Callidus based on its understanding and knowledge of its industry, which management believes to be reasonable. Such estimates and information cannot be and have not been independently verified. While Callidus has no reason to believe that the market data, industry forecasts and similar information included in this prospectus are not generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of Callidus' future performance and the future performance of its industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in estimates made by Callidus. Further, statements as to the past performance including, without limitation, the past performance of the Loan Portfolio and the Catalyst Funds, are statements of historical results and are not necessarily indicative of or guarantees of future performance and there is no representation, warranty or assurance that Callidus will achieve similar results or success and readers should not place undue reliance on such statements.

Information contained in this prospectus concerning CCGI or the Catalyst Funds has been solely provided by CCGI or the Catalyst Funds. While neither Callidus nor the Underwriters have any knowledge that would indicate that any such information is untrue or incomplete, neither Callidus nor the Underwriters assume any responsibility for the accuracy or completeness of any information concerning CCGI or the Catalyst Funds, or for the failure by CCGI or the Catalyst Funds to provide information which may affect the accuracy or completeness of such information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements that are not reported financial results or other historical information are forward-looking information within the meaning of applicable Canadian securities laws (collectively, "**forward-looking statements**"). This prospectus includes forward-looking statements regarding Callidus and the industries in which it operates, including statements about, among other things, expectations, beliefs, plans, future loans and origination, business and acquisition strategies, opportunities, objectives, prospects, assumptions, including those related to trends and prospects and future events and performance. Sentences and phrases containing or modified by words such as "anticipate", "plan", "continue", "estimate", "intend", "expect", "may", "will", "project", "predict", “potential”, “targets”, “projects”, “is designed to”, “strategy”, “should”, “believe”, “contemplate” and similar expressions, and the negative of such expressions, are not historical facts and are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements should not be read as guarantees of future events, future performance or results, and will not necessarily be accurate indicators of the times at, or by which, such events, performance or results will be achieved, if achieved at all. Forward-looking statements are based on information available at the time and/or management’s expectations with respect to future events that involve a number of risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The factors described under the heading “Risk Factors”, as well as any other cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause Callidus’ actual results to differ materially from the expectations it describes in its forward-looking statements. Before investing in the Corporation, readers should be aware that the occurrence of the events described in these risk factors and elsewhere in this prospectus could have an adverse effect on, among other things, Callidus’ business, prospects, operations, results of operations and financial condition.

Specific forward-looking statements contained in this prospectus include, among others, statements, management’s beliefs, expectations or intentions regarding the following:

- the completion of the Pre-Closing Transactions;
- the completion and closing of the Offering and the timing thereof;
- the use of proceeds of the Offering;
- Callidus’ expected growth, including
    - organic growth in the Canadian market;
    - through acquisitions;
    - introduction of the ‘Callidus Lite’ loan product;
    - through expansion into the United States; and
    - the purchase of Loan Assets from the Catalyst Funds;
- the targeted Gross Yields of the Callidus and ‘Callidus Lite’ loans;
- the expected number of Grants to be offered pursuant to the Incentive Plan;
- funding pursuant to the Participation Agreement;
- funding pursuant to the Second Credit Agreement;
- the relationships between Callidus, CCGI and the Catalyst Funds, including in respect of the Debenture Repayment Agreement, the Participation Agreement and the Management Services Agreement; and
- the amount of dividends expected to be paid, or ability to pay any dividends.

Readers are cautioned that the foregoing list of forward-looking statements should not be construed as being exhaustive.

In making the forward-looking statements in this prospectus, the Corporation has made assumptions regarding: general economic conditions, reliance on debt financing, funding pursuant to the Participation Agreement, interest rates, continued lack of ABL regulation, continued operation of key systems, debt service, the expectation that the number of industry competitors in Callidus’ marketplace will continue to decline, bank lending to mid-market companies will continue to be constrained for at least several years, future capital needs, retention of key employees, adequate management of conflicts of interests, continued performance of the Loan Portfolio and solvency of borrowers, limited loan prepayment, effective use of leverage, and such other risks or factors described in this prospectus and from time to time in public disclosure documents of Callidus that are filed with securities regulatory authorities.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indicators of whether such events, performance or results will be achieved.

Forward-looking statements are based on information available at the time and/or management's expectations with respect to future events that involve a number of risks and uncertainties. Any forward-looking information concerning prospective results of operations, financial position, expectations of cash flows and future cash flows is based upon assumptions about future results, economic conditions and courses of action and is presented for the purpose of providing prospective purchasers with a more complete perspective on Callidus' present and planned future operations. Such information may not be appropriate for other purposes and actual results may differ materially from those anticipated in such forward-looking statements.

No auditor has compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor has any auditor expressed any opinion or any other form of assurance on such information or its achievability, and accordingly no auditor has assumed responsibility for the prospective financial information contained herein.

To the extent any forward-looking information in this prospectus constitutes future-oriented financial information or financial outlooks within the meaning of Canadian securities laws, such information has been prepared by the Corporation to provide a reasonable estimate of the potential earnings of the current Loan Portfolio, subject to (among other things) the assumptions and risks discussed in this prospectus, and readers are cautioned that this information should not be relied upon for any other purpose. Future-oriented financial information and financial outlooks, including management's estimate of net income on page 47 of this prospectus, are, without limitation, based on the assumptions and subject to the risks set out herein.

Actual results could differ materially from those anticipated in or implied by any forward-looking statements, including without limitation, as a result of the risk factors, which are described in detail under "Risk Factors", and other risks set out elsewhere in the prospectus. Prospective purchasers should reference the factors discussed under the heading "Risk Factors" in this prospectus. The forward-looking statements included in this prospectus are expressly qualified by this cautionary statement and are made as at the date of this prospectus. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. If the Corporation does update one or more forward-looking statements, it is not obligated to, and no inference should be drawn that it will, make additional updates with respect thereto or with respect to other forward-looking statements.

PRESENTATION OF FINANCIAL MATTERS

The financial statements of Callidus included within this prospectus as Appendix "D" have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost basis except for derivative instruments which are measured at fair value.

NON-IFRS MEASURES

This prospectus contains references to gross yield ("**Gross Yield**"), average loan portfolio outstanding ("**Average Loan Portfolio Outstanding**"), net income before interest expense & fees, income tax expense, and foreign exchange gain/loss ("**EBITDA**"), EBITDA adjusted for non-cash expenses ("**Adjusted EBITDA**") and gross loans receivable ("**Gross Loans Receivable**") (collectively, the "**Non-IFRS Measures**"), each of which is not a generally accepted accounting measure under IFRS and therefore may differ from definitions of such terms used by other entities. The Non-IFRS Measures are defined and reconciled under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures". Management believes that the Non-IFRS Measures are useful supplemental measures that may assist purchasers in assessing the financial performance and the cash anticipated to be generated by the Corporation's business.

The Corporation has included the measure of Gross Yield as it believes the information to be instructive and enables potential purchasers to see, at a glance, trends in the yield of the Loan Portfolio. Average Loan Portfolio Outstanding measures the average amounts outstanding of the Loan Portfolio, to allow potential purchasers to see, at a glance, trends in the amounts of capital outstanding over a certain period of time, the most directly comparable IFRS measure being Loans Receivable. EBITDA measures operational profitability and is intended to assist potential purchasers to assess the performance of the Corporation in comparison with peer companies; while Adjusted EBITDA adjusts EBITDA for expenses that are not representative of cash costs of the operations.

The Non-IFRS Measures should not be considered as the sole measure of the Corporation's performance and should not be considered in isolation from, or as a substitute for, analysis of the Corporation's financial statements.

CURRENCY AND EXCHANGE RATES

Unless otherwise indicated, in this prospectus all references to: (i) "$" are to Canadian dollars; and (ii) "US$" are to United States dollars.

The Canadian dollar rates of exchange on the following dates were:

Date	United States Dollars (1)	Canadian Dollars (1)
December 30, 2011	$1.00 = US$0.9833	US$1.00 = 1.0170
December 31, 2012	$1.00 = US$1.0051	US$1.00 = $0.9949
December 31, 2013	$1.00 = US$0.9402	US$1.00 = $1.0636
April 14, 2014	$1.00 = US$0.9116	US$1.00 = $1.0970

Notes:
(1) Bank of Canada noon rates of exchange.

MARKETING MATERIALS

The following marketing materials (as such term is defined in National Instrument 41-101 — *General Prospectus Requirements* ("**NI 41-101**")) filed with the securities commission or similar authority in each of the provinces and territories of Canada are specifically incorporated by reference into and form an integral part of this prospectus:

1. A template version (as such term is defined in NI 41-101) of the indicative term sheet for the Offering dated March 26, 2014 (the "**Term Sheet**");

2. A template version of the roadshow presentation for the Offering dated March 26, 2014 (the "**Roadshow Presentation**");

3. An amended and restated template version of the indicative term sheet for the Offering dated April 15, 2014 (the "**Amended and Restated Term Sheet**"); and

4. An amended and restated template version of the roadshow presentation for the Offering dated April 15, 2014 (the "**Amended and Restated Roadshow Presentation**").

The Term Sheet, Roadshow Presentation, Amended and Restated Term Sheet and Amended and Restated Roadshow Presentation (together, the "**Marketing Materials**") are not part of this prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this prospectus.

The Company has prepared amended and restated template versions of the Term Sheet and Roadshow Presentation, which have been black-lined pursuant to subsection 13.7(7) of NI 41-101 to reflect modifications to certain statements in the Term Sheet and Roadshow Presentation in view of the disclosure contained in this prospectus. The following summary provides details regarding such modifications:

1. The statements relating to the Offering size, Offering Price, net proceeds of the Offering, Underwriting Fee and related Offering terms were included to reflect the final Offering terms as disclosed in this prospectus. See the face pages of this prospectus and "Plan of Distribution".

2. The statements relating to the use of proceeds of the Offering were amended to reflect the proposed use of proceeds as disclosed in this prospectus. See "Use of Proceeds".

3. The statements relating to expected Gross Loans Receivable as at Closing were amended to reflect the revised Gross Loans Receivable disclosure as at the date hereof in this prospectus. See "Management's Discussion and Analysis of Financial Results – Outlook".

4. The statements relating to the declaration and payment of a dividend were removed, as the Corporation does not intend to declare or pay dividends to holders of Common Shares. See "Dividend Policy".

The foregoing summary of modifications is not exhaustive and is qualified by the information set forth in the Amended and Restated Term Sheet and Amended and Restated Roadshow Presentation and the black-lined versions of such documents, which have been filed with the Canadian securities regulatory authorities and are available under the Company's profile on www.sedar.com. Purchasers are encouraged to read the full text of the foregoing Marketing Materials.

In addition, any template version of any other marketing materials filed with the securities commission or similar authority in each of the provinces and territories of Canada in connection with this Offering after the date hereof, but prior to the termination of the distribution of the securities under this prospectus, is deemed to be incorporated by reference herein.

CORPORATE STRUCTURE

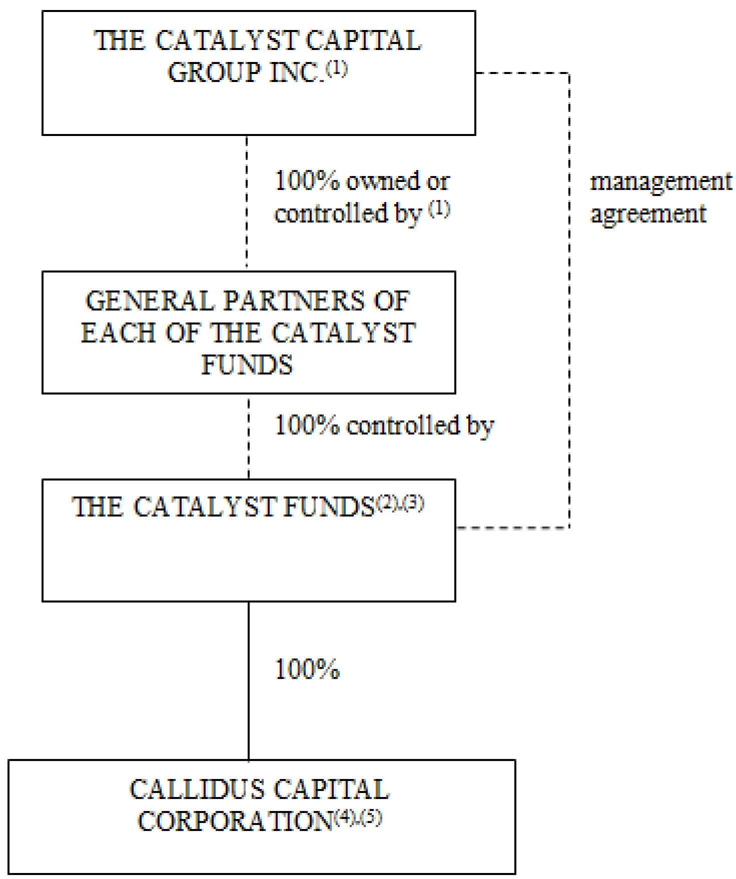
General

Callidus Capital Corporation was incorporated on October 3, 2003 pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**"). On January 1, 2013, it amalgamated with its wholly-owned subsidiary, Callidus Capital Management Inc., pursuant to the OBCA. Prior to or concurrently with Closing, the Corporation will amend its articles to (i) authorize the issuance of an unlimited number of Preferred Shares, (ii) remove its private company provisions, and (iii) implement a share split.

The Corporation's head and registered office is at 77 King Street West, Suite 4320, TD North Tower, P.O. Box 212, Toronto, Ontario M5K 1K2. 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.

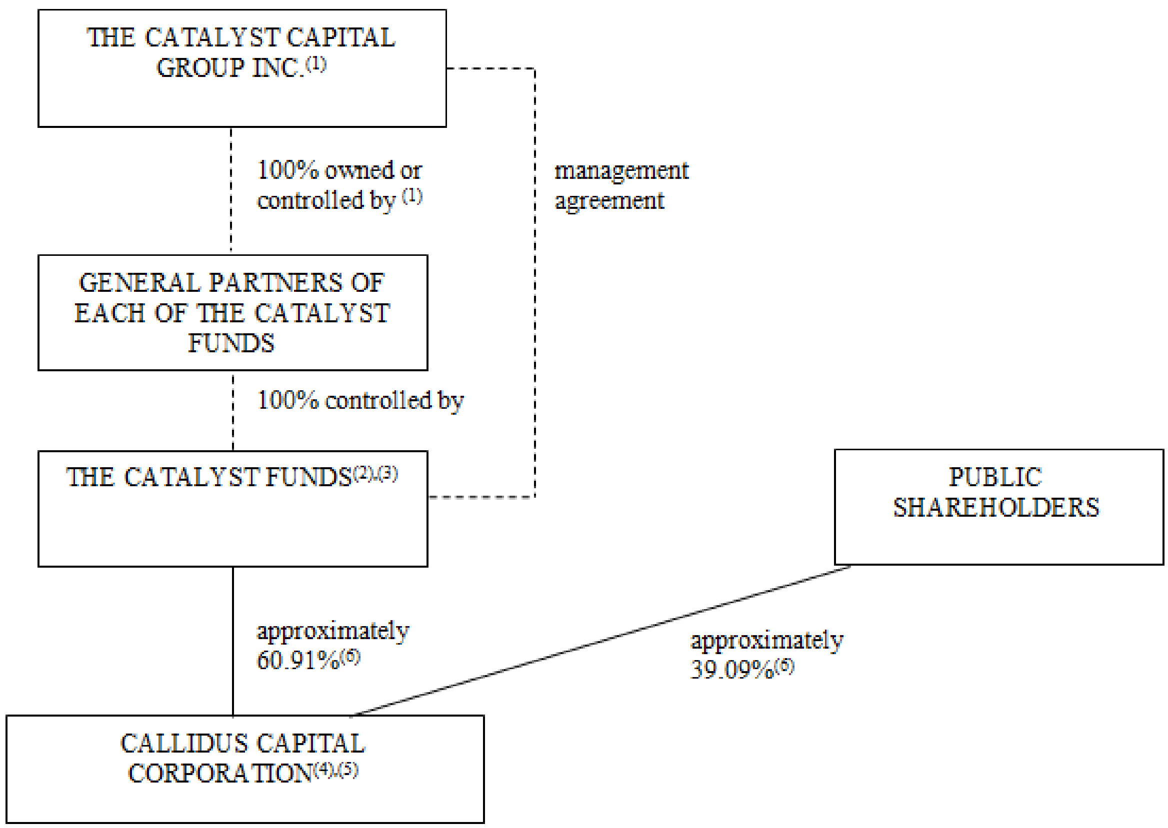
Ownership Chart

The following organizational chart illustrates the relationship between Callidus and its principal shareholders as at the date hereof:



Notes:
(1) Includes affiliates of CCGI.
(2) Catalyst Fund II, Catalyst Fund III and Catalyst Fund IV.
(3) CCGI expects to be entitled to 3,964,786 Common Shares held by the Catalyst Funds. See "Principal Shareholders".
(4) Callidus may acquire equity interests in other entities from time to time in connection with loan realizations.
(5) Includes CCC Funding Corporation, a funding vehicle wholly owned by and consolidated into Callidus in accordance with the terms of the Second Credit Agreement.

The following organizational chart illustrates the relationship between Callidus and its principal shareholders following the completion of the Offering.



Notes:

(1) Includes affiliates of CCGI.
(2) Catalyst Fund II, Catalyst Fund III and Catalyst Fund IV.
(3) CCGI expects to be entitled to 3,964,786 Common Shares held by the Catalyst Funds. See "Principal Shareholders".
(4) Callidus may acquire equity interests in other entities from time to time in connection with loan realizations.
(5) Includes CCC Funding Corporation, a funding vehicle wholly owned by and consolidated into Callidus in accordance with the terms of the Second Credit Agreement.
(6) The Catalyst Funds will participate in the Loan Portfolio pursuant to the Participation Agreement. See "Funding Arrangements – Participation Agreement".

DESCRIPTION OF THE BUSINESS

Company Overview

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, without dilution to their equity ownership. 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 and inventory, 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 has a strong track record, as evidenced by, among other things, no realized losses on principal on Callidus-originated loans after consideration of liquidated collateral and costs to settle from 2011 until 2013.

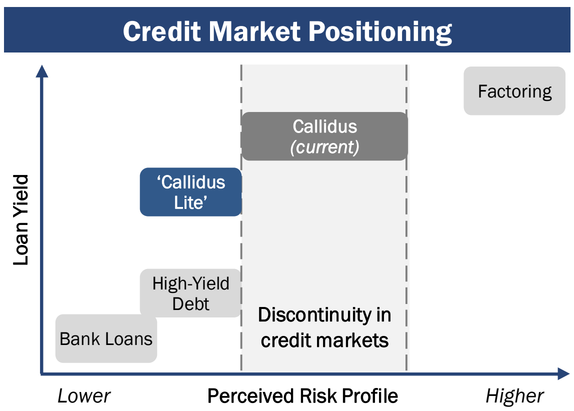
As at April 10, 2014, Callidus managed $471 million of loan assets. For the 12 months ended December 31, 2013, Callidus had total revenue of $53.3 million and Adjusted EBITDA of $41.5 million on Average Loan Portfolio Outstanding of $251 million.

Credit Markets

Callidus targets a market with borrowers whose perceived risk is too high for the lending criteria of traditional lenders, and whose capital requirements are too small to access high yield markets. Callidus believes that the already small number of industry competitors in the Canadian market will continue to decline. See "Asset-Based Lending Industry". Through flexible and innovative loan structuring, the Corporation seeks to fill this growing gap in the lending market.

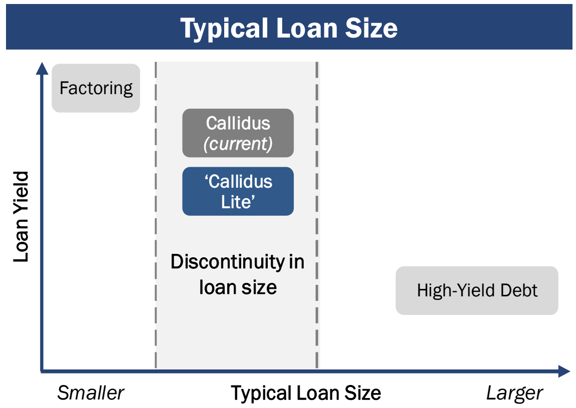
Credit Market Positioning

There are currently few competitors in the market in which Callidus operates. Many traditional lenders have lending criteria that are not met by the credit profile of the borrowers in the Corporation's target market and such lenders are generally unwilling to commit the time and resources necessary to monitor each loan effectively. Ongoing credit assessment and monitoring requires proactive management of the Loan Portfolio and is different from the approach traditional lenders employ to increase the size of their loan portfolios. Callidus believes it generates a higher return relative to the perceived risk profile of its loans due to its unique approach to lending. Callidus effectively manages the risk of its portfolio by prudent collateral-backed lending and through active management of its loans. The following chart illustrates the market in which Callidus operates:



Loan Size

Callidus generally commits to loans ranging in size from $5 million to $50 million. Management believes there is a general lack of credit available in the market at these loan sizes for borrowers with the same risk profile as a typical Callidus borrower. Callidus loans are generally larger than those of factoring companies, which typically provide loans of $5 million or less, and are generally smaller than those of high yield lenders, which typically provide loans of $50 million or more. While banks provide loans of all sizes, these loans are not generally available to borrowers with the same risk profile as a typical Callidus borrower. The following chart illustrates the typical loan size for various debt products:



Approach to Lending

Callidus takes a disciplined approach to each loan that it considers by completing financial and business due diligence before committing to make loans. This approach assists the Corporation in identifying opportunities for significant returns in situations where risks can be controlled and managed. Callidus focuses its due diligence on a borrower's collateral value (particularly inventory, receivables and tangible fixed assets), and uses liquidation analysis to determine advance rates. The Corporation also uses third-party appraisal and field audit firms to assess collateral value and acceptable financial controls. As part of its security package, Callidus commonly obtains personal guarantees and a pledge of personal assets from the owner of a borrower.

Callidus works directly with each borrower to develop financing solutions that support each borrower's specific needs to achieve its strategic goals. If Callidus is satisfied that a borrower has appropriate management and a viable business model, it will ensure that the borrower has sufficient funding to meet working capital requirements in order to execute its business plan. In structuring loans in these situations, Callidus relies on the inventory, receivables and fixed asset values, and occasionally on enterprise value and other non-working capital assets, such as intellectual property of the borrower.

Once loans are granted, the Corporation's team of finance professionals performs detailed and comprehensive analyses to monitor the borrower during the term of the loan. The team also monitors loans and collateral on a periodic basis, as appropriate depending on the risk profile of the borrower and the nature of its collateral, and performs quarterly field audits. Results are regularly monitored relative to the borrower's business plan and Callidus also meets frequently with the borrower's management. The Corporation may also use third party appraisers to assess asset values as required, on an ongoing basis. Callidus also maintains control over a borrower's cash through the use of blocked accounts, from which funds may only be released with Callidus' approval.

In connection with managing and monitoring the Loan Portfolio, Callidus establishes a "watch list" system whereby borrowers with a deteriorating financial condition, or that otherwise meet certain criteria, are closely monitored by Callidus with a view to Callidus taking a proactive approach to ensuring the borrower's compliance with the terms and obligations of its loan and managing the risk of default. See "Risk Factors – Monitoring, Enforcement and Liquidation Procedures".

Callidus typically offers loans ranging in size from $5 million to $50 million, but may also accommodate larger commitments where exposure to identifiable asset groups can be compartmentalized. The largest loan commitment provided by the Corporation to date is approximately US$75 million.

While the Corporation is open to lending to most industries, its borrowers tend to have identifiable and liquid working capital assets and often operate in out-of-favour sectors. Prospective borrowers are typically referred to Callidus from the special loans groups of traditional lenders through intermediaries such as accounting firms and consultants. Loans are assigned to special loans groups when borrowers fail to meet the lending criteria originally established for them. Special loans groups will typically take the necessary steps to limit their exposure to these loans and will look to third party lenders like Callidus to provide an alternative lending solution to the borrower. These loans can also carry capital charges for regulated entities. Callidus is willing to provide loans to this type of borrower as a result of its expertise in assessing, monitoring and managing credit risk; traditional lenders are less willing to dedicate the requisite time and resources to mitigate the perceived risk of such loans. Ongoing credit assessment and monitoring requires proactive management of the Loan Portfolio and is different from the approach traditional lenders employ to manage loan portfolios.

In order to extend the Corporation's lending market, the Corporation will extend 'Callidus Lite', a lower-priced loan product for relatively lower-risk borrowers with a target Gross Yields of between 12% and 14%. These borrowers may have traditional lending alternatives available to them; however, management believes many borrowers will accept the higher pricing of the 'Callidus Lite' product in exchange for more flexible and innovative loan structuring with limited or no covenants. "See Description of the Business – Growth Strategy – Expansion of Loan Product".

Lending Principles

The Corporation's strategy is to seek out, structure and underwrite senior secured asset-based loans that will generate attractive risk-adjusted returns. The Corporation achieves this strategy by operating on and utilizing the following core lending principles:

1. **Value-Based Lending –** Callidus achieves downside protection by lending on collateral values which are based on a prudent liquidation analysis, with, in some cases, the benefit of in-house or third party valuation input. Callidus monitors and assesses each borrower's loan base on a daily, weekly, or monthly basis as appropriate.

2. **Underwriting Flexibility** –Callidus provides flexible and innovative loan structuring tailored to the borrower's needs. The Corporation's loans contain limited or no covenants but are generally structured as demand loans (with the exception of one current loan of less than $20 million). Payment in kind (a loan where principal accretes in lieu of cash debt service payments) may be considered in appropriate circumstances. Similarly, required principal amortization payments may be subject to a more flexible structure.

3. **Security –** Callidus loans are generally provided on a first lien (senior secured) and fully collateralized basis.

4. **Control** – Callidus actively monitors loans issued by the Corporation and the associated collateral on an on-going basis and reassesses borrowing base typically on a weekly basis. Callidus also maintains control over borrowers' cash receipts through the use of blocked accounts.

5. **Target Term** –Loans are initially provided for a 12-month period and are typically outstanding for 18 to 24 months. Extensions are subject to a new credit approval and a renewal fee of typically 1% to 2%.

6. **Target Rates –** Callidus offers fixed rate Canadian dollar or United States dollar denominated loans. Callidus currently targets a 19% interest rate, with fees that consistently result in targeted Gross Yields of approximately 20%.

7. **Target Loan Size** – Callidus targets loans between $5 million and $100 million, typically within the $5 million to $50 million range.

8. **Borrowers –** Callidus only lends to borrowers that it believes will be able to repay their loans in full and regain financial stability. Callidus enables borrowers to do so by funding asset growth, including accounts receivable, inventory and property and equipment growth. Callidus has, to date, liquidated only two businesses and has otherwise achieved a repayment for the remainder of its loans through a going concern solution.

Lending Review Process

Asset-based lending ("**ABL**") requires the commitment of people and systems to provide an effective risk management tool for a loan portfolio. An asset-based lender must employ sufficient people to perform specific roles in both the pre-loan closing and post-loan closing processes. An extensive review of a borrower, its assets and liabilities and customers must be undertaken in order to determine the appropriate borrowing base before a loan is offered. After the loan closing, the review of financial reports and the monitoring of assets and general financial performance of the borrower continue until the loan is repaid.

Callidus currently has an experienced team of 15 professionals, including Newton Glassman, Executive Chairman and Chief Executive Officer, David Reese, Chief Operating Officer, Dan Nohdomi, Chief Financial Officer, and Jim Riley, Secretary.

Loans are originated by two dedicated originators, located in Toronto, Ontario. Loan originators initially review each prospective borrower and its suitability for a loan from Callidus. Internal or external field examiners initially, and then periodically, review the collateral and the books and records of each prospective borrower to provide information regarding its assets and performance, including the quality and value of accounts receivable and inventory. Callidus currently employs one field examiner to conduct ongoing field examinations. If the originator makes a determination to proceed, they will propose a credit to one of the Corporation's loan underwriters. Callidus believes part of its success is based on an effective origination team that is well-known to the Canadian market. The Corporation intends to hire origination professionals in Québec and in eastern and western Canada to increase its penetration.

The Corporation has four loan underwriters, located in Toronto, Ontario, who are responsible for a detailed analysis of the proposed borrower and for determining any additional credit terms that may be required. The underwriters interpret information and present the recommended structure and parameters of the proposed loan by way of a detailed credit memo. The detailed credit memo, which includes details of the borrower's business, financial results and collateral values, is submitted to the Corporation's credit committee (the "**Credit Committee**") for approval.

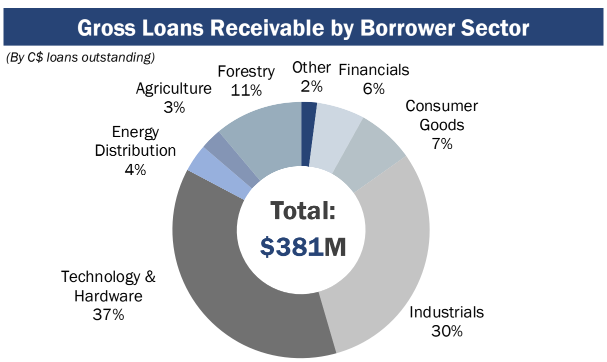
The Credit Committee is comprised of Newton Glassman (Chairman), David Reese, and Jim Riley. The Credit Committee may require additional information or specify additional terms prior to approval, and has the discretion to approve or decline any loan. Unanimous approval of the Credit Committee is required for each loan.

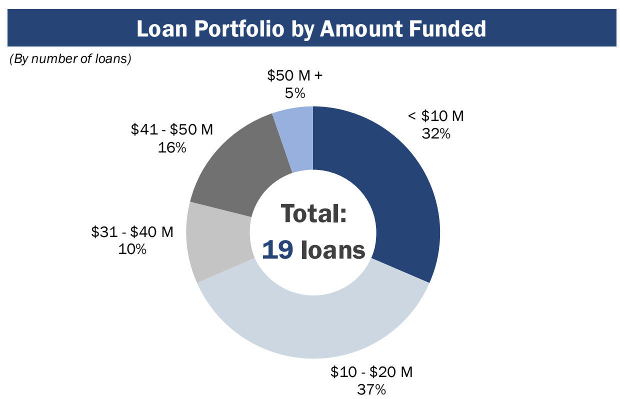
Callidus typically engages professional third parties to appraise the value of a borrower's inventory, fixed assets and real property forming a part of its collateral. Typically, those appraisals are based on forced liquidation value which Callidus then discounts. Callidus also has a dedicated team of three collateral analysts who process each borrower's collateral reporting and monitor its business on an ongoing basis.

Typically the loan underwriters carry out the day-to-day management of the borrower's account. Ongoing monitoring by loan underwriters enables rapid identification of a deteriorating credit.

Current Loan Portfolio

As of December 31, 2013, the Loan Portfolio consisted of 19 loans with an aggregate Gross Loans Receivable amount outstanding(4) of $381 million. The largest loan commitment is approximately US$75 million and the smallest loan commitment is approximately $4 million. The Corporation's loans are diversified across a variety of industries, with the technology and hardware industry and the industrials industry comprising the largest segments. Callidus will often target sectors that are experiencing a downturn as such borrowers may be under financial pressure and may be unable to access capital from traditional lenders. During 2011, the Corporation received 100% of the common shares of a borrower as realization upon security granted in connection with a loan valued at $12.6 million. This entity is being held for sale on the statement of financial position. The asset held for sale is recorded at the lower of carrying value or fair value less cost to sell. The loans in the Loan Portfolio are generally structured as first secured on inventory and receivables and many have additional security.





Note: As at December 31, 2013, the Gross Loans Receivable consisted of $350 million loans receivable, $11 million assets held for sale, $10 million loan loss allowance, and $10 million in discounts on loan acquisitions.

The average amount funded per loan is approximately $20 million, with the principal amount outstanding typically between 65% and 75% of the committed amount at any given time. The original commitment term is typically 12 months, with extensions permitted subject to credit re-approval and renewal fees. The average period of time a loan and its renewal is outstanding typically ranges from 18 to 24 months.

Detailed Portfolio Summary

Below is a summary of the Corporation's Loan Portfolio as of December 31, 2013.

(4) Please see definition of Gross Loans Receivable under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures". These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable to similar measures used by other issuers. As at December 31, 2013, the Gross Loans Receivable consisted of $350 million loans receivable, $11 million assets held for sale, $10 million loan loss allowance, and $10 million in discounts on loan acquisitions.

Loan	Industry	Origination Date	Approximate Committed Facility ($ thousand)	Period End Balance ($ thousand)
Company A	Food Packaging[(1)]	26-Jul-07	11,016	11,016
Company B	Sports Supplies Manufacturing[(2)]	30-Jun-11	20,000	11,336
Company C	Wireless Infrastructure Provider[(2)]	29-Nov-11	19,506	16,542
Company D	Mattresses Manufacturer[(2)]	05-Dec-11	5,084	5,084
Company E	Aviation Services	25-May-12	3,606	3,114
Company F	Gaming Technology	31-Aug-12	41,018	35,935
Company G	Computers and Accessories	11-Oct-12	40,185	40,472
Company H	Financial Services	06-Nov-12	30,000	17,844
Company I	Tool and Mould Manufacturing	08-Nov-12	40,098	38,531
Company J	Natural Gas and Electrical Supplier	21-Dec-12	20,000	13,384
Company K	Custom Home Engineering and Manufacturer	21-Dec-12	5,576	5,576
Company L	Street Maintenance / Cleaners	24-Dec-12	5,289	4,586
Company M	Lumber Industry	24-Jan-13	42,500	42,148
Company N	Rubber supplier for Auto Industry	22-Feb-13	7,300	6,185
Company O	Coiled tubing and Nitrogen Services	06-Mar-13	16,000	15,175
Company P	Financial Services	17-Apr-13	5,000	4,977
Company Q	Wireless Service provider	08-Oct-13	75,000	48,768
Company R	Fisheries and Aquaculture Industry	12-Dec-13	27,522	10,300
Company S	Mining and Construction Industry	23-Dec-13	64,621	50,158

Notes:
(1) This loan has remained outstanding since 2007 due to the inability of the borrower to repay the principal amount (interest has been paid throughout).
(2) The loans outstanding since 2011 have been continuously renewed, on an annual basis since that time, and have been performing.

Payment In Kind Loans

Some of the loans in the Loan Portfolio contain a payment-in-kind ("**PIK**") interest provision (each, a "**PIK Loan**"). Unless a portion of a PIK Loan is sold, the Corporation will not receive cash in respect of such PIK Loan until such time as cash payment is due. If the borrower defaults, Callidus may obtain no return on its investment. A PIK Loan would be in default if the Corporation demanded repayment and the borrower failed to pay the principal of the loan, plus accrued interest (whether in cash or PIK). Similarly, default could occur if the cash component of interest owing was not paid on time. All PIK Loans also contain cash payment of interest options.

A loan with a combination of cash pay and PIK interest permits a borrower to manage its cash flow by choosing between payment of interest or for other operating expenses. Callidus carefully considers, in connection with the borrower's credit approval, the cash flow of a borrower and will consider providing a PIK Loan if this structure will help meet the borrower's anticipated cash needs.

Although there is reduced competition in the Canadian ABL market, the competition that does exist requires Callidus to be responsive to competitive pricing, including by offering PIK Loans to certain borrowers. See "Risk Factors - Risks Relating to Callidus' Operations - Payment In Kind Interest."

Growth Strategy

Following the completion of the Offering, the Corporation's public company status may increase the profile of Callidus as a solution for borrowers and for lenders with challenging loan portfolios. Callidus believes its Loan Portfolio will grow in the following ways:

Organic Growth in Canada

Management estimates that the market size in Canada for its current product is approximately $1 billion in loans at any time, of which management believes that approximately $650 million is currently addressed by either Callidus or its competitors. Callidus believes it is well positioned to capture a significant share of this unserviced market given the Corporation's flexible and innovative approach to lending, the Corporation's extensive in-house team and proprietary systems, management's significant ABL experience and workout expertise, the presence of relatively few known competitors in the Bridge or Distressed ABL Providers market segment (see "Asset-Based Lending Industry – General"), and the Corporation's access to capital from both public markets and the Catalyst Funds. Callidus has historically served primarily Ontario and Québec based borrowers; however, more recent growth reflects lending opportunities across Canada. Callidus intends to expand its geographical reach by increasing the number of loan officers and originators outside of Ontario. In addition, Callidus is increasingly providing larger loans and expects to further increase its average loan size.

The Corporation's Loan Portfolio grew at a compound annual growth rate of 57% from 2011 to 2013. During the same period, potential new loans being considered by the Corporation remained steady. As a result, the Corporation believes that there is significant market demand for the Corporation's loan product. The Corporation is currently considering potential new loans totalling approximately $300 million. As part of its overall strategy to grow the Loan Portfolio, the Corporation targets $50 million to $150 million of net new loans for each loan originator per year. However, there can be no assurance that Callidus will be able to grow its Loan Portfolio as anticipated.

Expansion of Loan Product

In order to extend the Corporation's lending market, the Corporation will extend 'Callidus Lite', a lower-priced loan product for relatively lower-risk borrowers. Management expects that 'Callidus Lite' will have targeted Gross Yields of between 12% and 14%. Certain of the borrowers in this market may have traditional lending alternatives available to them; however management believes these borrowers may accept the higher pricing of the 'Callidus Lite' product in exchange for flexible and innovative loan structuring along with limited or no covenants. Management believes that the 'Callidus Lite' product represents an incremental market opportunity that is distinct from the market for its current loans. 'Callidus Lite' will allow Callidus to extend its potential lending market and loan duration, while preserving attractive returns.

Expansion in the United States

Management believes that the United States market presents a significantly larger opportunity than the Canadian market. Regulatory standards in the United States such as the Dodd–Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") combined with Basel III Accord ("**Basel III**") place constraints on commercial lenders that do not apply to Callidus. Although the United States is a different lending market, management has extensive experience in successfully originating and underwriting debt transactions in the United States. The Corporation's existing loan products have been made available in the United States on a situational basis through existing borrower relationships. Callidus demonstrated the flexibility of its systems, back office and procedures through six U.S. based transactions since 2011. In addition, five Canadian based transactions since 2011 had U.S. collateral or exposure as a substantial part of their operations, requiring Callidus to test and validate its ability to perfect U.S. collateral and successfully address other structural issues. Consistent with the Corporation's targeted geographical expansion across Canada, new origination and underwriting officers allow for natural coverage of the Northern United States and expansion of the Loan Portfolio.

Growth through Acquisitions of Loan Portfolios

Management believes that there will be opportunities to acquire asset-based loan portfolio assets from other lenders in Canada and the United States on an opportunistic basis, at discounted values. Callidus has successfully acquired and managed loan portfolios from lenders seeking to exit challenging situations in the past. The Offering provides Callidus access to capital to execute on such future opportunities.

Purchase of Loan Assets from the Catalyst Funds

Following completion of the Offering, the Catalyst Funds will continue to have an interest in the Loan Portfolio. When a Catalyst Fund intends to dispose of an interest in the Loan Portfolio, Callidus will have the option to acquire such interest for an amount equal to the aggregate funded amount of the interest in the Loan Portfolio being sold plus such Catalyst Fund's entitlement to undistributed interest and fees on the applicable Loan Portfolio, pursuant to the terms of the Participation Agreement. As private equity funds, the Catalyst Funds expect to have a need to redeploy their capital into other investments and have a limited investment horizon, thereby creating a necessity to sell their interests in the Loan Portfolio once capital is needed for other investments. Catalyst Funds established after the closing of the Offering will be entitled to invest in interests in the Loan Portfolio, providing for mutual interest in the performance of the Loan Portfolio and another source of financing for growth in Callidus' loan assets. In addition, in the event of any Realization Proceedings for a loan prior to the approved renewal at the next scheduled credit review for that loan (generally one year after the initial advance or the last extension), the applicable Catalyst Fund will make a payment to Callidus in an amount equal to the difference between the amounts advanced by Callidus to the borrower under that loan and the amounts actually received by Callidus in connection with that loan, whether by way of proceeds of realization or repayment of principal. See "Funding Arrangements –Participation Agreement".

Competitive Strengths

Management of Callidus believes that the Corporation has material competitive strengths compared to its competitors. Management believes that competitors manage smaller loan portfolios than the Corporation and that the lack of scale and limited access to capital has provided a challenging environment for its competitors. In contrast, Callidus has benefitted from access to the capital from the Catalyst Funds, a major Canadian insurance company as well as a Schedule I Bank, providing ample capital to grow its business to date and has been able to reach a size where access to attractive leverage alternatives has provided additional sources of capital. The experienced management team and effective collateral monitoring system that Callidus has built since its inception has facilitated the increase in the size the Loan Portfolio while still maintaining the ability to keep a proactive relationship with borrowers that management believes is critical to success in the markets in which the Corporation operates.

Strong Track Record

Callidus is a successful asset-based lender with a history of consistently generating significant returns. Callidus has a strong track record, as evidenced by, among other things, no realized losses on principal on Callidus-originated loans after consideration of liquidated collateral and costs to settle from 2011 until 2013. In aggregate, the Corporation's loans have had a Gross Yield on funds advanced of over 20% since 2010. The Corporation's Loan Portfolio grew at a compound annual growth rate of 57% from 2011 to 2013.

Unique and Differentiated Business Model

Speed of Execution

Callidus has a streamlined credit approval process that provides for rapid decision making, with the Credit Committee involved in the approval process from an early stage. All loans are subject to unanimous Credit Committee approval. The Credit Committee consists of three members of the executive team. See "Description of the Business – Lending Review Process".

Structural Flexibility

Callidus provides practical solutions to its borrowers through flexible and innovative loan structuring. Callidus can provide flexible solutions to meet the needs of borrowers, including, but not limited to, providing loans margined against accounts receivable and inventory, and term loans margined against other assets, including equipment, real estate and manufacturing facilities. Payments in kind and longer amortizations may also be considered in appropriate circumstances. Callidus' loans typically have limited or no covenants, as loans are normally payable on demand. See "Description of the Business – Lending Principles".

Ongoing Relationships with Borrowers

Callidus engages in a high degree of monitoring of the collateral securing the Loan Portfolio and regular interaction with its borrowers. The Corporation's experienced team of finance professionals actively monitors each loan on a daily, weekly or monthly basis, as appropriate depending on the risks. In most cases, Callidus maintains control of the borrower's deposit account through the use of blocked accounts, which facilitates loan repayment and reduces fraud. Financial results and collateral values are regularly monitored against business plans and industry trends. Frequent meetings with the borrowers' management are combined with regular field audits. Third party collateral appraisers generally confirm initial inventory and fixed asset values and professional restructuring advisors are involved, as necessary. This extensive system of collateral monitoring and management contact mitigates risk by acting as an early warning system of potential credit issues. Early detection of issues ensures that proactive remedies can be implemented.

Support from CCGI

CCGI is a Toronto-based private equity investment management firm with over $3 billion in assets under management. CCGI supports Callidus by providing funding through the Catalyst Funds and the involvement of senior executives in the Corporation's business.

Pursuant to its partnership arrangements with the Catalyst Funds, CCGI expects to be entitled to 20% of the Common Shares held by Catalyst Fund II and Catalyst Fund III at Closing, representing an approximate 8% interest in the issued and outstanding Common Shares, as a result of its carried interest in the performance of Catalyst Fund II and Catalyst Fund III. Such Common Shares will be subject to a lock-up of at least two years. See also "Principal Shareholders" and "Risk Factors – Risks Relating to the Offering – Future Sales of Common Shares by Existing Shareholders". Further, CCGI, as manager of the Catalyst Funds (existing and future) will have the ability to deploy funds from new Catalyst Funds directly into the Active Portfolio thereby providing a source of financing for growth in Callidus' loan assets.

Any Catalyst Funds currently directly invested in the Initial Portfolio, or any new Catalyst Funds investing in the growth of future Loan Portfolios, will be entitled to a participation interest in the Loan Portfolio, and will bear the debt service costs associated with the leverage allocated to its interest in the Loan Portfolio and a *pro rata* share of all expenses relating to the management of the Loan Portfolio based on its participation interest in the Loan Portfolio. Each of Callidus and the Catalyst Funds with a participation interest in the Loan Portfolio have a mutual interest in the performance of the Loan Portfolio.

In addition, CCGI has agreed that for a period ending on the later of (a) five years from the Closing Date, and (b) two years after the termination of the Management Services Agreement, neither CCGI nor its affiliates will (i) engage in; (ii) establish or manage any fund or other entity that engages in; or (iii) invest in any other fund or entity that engages principally in the asset-based lending business as carried on by Callidus. In addition, CCGI has agreed that any opportunities within such business description that are made available to CCGI or its affiliates will first be offered to Callidus. (See also "Risk Factors – Conflicts of Interest" and "Executive Officers and Directors Compensation – Management Services Agreement").

Pursuant to the Management Services Agreement, CCGI provides the services of Mr. Glassman (founder and Managing Partner of CCGI) as Executive Chairman and Chief Executive Officer of Callidus, and Mr. Riley (Managing Director and Chief Operating Officer of CCGI) as Secretary of Callidus. In addition, the Management Services Agreement provides Callidus with access to CCGI's senior management, analysts and research library, as required. See "Executive Officers and Directors Compensation – Management Services Agreement" for a summary of the Management Services Agreement. CCGI's senior management have proven experience in distressed investing and restructuring, which facilitates the efficient evaluation and execution of complex transactions and allows Callidus to focus on going concern solutions when credit issues arise. See also "Description of the Business – The Catalyst Capital Group Inc. – Overview".

Experienced Management

The members of the Callidus management team have significant experience in the Canadian asset-based financing market (as set out in the table below) and have close strategic relationships with various professional groups, including accountants, restructuring professionals and appraisers. The Corporation's management team and the Credit Committee also have extensive expertise across various sectors. This experience and expertise, combined with the Corporation's disciplined approach to evaluating potential borrowers, assists Callidus in identifying high return lending opportunities where risks can be controlled and managed to ensure minimal portfolio losses.

Management	Profile
Newton Glassman *Executive Chairman and Chief Executive Officer*	■ 22 years of experience in private equity, distressed, ABL and under-valued situations in Canada and the United States ■ Before founding CCGI, was a managing director at Cerberus Capital Management LLC ("**Cerberus**", which in turn owned Ableco Finance) ■ Prior to Cerberus, held operational, strategic, and financial roles at a number of different entities ■ Holds an MBA from the Wharton School of Business and undergraduate and law degrees from the University of Toronto
Jim Riley *Secretary*	■ Managing Director and Chief Operating Officer of CCGI ■ Prior to joining CCGI in 2011, was a partner and co-chair of the Banking and Finance Law Group at Goodmans

	LLP where his practice focused on corporate finance and restructuring ■ Before Goodmans, was a founding partner of the Toronto office of Ogilvy Renault (now Norton Rose Fulbright)
David Reese *Chief Operating Officer*	■ 30 years of experience in managing and building teams focused on providing structured debt solutions for clients (ABL, LBOs, private placements and securitizations) across a wide variety of industries ■ Worked in both corporate and investment banking with several Canadian and international financial institutions, including a structured credit boutique that Mr. Reese co-founded
Dan Nohdomi *Chief Financial Officer*	■ Former Chief Financial Officer of Greypoint Capital, a private debt fund based in Toronto, which he assisted in launching and founding ■ Former Corporate Treasurer of Western Forest Products, a publicly traded, Brookfield Asset Management portfolio company, operating in British Columbia
Mark Wilk *Vice President, Origination*	■ Over 20 years of experience in financing solutions from senior debt to mezzanine and equity, to companies in the United States and Canada ■ Director of the Association for Corporate Growth (Toronto Chapter) and a member of the Turnaround Management Association
Duane Morrison *Vice President, Origination*	■ Previously worked at Roynat Capital (the merchant banking arm of a Canadian chartered bank) as leader of the Southwestern Ontario team in originating, underwriting and monitoring transactions for 10 years
Craig Boyer *Vice President, Portfolio Management*	■ Extensive experience at the senior management level in both banking and industry ■ Former Vice President, Underwriting at a Canadian chartered bank's ABL group
Jim Hall *Vice President, Portfolio Management*	■ Significant experience, knowledge and expertise in portfolio and investment management, high-risk banking, and challenging business operations and organizational situations ■ Currently a director of Indigo Books & Music Inc., Immunovaccine Inc. and Atomic Energy of Canada Limited

The Catalyst Capital Group Inc.

Overview

Founded in 2002, CCGI is a Toronto-based private equity investment management firm that specializes in control and influence investments in distressed and under-valued opportunities in Canada. CCGI has over $3 billion in assets under management.

CCGI was founded by Mr. Glassman, who is the Managing Partner of CCGI (and who is the Executive Chairman and Chief Executive Officer of Callidus). Mr. Glassman was previously a managing director at Cerberus, where he was responsible for, among other things, the firm's involvement in Canadian-based opportunities. Gabriel de Alba, Managing Director and Partner, joined CCGI in 2002 and previously served in investment and operational roles in various distressed situations at several U.S. entities. Mr. Riley, Managing Director and Chief Operating Officer of CCGI, joined CCGI in 2011 and was formerly a senior partner at a major Canadian law firm with a practice focused on corporate finance and restructuring. Messrs. Glassman, de Alba and Riley, and the balance of the CCGI management team, collectively possess more than 110 years of experience in restructuring, credit markets and merchant and investment banking in Canada and the United States.

The CCGI management team has significant expertise with regard to the Canadian legislative, financial and restructuring regimes, as well as substantial experience coordinating multi-jurisdictional bankruptcies, restructurings and legal processes.

The Catalyst Funds

CCGI has established and managed the following focused private equity funds: Catalyst Fund Limited Partnership I ("**Catalyst Fund I**"), Catalyst Fund Limited Partnership II (together with a parallel fund, "**Catalyst Fund II**"), Catalyst Fund Limited Partnership III ("**Catalyst Fund III**") and Catalyst Fund Limited Partnership IV ("**Catalyst Fund IV**") as follows:

- Catalyst Fund I was established in 2002 with approximately US$185 million in committed capital.
- Catalyst Fund II (including a parallel fund) was established in 2005 with approximately US$635 million in committed capital.
- Catalyst Fund III was established in 2009 with approximately US$1.0 billion in committed capital.
- Catalyst Fund IV was established in 2012 with approximately US$800 million in committed capital.

The CCGI team has generated strong investment performance since inception.

ASSET-BASED LENDING INDUSTRY

The information contained in this prospectus with respect to the ABL industry, including market expectations, market position, market opportunity, market share and other estimates, is based solely on management's current understanding and knowledge of the ABL industry and is not based on any independent publicly available source. Such information cannot be and has not been independently verified. See "Notice to Investors – General Matters".

Overview

ABL encompasses a number of financing alternatives, including commercial finance, factoring, equipment loans, leasing, mortgages, floor-plan finance, trade finance and purchase order finance, but typically refers to commercial finance where loans are secured by assets (often the most liquid assets of the borrower) and subject to a borrowing base. Callidus operates within this definition of commercial finance asset-based loans, lending to corporate businesses and taking security against the assessed or appraised value of working capital and an identifiable portfolio of assets.

Asset-based lenders manage their risk and exposure by carefully assessing the values of secured assets, receiving periodic reports on collateral value and the status of those assets, and tracking financial performance of borrowers. These procedures and their implementation differentiate ABL from commercial or corporate lending. Typical characteristics of an asset-based borrower include unpredictable cash flow, losses, high leverage, fast growth, recent or proposed acquisitions, mergers, leveraged buyouts or bankruptcy reorganization. Asset-based loans allow borrowers with working capital needs to borrow amounts supported by an asset base, when traditional credit may otherwise be unavailable to them.

The key benefit of ABL is that it is not earnings dependent and, as a result, asset-based loans are still available when a borrower's earnings are insufficient to support a traditional bank loan. The typical borrower of an asset-based loan is a medium-sized business that is involved in a cyclical industry or which has low operating margins. Asset-based loans can provide capital to finance growth, inventory expansion or acquisition financing and are also used to refinance existing debt.

Asset-based loans provide borrowers with increased operating flexibility compared to earnings-based financing, generally with fewer financial covenants. Callidus is generally able to structure loans at higher advance rates than traditional financial institutions, which permits growth and increased earnings in the borrower's business. These increased earnings may offset higher lending rates, in whole or in part, while allowing a borrower to retain operational upside and avoid ownership dilution.

Management believes that the Canadian ABL market is comprised of the following types of lenders:

1. **ABL Groups of Large Financial Institutions** – these groups will make credit available based on assets, as well as more traditional profitability metrics and cash flow. They currently tend to offer interest rates at a spread of 3% to 6% over LIBOR, and require extensive performance covenants. Loan sizes will vary, and are generally up to $100 million. Callidus believes that there are approximately 10 active participants in this category.

2. **Bridge or Distressed ABL Providers** – these providers include Callidus and its competitors, and typically lend money at an interest rate of approximately 20% through demand loans with limited or no covenant requirements. These lenders will generally provide loans of up to $30 million, and can occasionally lend up to $100 million. Based on the Corporation's understanding of the market, it believes that there are approximately four competitors in this category, with an estimated aggregate market size in excess of $1 billion in loans at any time, of which management believes that approximately $650 million is currently addressed by either Callidus or its competitors.

3. **Factoring Companies** – these companies will purchase receivables at a significant discount, which generally corresponds to implied interest rates above 20%. Loan sizes for these lenders typically range between $1 million and $5 million, and can occasionally reach up to $10 million. Callidus believes that there are a small number of larger factoring companies and many small regional participants. The Corporation does not engage in factoring and does not view factoring companies as direct competitors.

Canadian Asset-Based Lending

	Summary Terms	Deal Size	Scope of Canadian Market
ABL Groups of Large Financial Institutions	■ Interest rates: 3% - 6% spread above LIBOR ■ Performance covenant requirements	■ $5 million to $100 million+	■ Approximately 10 active participants
Bridge or Distressed ABL Providers	■ Interest rates: 20% range ■ Demand loans ■ Covenant light	■ $1 million to $50 million; occasionally to $100 million	■ 4 known competitors ■ Current estimated market opportunity: over $1 billion
	■ Interest rates: 14% range ■ Demand loans ■ Covenant light	■ $10 million to $50 million; occasionally to $100 million	■ 1 known competitor ■ Incremental market opportunity distinct from market for current product offering
Factoring Companies	■ "Purchase discount" – interest rate over 20%	■ $1 million to $5 million; occasionally to $10 million	■ Smaller number of larger factoring companies and many smaller regional factors

Competitive Dynamics

Management believes that the current market for asset-based lenders in Canada, particularly for asset-based lenders such as Callidus that operate independently of Canadian chartered banks and other financial institutions, is robust. As a result of increased regulation and global financial difficulties, several foreign participants in the ABL market have either reduced or shut down their Canadian ABL operations. U.S. lenders in particular have faced pressure to reduce their capital exposure due to financial regulations imposed following the credit crisis in 2008. Additionally, several foreign bank-owned lenders have noticeably reduced their presence in the Canadian ABL market due to capital constraints, regulatory issues, losses or a combination thereof.

Mid-market companies, which management defines as those with borrowing requirements of $5 million to $100 million, have fewer credit options. The recent credit crisis and continuation of a generally poor economic environment have combined to limit the willingness of Canadian lenders to extend credit to smaller borrowers; particularly those that do not meet the typical credit requirements. Callidus believes that there are a number of other factors that have resulted in the limited competition in the Canadian ABL market, including, but not limited to the following:

Reduced Credit Supply to Mid-Market Companies from Non-Bank Lenders

The Corporation believes credit to mid-market companies from non-bank lenders will also be constrained, as many of those lenders have either gone out of business, exited the market, or wound down. Some non-bank lenders exited the lending industry due to balance sheet pressures following the credit crisis of 2008 and subsequent regulatory changes. Together with the constraints in bank lending, a promising environment is created in which loans may be offered to mid-market companies by providers such as Callidus. The Corporation cannot, however, provide any assurance as to how long this tight credit supply will persist.

Regulatory Environment in Canada

There are currently no capital adequacy or other regulatory capital requirements on asset-based lenders like Callidus that would impede their ability to extend credit. The major Canadian commercial banks, however, are subject to capital adequacy rules under the *Bank Act* (Canada) and Basel III that require them to maintain capital on hand in connection with each loan advanced. These rules reduce profitability of non-traditional financing, as the amount of capital required to be maintained by the lender tends to be higher for these loans compared to conventional loans.

Basel III and related banking regulations also require Canadian commercial banks to mitigate and minimize risk while preserving regulatory capital and liquidity, which have made Canadian commercial banks even less likely to lend outside of their traditional lines of business.

Concentration of Canadian Commercial Banks

In Canada, commercial lending has been dominated by the six leading commercial banks. While these banks do provide asset-based loans, such loans remain a relatively small portion of the financing that they offer due to the aggregate size of the potential market and the relatively high operational oversight such loans require. The traditional form of financing favoured by these banks has been cash flow and earnings-based, as opposed to collateral-based financing.

Regulatory Environment in the United States

Recent regulatory changes, including the enactment of the Dodd–Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") in the United States, the introduction of new international capital and liquidity requirements under Basel III, and the continued ownership of legacy non-performing assets have significantly curtailed banks' lending capacity and willingness to lend in the ABL market. In response, the Corporation believes that many U.S. commercial banks have de-emphasized their service and product offerings to mid-market companies in favour of lending, managing capital markets transactions and providing other non-credit services to their larger customers who require less extensive oversight. Callidus expects bank lending to mid-market companies to continue to be constrained for at least several years, as Basel III rules are phased in and rules and regulations are approved and interpreted under the Dodd-Frank Act.

SUMMARY FINANCIAL AND OTHER DATA

	Year ended December 31		
	2013	2012	2011
	($ thousand)	($ thousand)	($ thousand)
Revenue:			
Interest	47,102	21,451	18,720
Fees and other	6,222	6,070	3,095
	53,324	27,521	21,815
Interest expense and participation fees:			
Catalyst Funds	37,494	17,870	14,074
Senior debt and revolving credit facilities	4,414	4,307	3,245
	41,908	22,177	17,319
Net interest income	11,416	5,344	4,496
Other income (loss):			
Provision for loan losses	(5,976)	(2,030)	(3,199)
Foreign exchange losses	(1,363)	(433)	940
Other income	451	-	-
	(6,888)	(2,463)	(2,259)
Non-interest expenses:			
Management fees	-	-	260
Salaries and wages	4,248	3,004	2,379
Stock options	5,152	-	-
General and administrative	2,036	1,745	1,287
	11,436	4,749	3,926
Loss before income tax	(6,908)	(1,868)	(1,689)
Income taxes (recovery):			
Current	34	(66)	-
Deferred	(1,228)	-	-
Loss and comprehensive loss for the year	(5,714)	(1,802)	(1,689)

Pro-forma Financial Statements

The following table sets forth the Pro-forma Consolidated Statements of Comprehensive Income of Callidus for the year ended December 31, 2013 after giving effect to the Pre-Closing Transactions and the Offering. The tables below should be read together with “Prospectus Summary – Summary of Selected Financial Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Use of Proceeds” and Callidus’ historical audited financial statements and related notes included elsewhere in this prospectus.

	2013 ($ thousand)				
	IFRS	**Adjustments**	**Normalized**	**Co-Own.** (7)	**Pro Forma**
Revenue					
Interest	47,102	-	47,102	(8,424)	38,678
Fees and other	6,222	-	6,222	(1,113)	5,109
	53,324	-	53,324	(9,537)	43,787
Interest expense and participation fees:					
Catalyst Funds (1)	37,494	(37,494)	-	-	-
Senior debt and revolving credit facilities (2)	4,414	1,805	6,219	(1,012)	5,207
	41,908	(35,689)	6,219	(1,012)	5,207
Net interest income	11,416	35,689	47,105	(8,525)	38,580
Other income (loss):					
Provision for loan losses	(5,976)	-	(5,976)	1,069	(4,907)
Foreign exchange loss	(1,363)	-	(1,363)	244	(1,119)
Other income	451	-	451	(81)	370
Participation fees (3)	-	-	-	1,403	1,403
	(6,888)	-	(6,888)	2,635	(4,253)
Non-interest expenses:					
Salaries and wages	4,248	-	4,248	-	4,248
Stock options (4)	5,152	-	5,152	-	5,152
General and administrative (5)	2,036	1,000	3,036	-	3,036
	11,436	1,000	12,436	-	12,436
Income/(loss) before income taxes	(6,908)	34,689	27,781	(5,890)	21,891
Income taxes (recovery) (6)					
Current	34	7,328	7,362	(1,317)	6,045
Deferred	(1,228)	1,228	-	-	-
Income/(loss) attributable to shareholders	(5,714)	26,133	20,419	(4,573)	15,846

Notes

(1) The Catalyst Funds will no longer collect interest or participation fees in the form collected prior to Closing, as all indebtedness due to the Catalyst Funds pursuant to the Participating Debenture will be repaid prior to Closing. See “Pre-Closing Transactions”.

(2) The adjusted interest expenses reflects the Corporation's 40% leverage target on Gross Loans Receivable. Additional leverage above that which was in place on average for 2013 is assumed to be in the form of the New Senior Debt, with an assumed effective interest rate of 3.58%. Having the New Senior Debt facility in place is a condition precedent to Closing. Interest expense related to a portion of the Corporation's debt is adjusted as part of the participation fee. See note (3) below.

(3) The participation fee, to be paid in the future by the Catalyst Funds to Callidus, accounts for the expenses of the Corporation that are not directly related to the Loan Portfolio, which are attributable to the Catalyst Funds pursuant to the Participation Agreement. In fiscal 2013, the participation fee shown accounts for a portion of interest and fees on debt that is not subject to Derecognition for accounting purposes, salaries and wages, and general and administrative expenses.

(4) The stock option expense in 2013 represents a non-cash item. An additional $3.3 million of stock-based compensation cost is expected to be recognized over a weighted average period of two years as part of this one-time issuance. This table assumes that no other options will be granted. Please refer to Note 16 of the Financial Statements.

(5) Subsequent to Closing, management estimates that the Corporation will incur additional general and administrative costs on a continuing basis including but not be limited to expenses associated with ongoing financial reporting and disclosure, public company listing fees, increased director fees and related director and officer insurance costs, investor relations and annual shareholder meetings.

(6) Income taxes have been adjusted to reflect management's expectation for the Corporation to pay income taxes at a substantially similar rate to the statutory tax rate of 26.5%.

(7) The Catalyst Funds will retain an approximately 18% undivided interest in the Initial Portfolio, and will share approximately 18% of the returns and associated expenses of the Initial Portfolio, including a proportionate share of any public company costs.

Adjusted EBITDA Schedule

			2013 ($ thousand)		
	Adjusted	**Public Costs (2)**	**Normalized**	**Co-Own. (3)**	**Pro Forma**
Revenue	53,324	-	53,324	(9,537)	43,787
Less: Provision for loan losses	(5,976)	-	(5,976)	1,069	(4,907)
Add: Other income	451	-	451	(81)	370
Add: Participation fees, net of portion related to interest expense	-	-	-	1,303	1,303
Less: Non-interest expenses	(11,436)	(1,000)	(12,436)	-	(12,436)
Less: Stock option expense (4)	5,152	-	5,152	-	5,152
Adjusted EBITDA(1)	41,515	(1,000)	40,515	(7,246)	33,269

Notes

(1) See "Non-IFRS Measures".

(2) Subsequent to Closing, management estimates that the Corporation will incur additional general and administrative costs on a continuing basis including but not be limited to expenses associated with ongoing financial reporting and disclosure, public company listing fees, increased director fees and related director and officer insurance costs, investor relations and annual shareholder meetings.

(3) The Catalyst Funds will retain an approximately 18% undivided interest in the Initial Portfolio, and will share approximately 18% of the returns and associated expenses of the Initial Portfolio, including a proportionate share of any public company costs.

(4) The stock option expense in 2013 represents a non-cash item. An additional $3.3 million of stock-based compensation cost is expected to be recognized over a weighted average period of two years as part of this one-time issuance. This table assumes that no other options will be granted. Please refer to Note 16 of the Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

Management's Discussion and Analysis ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of the Corporation for the fiscal years ended December 31, 2013, 2012, and 2011. This MD&A should be read in conjunction with the audited annual consolidated financial statements ("**Financial Statements**") of Callidus as at December 31, 2013, 2012 and 2011, and for the years ended December 31, 2013, 2012 and 2011, and the related notes attached thereto, which were prepared in accordance with IFRS. This MD&A is presented as at the date of this prospectus and is current to that date unless otherwise stated. All amounts herein are expressed in Canadian dollars unless otherwise indicated.

Statement Regarding Forward-Looking Statements and use of Non-IFRS Measures

This MD&A contains forward-looking information within the meaning of Canadian securities laws and applicable regulations. See "Cautionary Note Regarding Forward-Looking Statements" elsewhere in this prospectus.

The Corporation discloses a number of financial measures in this MD&A that are calculated and presented using methodologies other than in accordance with IFRS. The Corporation utilizes these measures in managing the business, including performance measurement and valuation purposes and believes that providing these performance measures on a supplemental basis to its IFRS results is helpful to investors in assessing the overall performance of the business of the Corporation. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. The Corporation cautions readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within this MD&A. See "Non-IFRS Measures".

Business Profile and Strategy

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 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 provides flexible and innovative loan structuring, with limited or no covenants and an efficient credit approval process.

CCGI is a Toronto based private equity investment firm with over $3 billion in assets under management. CCGI and the Catalyst Funds, which are managed by CCGI, currently own or control 100% of the issued and outstanding Common Shares of Callidus and support the Corporation by providing funding through the Catalyst Funds and the involvement of senior executives in the Corporation's business.

Description of Non-IFRS Measures

The Corporation's audited consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") and accounting policies adopted by the Corporation in accordance with IFRS. The audited consolidated financial statements, in the opinion of management, present fairly Callidus' financial position as at December 31, 2013, 2012 and 2011 and the changes in equity, comprehensive income and cash flows for the years ended December 31, 2013, 2012 and 2011.

Management uses both IFRS and Non-IFRS Measures to monitor and assess the operating performance of the Corporation's operations. Throughout this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations:

"**Gross Yield**" is defined as 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.

"**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 held for sale as they appear on the balance sheet, and (iv) discounts on loan acquisitions.

Gross Loans Receivable Reconciliation to Balance Sheet

	2013	2012	2011
Gross Loans Receivable	381,302	132,485	154,010
Less: Discounted facilities	(9,774)	(2,200)	–
Less: Provisions for loan losses	(10,176)	(4,200)	(2,500)
Less: Assets held for Sale	(11,360)	(11,690)	(12,601)
Net loans receivable	349,992	114,395	138,909

"**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. This information is presented over a three year period and will enable readers to see at a glance, trends in the size of the Loan Portfolio.

"**Adjusted EBITDA**" is defined as EBITDA adjusted for non-cash expenses. For 2013, non-cash expenses consisted of employee option expense. The Corporation has adjusted for employee option expense as management believes that the initial award is not reflective of ongoing cash compensation costs of the business.

"**EBITDA**" is defined as net income before depreciation, amortization, interest expense and fees, income tax expense, and foreign exchange gain/loss.

"**total liquidity**" consists of cash and cash equivalents and undrawn credit facilities.

The Corporation has included the measure of Gross Yield as it believes the information to be instructive and enables potential purchasers to see, at a glance, trends in the yield of the Loan Portfolio. Average Loan Portfolio Outstanding measures the average amounts outstanding of the Loan Portfolio, to allow potential purchasers to see, at a glance, trends in the amounts of capital outstanding over a certain period of time, the most directly comparable IFRS measure being Loans Receivable. EBITDA measures operational profitability and is intended to assist potential purchasers to assess the performance of the Corporation in comparison with peer companies; while Adjusted EBITDA adjusts EBITDA for expenses that are not representative of cash costs of the operations.

The Non-IFRS Measures should not be considered as the sole measure of the Corporation's performance and should not be considered in isolation from, or as a substitute for, analysis of the Corporation's financial statements.

Selected Financial Information

The selected audited financial information set out below for the fiscal years ended December 31, 2013, 2012 and 2011 has been derived from Callidus' Financial Statements which appear elsewhere in this prospectus. These Financial Statements are prepared in accordance with IFRS. The following information should be read in conjunction with those statements and related notes and with this MD&A.

Table 1 – Selected Financial Information

For the years ended December 31				Change	
($ 000s)	**2013**	2012	2011	2013vs2012	2012vs2011
Average Loan Portfolio Outstanding [(1)]	**$251,223**	$120,847	$106,988	$130,376	$13,859
Gross Yield [(1)]	**21%**	23%	20%		
Income Statement Data:					
Total revenue	**$53,324**	$27,521	$21,815	$25,803	$5,706
Operating expenses	**10,985**	4,749	3,926	6,236	823
Provision for loan losses	**5,976**	2,030	3,199	3,946	(1,169)
EBITDA [(1)]	**36,363**	20,742	14,690	15,621	6,052

Add: option expense	**5,152**	-	-	5,152	-
Adjusted EBITDA [1]	**$41,515**	$20,742	$14,690	$20,773	$6,052
Net income	**($5,714)**	($1,802)	($1,689)	($3,912)	($113)
Balance Sheet & Other Data:					
Total assets	**$400,620**	$175,249	$223,841	$225,371	($48,592)
Loans receivable [2]	**349,992**	114,395	138,909	235,597	(24,514)
Assets held for sale	**11,360**	11,690	12,601	(330)	(911)
Credit Agreement	**69,562**	49,586	49,489	19,976	97
Participating Debenture	**$330,703**	$125,670	$172,919	$205,033	($47,249)

Notes:

(1) Please see definitions of Average Loan Portfolio Outstanding, Gross Yield, EBITDA and Adjusted EBITDA under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures". These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable to similar measures used by other issuers**.**

(2) Loans receivable is net of allowance for loan losses and discounts on loan acquisitions.

Highlights

- The Average Loan Portfolio Outstanding increased sequentially year-over-year from 2011 to 2013. In 2013, the Average Loan Portfolio Outstanding was $251 million, an increase of $130 million or 108% from the prior year. In 2012, the balance of $121 million represented an increase of $14 million or 13% from 2011.
- Gross Yield in 2013 was 21%, a decrease of 2% from the prior year, primarily due to a reduction in fee income as a percentage of total revenue as a result of prepayment penalties earned on a number of loans that were repaid in the prior year. In 2012 Gross Yield was 23%, an increase of 3% from 2011 which was attributable to an increase in fee income noted above.
- At December 31, 2013, loans receivable was $350 million, an increase of $236 million or 207% from the prior year. At December 31, 2012, loans receivable was $114 million, a decrease of $25 million or 18% from December 31, 2011. Assets held for sale represent a loan to a borrower for which the Corporation owns 100% of the borrower's common shares. These shares were received in 2011 as part of a larger loan portfolio acquisition from a competitor.
- In 2013, the provision for loan losses increased $4 million to $6 million while write-offs were nil. In 2012, the provision for loan losses decreased $1 million to $2 million.

Results of Operations

Net income

Table 2 – Condensed Consolidated Statement of Net Income (Loss)

For the years ended December 31

($ 000s)	**2013**	2012	2011	Change 2013vs2012	Change 2012vs2011
Interest	**$47,102**	$21,451	$18,720	$25,651	$2,731
Fees and other	**6,222**	6,070	3,095	152	2,975
Total revenue	**53,324**	27,521	21,815	25,803	5,706
Salaries and wages	**4,248**	3,004	2,379	1,244	625
Stock options	**5,152**	-	-	5,152	-
Provision for loan losses	**5,976**	2,030	3,199	3,946	(1,169)
General and administrative and other	**1,585**	1,745	1,547	(160)	198
	16,961	6,779	7,125	10,182	(346)
EBITDA [1]	**36,363**	20,742	14,690	15,621	6,052
Add: employee stock options	**5,152**	-	-	5,152	-
Adjusted EBITDA [1]	**$41,515**	$20,742	$14,690	$20,773	$6,052
Adjusted EBITDA margin	**78%**	75%	67%		

Reconciliation of non-IFRS measures:					
Adjusted EBITDA [(1)]	**$41,515**	$20,742	$14,690	$20,773	$6,052
less: employee stock options	**5,152**	-	-	5,152	-
EBITDA [(1)]	**36,363**	20,742	14,690	15,621	6,052
Interest expense and participation fees pursuant to the Participating Debenture	**37,494**	17,870	14,074	19,624	3,796
Interest pursuant to the Credit Agreement	**4,414**	4,307	3,245	107	1,062
Foreign exchange (gain) / loss	**1,363**	433	(940)	930	1,373
	43,271	22,610	16,379	20,661	6,231
Loss before income taxes	**(6,908)**	(1,868)	(1,689)	(5,040)	(179)
Current and deferred income taxes (recovery)	**(1,194)**	(66)	**-**	(1,128)	(66)
Net income (loss)	**($5,714)**	($1,802)	($1,689)	($3,912)	($113)

Notes:

(1) Please see definitions of EBITDA and Adjusted EBITDA under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures". These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable to similar measures used by other issuers.

2013 vs 2012

Interest income increased $26 million from the prior year, as a result of (i) an increase in the Average Loan Portfolio Outstanding from $121 million in 2012 to $251 million in 2013, and (ii) an increase in the interest yield from 18% in 2012 to 19% in 2013. During 2013, Callidus originated $184 million in new loans, advanced $81 million to the existing Loan Portfolio, and was fully repaid a total of $17 million.

Fee income, consisting of facility, standby, maintenance and extension fees ("**Fee Income**"), remained relatively consistent with the prior year at $6 million, as a result of the growth of the Loan Portfolio offset partially by a $1 million or 72% decrease in other income. The decrease in other income was attributable to a non-recurring gain recorded in the prior year from the settlement of certain loans that were acquired as part of a distressed loan pool purchase from a competitor.

2012 vs 2011

Interest income increased $3 million from the prior year, as a result of (i) an increase in the Average Loan Portfolio Outstanding from $107 million in 2011 to $121 million in 2012. During 2012, Callidus originated $110 million in new loans and was fully repaid a total of $132 million.

Fee Income increased by $3 million or 96% to $6 million as a result of (i) fees earned on early repayment for several loans and (ii) as discussed above, net proceeds realized on certain loans acquired as part of a distressed loan pool purchase from a competitor.

Further discussion of operating and other expenses follows below.

Table 3 – Loan Loss Provision

For the years ended December 31

($ 000s)	**2013**	2012	2011	Change 2013vs2012	Change 2012vs2011
Individual loan loss provisions	**$5,000**	-	$2,500	$5,000	($2,500)
Interest accrual on non-performing loans	**976**	1,700	-	(724)	1,700
Write-offs	**-**	330	699	(330)	(369)
Total	**$5,976**	$2,030	$3,199	$3,946	($1,169)

The Corporation conducts a detailed assessment of the Loan Portfolio to assess whether there is objective evidence of impairment at the (i) individual loan and (ii) collective levels. As a result of the Corporation's high degree of interaction with each borrower through regular reporting requirements, which include submission of weekly borrowing base calculations and quarterly field audits, management believes that it is able to assess for impairment on a timely basis and put in place the appropriate measures to mitigate and limit loan losses.

The total loan loss provision increased $4 million to $6 million in 2013 primarily as a result of a provision required in one loan that was in the process of being restructured during the fourth quarter of 2013. Refer to Note 20 – Subsequent Events of the Financial Statements for further detail.

Interest accrual on non-performing loans was approximately $1 million in 2013, a decrease of $0.7 million from the prior year. Under IFRS, the Corporation continues to record loan interest and income on impaired loans at the original effective interest rate and provides for the loan interest and income in instances where timely collection of interest and principal is unlikely.

The total loan loss provision decreased $1 million or 37% from 2011 to 2012 attributable to a decrease in individual loan loss provisions, partially offset by an increase in interest accrual on non-performing loans.

The assessment of impairment and determination of the loan loss provision requires judgment and consequently, there is measurement uncertainty and actual results may differ from estimates. Management considers the loan loss provision to be adequate.

Table 4 - Operating and Other Expenses

For the years ended December 31 ($ 000s)	**2013**	2012	2011	Change 2013vs2012	Change 2012vs2011
Salaries and benefits	**$4,248**	$3,004	$2,379	$1,244	$625
Stock options	**5,152**	-	-	5,152	-
General and administrative	**2,036**	1,745	1,287	291	458
Foreign exchange gain / loss	**1,363**	433	(940)	930	1,373
Other	**(451)**	-	-	(451)	-
Total	**$12,348**	$5,182	$2,726	$7,166	$2,456

Operating and Other Expenses

Salaries and wages and stock options

Salaries and benefits increased $1 million or 41% to $4 million in 2013, primarily as a result of a number of net new hires in 2013 in anticipation of and to accommodate growth in the Loan Portfolio and an increase in cash compensation for the Corporation`s employees.

In 2013, the Corporation recognized a $5 million option expense as a result of implementation of the Stock Option Plan. IFRS requires recognizing option expense under the graded vesting approach, which gives rise to an accelerated compensation expense.

Salaries and benefits increased $1 million or 26% to $3 million in 2012, primarily as a result of an increase in cash compensation for the Corporation's employees.

Foreign exchange gain / loss

Certain of the Corporation's loans receivable and amounts due to the Catalyst Funds are denominated in US dollars, and accordingly, the Corporation is exposed to foreign exchange risk. To mitigate the foreign exchange risk, the Corporation enters into foreign exchange forward contracts with a number of select financial institutions in an amount offsetting the net balance sheet exposure at a cost dependent on the forward premium at the transaction date.

Refer to Note 15 **-** Derivatives held for risk management in the Financial Statements for further information.

Income Taxes

Historically, the Corporation's income tax expense has been less than $0.1 million as a result of participating interest amounts paid to the Catalyst Funds. However, going forward, subsequent to the Closing Date, the Corporation considers it probable that future taxable profits will be generated that will be taxed at the appropriate enacted rate, which was 26.5% in 2013 and 2012. Additionally, such future taxable profits will be available, against which deductible temporary differences can be used. As a result, the Corporation recognized a $1 million deferred tax asset in 2013.

For further detail of participating interest amounts, see discussion of Related Party Transactions below.

Financial Position

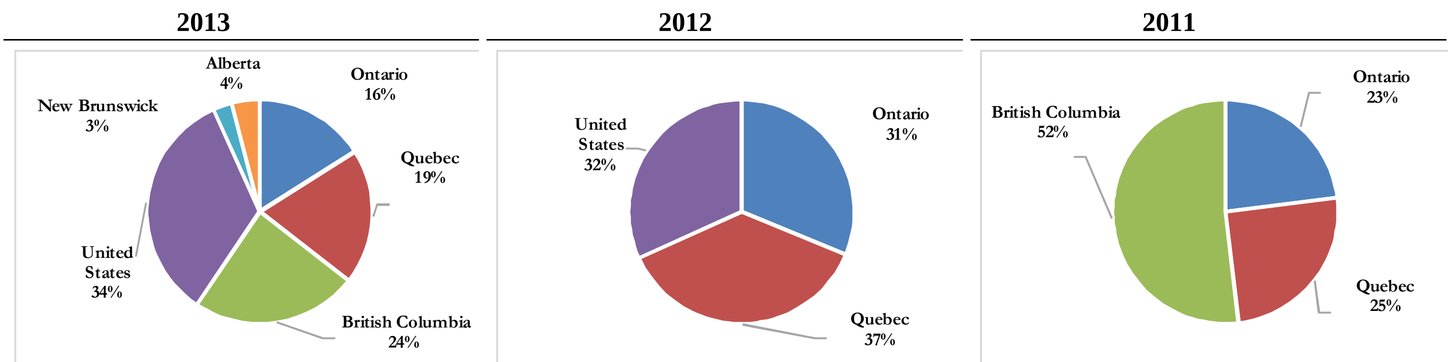
Table 5 – Condensed Consolidated Balance Sheets

For the years ended December 31				Change	
($ 000s)	**2013**	2012	2011	2013vs2012	2012vs2011
Cash and cash equivalents	**$38,014**	$49,127	$71,996	($11,113)	($22,869)
Loans receivable	**349,992**	114,395	138,909	235,597	(24,514)
Assets held for sale	**11,360**	11,690	12,601	(330)	(911)
Deferred tax asset	**1,228**	-	-	1,228	-
Other assets	**26**	37	335	(11)	(298)
Total	**$400,620**	$175,249	$223,841	$225,371	($48,592)
Credit Agreement	**$69,562**	$49,586	$49,489	$19,976	$97
Accounts payable and accrued liabilities	**788**	949	2,463	(161)	(1,514)
Deferred facility fees & other	**4,265**	3,180	1,304	1,085	1,876
Participating Debenture	**330,703**	125,670	172,919	205,033	(47,249)
Shareholders` equity	**(4,698)**	(4,136)	(2,334)	(562)	(1,802)
Total	**$400,620**	$175,249	$223,841	$225,371	($48,592)

Total assets at December 31, 2013 were $401 million, an increase of $225 million, or 129% from the prior year. The increase in total assets was attributable primarily to a $236 million or 206% increase in loans receivable from $114 million to $350 million. In 2011, the Corporation received 100% of the common shares of a borrower, as part of an acquisition of a distressed loan portfolio from a competitor. The entity is being classified as held for sale in the Statement of Financial Position and is being recorded at the lower of (i) carrying value and (ii) fair value less cost to sell.

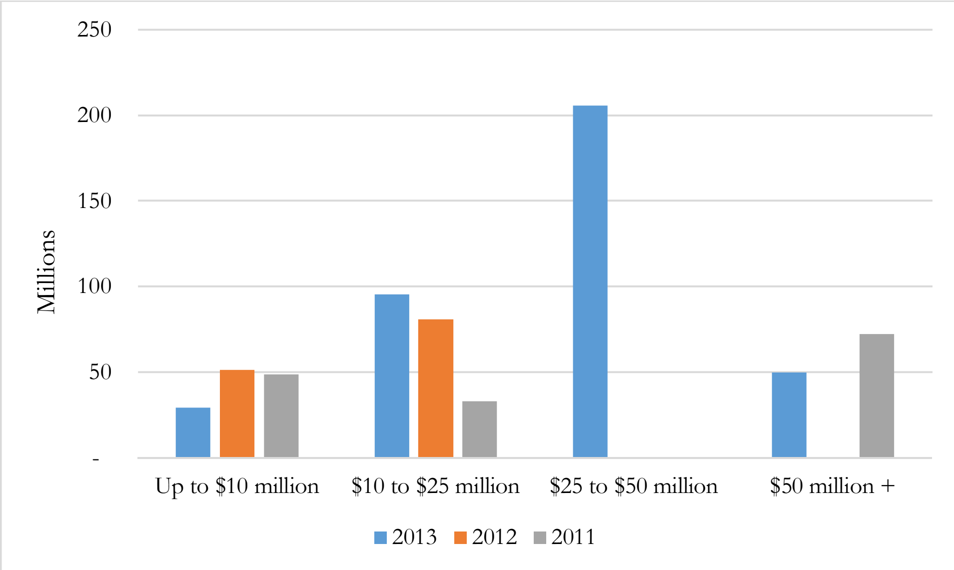
Total assets at December 31, 2012 were $175 million, a decrease of $49 million, or 22% from the prior year. The decrease in total assets was attributable primarily to a $25 million decrease in loans receivable from $139 million to $114 million as the Corporation was repaid on a $73 million loan to a helicopter services company in October 2012.

Figure 1 - Geographic Distribution of the Loan Portfolio as at December 31,



As at December 31, 2013, the Loan Portfolio was distributed 66% in Canada and 34% in the United States. Within Canada, 7% of the loans were to companies based in Alberta and New Brunswick, provinces that are relatively new to Callidus and that it intends to continue to service as it establishes and builds presence in western and eastern Canada.

Figure 2 - Distribution of the Loan Portfolio by Funded Loan Size



As at December 31, 2013, 67% of the Loan Portfolio consisted of loans greater than $25 million. With the exception of one loan in 2011, to a helicopter services company, the Loan Portfolio as at Dec 31, 2011 and 2012, consisted entirely of loans of up to $25 million.

Impaired Loans Receivable

Callidus engages in a high degree of monitoring of the collateral securing the Loan Portfolio and regular interaction with its borrowers. The Corporation's experienced team of finance professionals actively monitors each loan on a daily, weekly or monthly basis, as appropriate depending on the risks. Callidus' extensive system of collateral monitoring and management contact mitigates risk by acting as an early warning system of potential credit issues. However, there are instances where loans may not perform as originally underwritten.

Management assesses each loan to determine whether an indication of impairment exists, focusing on collateral values supporting the loan. Independent, recognized appraisal firms are engaged in determining collateral values. In instances where the carrying value of the loan exceeds the collateral value securing the loan, a loan loss provision is determined.

The loan loss provision is calculated as the difference between (i) the carrying value of the loan and (ii) the present value of estimated net proceeds on disposal using the interest rate of the loan as the discount rate. The extent of estimates and judgment applied in determining a loan's impaired value leads to significant measurement uncertainty, and the ultimate value realized from such security may be materially different than that estimated by management. Additionally, monetizing certain impaired loans or their underlying security may not occur on a timely basis, given the nature of the security or its location.

Off Balance Sheet Arrangements

The Corporation has no off balance sheet arrangements.

Liquidity and Capital Resources

The Corporation's primary sources of short-term liquidity are cash and cash equivalents and undrawn committed credit facilities. As at December 31, 2013 total liquidity was $99 million, consisting of $38 million of cash and cash equivalents, and $61 million in undrawn credit facilities.

The Corporation's primary liquidity needs include: funding of new and existing loans, debt service and principal repayment obligations, payments related to financial instruments, specifically foreign currency contracts, and ongoing operating costs. The Corporation's contractual obligations are summarized in Table 8 below.

As discussed further in "Exposures to Selected Financial Instruments", the Corporation enters into financial instruments, specifically foreign currency contracts that require it to make payments based on the value of the contracts, either as collateral or to settle the contract. The Corporation monitors potential liquidity requirements to ensure that they can be readily funded by its sources of short-term liquidity.

The Corporation considers its current and contemplated sources of liquidity sufficient to meet requirements for the purposes of short term and long term operations and growth.

See “Risk Factors – Risks Relating to Callidus’ Operations – Adequacy of Provision for Credit Losses”, “Risk Factors – Risks Relating to Callidus’ Operations - Collateral Securing Callidus’ Loans” and “Risk Factors – Risks Relating to Callidus’ Operations - Foreign Currency and Hedging Transactions”.

Financing Strategy

One of the primary objectives of Callidus’ financing strategy is to achieve an efficient cost of capital on a risk adjusted basis for its shareholders. A key element to Callidus’ capital strategy is to limit borrowings to levels that would be considered investment-grade (based on discussions with rating agencies if necessary), which management believes is between 40% and 50% of the Loan Portfolio. This provides the Corporation with the flexibility required to fund ongoing operations, limit financial covenants and performance requirements and reduce risk of early payment requirements under the Credit Facilities.

To date, the Corporation has advanced its financing strategy on a measured and deliberate basis. As the business has grown, the Corporation has added additional external financing sources. See “Asset-Based Lending – Liquidity and Capital Resources – Capitalization” discussion below for further detail.

Capitalization

Since the Corporation’s inception, the Catalyst Funds have been the principal sources of liquidity and capital resources. CCGI has provided funding through the Catalyst Funds by way of a participating secured grid debenture dated as of July 1, 2012, issued by Callidus in favour of Catalyst Fund III and Catalyst Fund IV (the “**Participating Debenture**”). The Participating Debenture is secured by a subordinated security interest in the Corporation’s assets. The Participating Debenture will be repaid as part of the Pre-Closing Transactions and the Catalyst Funds will release the security held by the Catalyst Funds against the Corporation upon receipt of the foregoing payments on the Closing Date. See “Pre-Closing Transactions”. At December 31, 2013, the committed amount of the Participating Debenture was US $350 million of which approximately US $292 million was outstanding.

In addition, Callidus is party to the Credit Agreement, which provides for a $40 million Revolving Facility and a $50 million Term Loan, as well as a $7.5 million facility for the establishment of foreign exchange forward contracts. Callidus has also entered into an agreement providing for an aggregate of approximately US$167 million of Class A Loans and approximately US$33 million of Class B Loans. See “Funding Arrangements”.

Financial Covenants, Restrictions and Events of Default

The Credit Agreement contains financial covenants and other restrictions with which the Corporation must comply in order to maintain access to the credit facilities and avoid default. The Revolving Facility is subject to a borrowing base calculation dependent upon the aggregate principal amount owing in respect of the loans in the Loan Portfolio. As at December 31, 2013, $19.9 million was outstanding under the Revolving Facility and $20.1 million remained available. See “Funding Arrangements – Credit Agreement”.

The Corporation was in compliance with its financial covenants at December 31, 2013.

Cash Flow Summary

The following table summarizes the consolidated statement of cash flows in the Financial Statements:

Table 7 – Cash Flow Summary

For the years ended December 31				Change	
($ 000s)	**2013**	2012	2011	2013vs2012	2012vs2011
Operating activities	**($236,025)**	$24,380	($43,009)	($260,405)	$67,389
Financing activities	**224,912**	(47,249)	87,801	272,161	(135,050)
Increase in cash and cash equivalents	**($11,113)**	($22,869)	$44,792	$11,756	($67,661)

Operating Activities

Cash flow from operating activities consists of net income, less non-cash items such as amortization of transaction fees, employee stock option expense and provision for credit losses and includes funding/repayment of loans. Cash flow from operating activities represented an outflow of $236 million, inflow of $24 million, and outflow of $43 million in 2013, 2012 and 2011 respectively. The movement in cash flow from operating activities was attributable primarily to amounts advanced or received as part of ongoing lending activities, which represented an outflow of $241 million, inflow of $22 million, and outflow of $42 million in 2013, 2012, and 2011 respectively.

Financing Activities

During 2013, financing activities generated $225 million of cash flow, compared to an outflow of $47 million in the prior year. In 2013, Callidus drew $20 million and $205 million on the Revolving Facility and Participating Debenture, respectively, to fund Loan Portfolio growth. In 2012, Callidus repaid $47 million of the Participating Debenture to fund Loan Portfolio growth. In 2011, Callidus drew $38 million on the Participating Debenture and $49 million on the Term Loan to fund Loan Portfolio growth.

Contractual Obligations

The following table summarizes Callidus' contractual obligations at December 31, 2013 and payments due for each of the next five years and thereafter:

Table 8 – Summary of Contractual Obligations

For the years ended December 31

($ 000s)	**2014**	**2015**	**2016**	**2017**	**2018&After**	**Total**
Accounts payable and accrued liabilities	$788					$788
Borrower deposits	235					235
Revolving Facility				19,879		19,879
Term Loan				49,683		49,683
Participating Debenture(1)					330,703	330,703
Derivative liabilities	329					329
Total	$1,352	$-	$-	$69,562	$330,703	$401,617

Notes:
(1) Upon completion of the Pre-Closing Transactions, the Participating Debenture will be repaid in full. See "Pre-Closing Transactions".

Related Party Transactions

As noted previously, Catalyst Fund III and Catalyst Fund IV committed up to US$350 million to finance asset-based loans made by the Corporation. Catalyst Fund II and Catalyst Fund III own 100% of the issued and outstanding Common Shares of Callidus and charge interest on amounts drawn on the Participating Debenture at a rate of 8% per annum plus a commitment fee of 1%, plus additional interest determined by a formula based on the net income of the Corporation. The amounts due to Catalyst Fund III and Catalyst Fund IV are secured by a subordinated security interest over the Corporation's assets. The Participating Debenture will be repaid as part of the Pre-Closing Transactions and the Catalyst Funds will release the security held by such Catalyst Funds against the Corporation upon receipt of the foregoing payments on the Closing Date. See "Pre-Closing Transactions".

Total amounts paid to Catalyst Fund III and Catalyst Fund IV were $37 million, $18 million, and $14 million during 2013, 2012 and 2011. The increase year-over-year was primarily attributable to an increase in the amounts outstanding under the Participating Debenture.

Refer to Note 9 of the Financial Statements for further detail.

Exposures to Selected Financial Instruments

Certain of the Corporation's loans receivable and amounts due to the Catalyst Funds pursuant to the Participating Debenture are denominated in foreign currencies, primarily the US dollar, and accordingly the Corporation is exposed to foreign exchange risk. To mitigate this foreign exchange risk, the Corporation enters into foreign exchange forward contracts with a number of financial institutions.

At December 31, 2013, the Corporation had outstanding obligations to buy an aggregate US$148.9 million at an average rate of CAD 1.06 per USD maturing January 13, 2014 through foreign exchange forward contracts. All foreign currency gains or losses to December 31, 2013 have been recognized in other income in net income (loss) for the period and the fair value of these instruments at December 31, 2013 was a net liability of $0.3 million (December 31, 2012 - $nil) which is recognized on the Consolidated Statement of Financial Position. A net gain of $5.6 million was recognized on contracts which were settled in the year ended December 31, 2013 (2012 – net loss $1.8 million), which was included in other income in net income (loss) for the period.

Critical Accounting Estimates

The Corporation's accounting policies are integral to understanding and interpreting the financial results reported. Note 3 to the Financial Statements summarizes the significant accounting policies used in preparing the Corporation's Financial Statements. Certain of these policies require management to make estimates and subjective judgments that are difficult, complex, and often relate to matters that are inherently uncertain. The policies discussed below are considered to be particularly important to the presentation of the Corporation's financial position and results of operations, because changes in the judgments and estimates could have a material impact on the Corporation's Financial Statements. These estimates are adjusted in the normal course of business to reflect changing underlying circumstances. Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements include the allowance for loan losses, the Corporation's assessment of consolidation of certain of its borrowers and income taxes.

Allowance for Loan Losses

Collectability is regularly evaluated by assessing the realizable values of the assets securing the loans and viability of the underlying business. At each reporting date, the Corporation assesses whether there is objective evidence that loan receivable is impaired. A loan is impaired when objective evidence demonstrates that a loss event has occurred and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Corporation on terms that the Corporation would not consider otherwise; and
- indications that a borrower or issuer will enter bankruptcy.

The Corporation considers evidence of impairment for loans at both a specific asset and a collective level. All individually significant loans are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified, where the loans have similar risk characteristics. Impairment losses are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The total allowance for loan losses as at December 31, 2013, was $10.2 million, an increase of $6 million from a year earlier. The increase was primarily due to a loan that was in the process of being restructured during the fourth quarter of 2013. Refer to Note 20 – Subsequent Events of the Financial Statements for further detail. Information on the Corporation's loan losses can be found in Note 6 to the Financial Statements.

Consolidation

The Corporation consolidates any entities which it controls. Control is established when the Corporation has the power over the entity, exposure or rights to variable returns from its involvement, and the ability to exercise power to affect the amount of returns. The Corporation assesses individual loans for control at each reporting date. Under IFRS, there is significant judgment required in the assessment of control of an underlying borrower.

When the Corporation concludes that consolidation is required, the Corporation classifies the loan as assets held for sale as the intention is not to operate the acquired entity on an on-going basis. At December 31, 2013, 2012 and 2011 the assets held for sale represent a loan to a borrower for which the Corporation owns 100% of the borrower's common shares. These shares were received in

2011 as part of a larger loan portfolio acquisition from a competitor. Information on the asset held for sale can be found in Note 17 to the Financial Statements.

Income Taxes

The provision for income taxes is calculated based on the expected tax treatment of transaction recorded in the Corporation's consolidated statements of comprehensive income. In determining the provision for income taxes, the Corporation interprets tax legislation and makes assumptions about the expected timing of the reversal of the deferred tax asset. If the Corporation's interpretations differ from those of the tax authorities or if the timing of reversals is not as expected, the Corporation's provision for income taxes could increase or decrease in future periods. The amount of any such increase or decrease cannot be reasonably estimated. Information on the Corporation's income taxes can be found in Note 11 to the Financial Statements.

Standards Issued But Not Effective

The Corporation actively monitors developments and changes in standards from the IASB. The IASB issued a number of new or revised standards which are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated financial statements.

*IFRS 9, Financial Instruments ("**IFRS 9**")*

IFRS 9 was issued by the IASB in November 2009 to provide guidance on classification and measurement of financial assets.

Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. In 2010, the IASB released an updated version that introduces additional changes relating to financial liabilities. In 2013, the IASB issued a new general hedge accounting standard which will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. On November 19, 2013, IFRS 9 was formally amended to remove the January 1, 2015 effective date, in line with the decision made in the July 2013 IASB meeting. The IASB also tentatively decided at its November 2013 meeting that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after January 1, 2018.

The Corporation continues to monitor all of these developments and continues to assess the impact thereof on the Corporation's financial statements.

Amendments to IAS 32, Offsetting Financial Assets and Liabilities

In December 2011 the IASB published IAS 32, Offsetting Financial Assets and Financial Liabilities. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The Corporation is assessing the impact thereof on its financial statements.

Risk Factors

Callidus operates in a dynamic environment that involves various risks, many of which are beyond Callidus' control and which could have an effect on Callidus' business, revenues, operating results and financial condition. See ''Risk Factors''.

Outlook

The following information has been prepared by the Corporation to provide a reasonable estimate of the potential earnings of the current Loan Portfolio, subject to (among other things) the assumptions and risks discussed below and in this prospectus, and should not be relied upon for any other purpose. Some of the information may be considered to be a financial outlook within the meaning of Canadian securities laws, but is not a forecast or projection of future results. Callidus believes that the following information has been prepared on a reasonable basis, reflecting management's best estimates and judgment.

As of April 10, 2014, Callidus had $471 million in Gross Loans Receivable on a consolidated basis. Management estimates that on Closing, Callidus will have approximately $471 million in Gross Loans Receivable on a consolidated basis (with approximately $387 million after derecognition for the 18% participation interest of the Catalyst Funds in the Loan Portfolio ("**Derecognition**")).

Over the fiscal years ended December 31, 2011, 2012 and 2013, the Corporation's loan assets generated a Gross Yield of greater than 20% and, over this same period, Callidus experienced an increase in Adjusted EBITDA margin from 67.3% to 77.9%, reflecting an increase in the Loan Portfolio and the related benefits of operating scale.

In addition, as described under the headings "Pre-Closing Transactions" and "Funding Arrangements", there will be a new capital structure in place on Closing, including the existence of New Senior Debt. On Closing, management expects Callidus to have the following leverage:

- approximately $50 million of Term Loan on a consolidated basis at an interest rate of approximately 8.4%; and

- approximately $139 million of New Senior Debt on a consolidated basis at an anticipated effective rate of LIBOR plus 333 basis points (indicative rate of 3.58%).

Management also estimates that the Corporation will incur approximately $1 million in public company costs on an ongoing basis, including, but not limited to, expenses associated with ongoing financial reporting and disclosure, public company listing fees, increased directors' fees and related directors' and officers' insurance costs, investor relations and annual shareholders' meetings.

Callidus does not have any fixed-asset depreciation. In 2013, Callidus recorded amortization of debt issuance costs of approximately $0.1 million (as of December 31, 2013, no New Senior Debt was in place).

Callidus also expects to have an effective tax rate substantially similar to the statutory tax rate, which is currently 26.5%.

Based on the foregoing estimates, expectations and assumptions, taken together, management estimates net income of approximately $38 million after Derecognition, had the consolidated weighted average Gross Loans Receivable of approximately $471 million been outstanding for a full year, such figure having been adjusted by a Gross Yield of approximately 20.25%, an Adjusted EBITDA margin of approximately 78% and certain costs including in respect of interest, financing fees, and taxes. This estimate of implied annualized net income is also impacted by certain key assumptions, including: (i) the loan commitments to borrowers being drawn at a percentage similar to historical levels; (ii) the Gross Yield on the Loan Portfolio remaining consistent with historical levels, on both a base interest rate and fee revenue basis; (iii) limited incremental overhead relating to the addition of new loan assets to the Loan Portfolio; (iv) LIBOR rates similar to those as at Closing, being the base rate for interest on the New Senior Debt; (v) loan loss provisions similar to historical amounts, as a percentage of Gross Loans Receivable; (vi) the continued effectiveness of both the Corporation's exchange rate hedging strategy and the ability to draw funds in both Canadian and U.S. dollars under the New Senior Debt facility; and (vii) the ability of borrowers, in aggregate, to continue to meet interest and fee commitments to Callidus at levels consistent with historical levels on the Loan Portfolio, as a whole. Any variation in the foregoing factors could cause the actual net income generated by a portfolio of approximately $471 million to differ materially from the amount estimated herein. See "Forward-Looking Statements" and "Risk Factors".

Disclosure of Outstanding Share Data

As at April 14, 2014, 2014, there are 100 Common Shares and Options to acquire 5 Common Shares issued and outstanding. The Corporation expects to effect the Pre-Closing Transactions prior to or concurrently with Closing, at which time the Corporation will have 28,042,732 Common Shares and Options to acquire 1,028,689 Common Shares issued and outstanding.

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares, of which 28,042,732 will be outstanding after giving effect to the Pre-Closing Transactions and prior to giving effect to the Offering. Prior to Closing, the Corporation intends to amend its articles to authorize the issuance of an unlimited number of Preferred Shares, issuable in series, of which none will be outstanding after giving effect to the Pre-Closing Transactions and prior to giving effect to the Offering. While the Corporation has no current intention of issuing any Preferred Shares, the Preferred Shares are being created to provide Callidus with the flexibility for future funding requirements.

Common Shares

The holders of Common Shares are entitled to receive notice of, and to cast one vote per share at, every meeting of shareholders of the Corporation, to receive such dividends as the Board may declare and to share equally in the assets of Callidus remaining upon the liquidation of Callidus after the creditors of Callidus have been satisfied, subject to prior rights of holders of Preferred Shares.

Preferred Shares

The Preferred Shares will be issuable in series, with each series consisting of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board prior to the issuance thereof. 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 Common Shares and any other shares ranking junior to the Preferred Shares and may also be given such other preference over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of each series.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Callidus: (i) as at December 31, 2013; (ii) as at December 31, 2013 after giving effect to the Pre-Closing Transactions; and (iii) as at December 31, 2013 after giving effect to the Pre-Closing Transactions and the Offering. The table below should be read together with "Prospectus Summary – Summary of Selected Financial Information", "Management's Discussion and Analysis of Financial Results", "Use of Proceeds" and Callidus' historical financial statements and related notes included elsewhere in this prospectus.

	Authorized	Outstanding as at December 31, 2013	Outstanding as at December 31, 2013 after giving effect to the Pre-Closing Transactions (7)	Outstanding as at December 31, 2013 after giving effect to the Pre-Closing Transactions and Offering (7)(8)
		(C$ thousands)	(C$ thousands)	(C$ thousands)
Cash and cash equivalents	—	$38,014	$16,042	$125,552
Total Debt	—	$400,594	$283,063	$158,063
Participating Debenture(1)	—	$330,703	$—	$—
Promisssory notes(2)	—	$—	$125,000	$—
Credit Agreement(3)				
Revolving Facility	—	$19,879	$—	$—
Term Loan	—	$49,683	$41,596	$41,596
FX Facility	—	$329	$329	$329
Second Credit Agreement(4)				
Class A Loans	—	—	$96,782	$96,782
Class B Loans	—	—	$19,356	$19,356
Share Capital(5)				
Common Shares(6)	unlimited	$1 (100 Common Shares)	$104,563 (28,042,732 Common Shares)	$339,073 (46,042,732 Common Shares)
Preferred Shares	unlimited	$— (nil Preferred Shares)	$— (nil Preferred Shares)	$— (nil Preferred Shares)
Shareholders' Equity	—	($4,699)	$99,864	$334,374

Notes:

(1) The Participating Debenture will be repaid as part of the Pre-Closing Transactions. See "Pre-Closing Transactions".
(2) The promissory notes will be issued as part of the Pre-Closing Transactions. See "Pre-Closing Transactions".
(3) The Credit Agreement provides for a $40 million Revolving Facility and a $50 million Term Loan, as well as a $7.5 million FX Facility. See "Funding Arrangements".
(4) The Second Credit Agreement provides for an aggregate of approximately US$167 million of Class A Loans and approximately US$33 million of Class B Loans. See "Funding Arrangements".
(5) At Closing, the Corporation's authorized share capital will consist of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. No series of Preferred Shares will be issued as at Closing. See "Description of Share Capital".
(6) This table does not reflect Options outstanding to purchase Common Shares. See "Executive Officers and Directors Compensation – Incentive Plan Awards – Narrative Discussion of Incentive Plans – Incentive Plan".
(7) Prior to or concurrently with Closing, the Corporation will complete the Pre-Closing Transactions. See "Pre-Closing Transactions".
(8) The net proceeds to the Corporation from the Offering (assuming no exercise of the Over-Allotment Option) are estimated to be $234,510,000, based on the issuance of 18,000,000 Offered Shares for aggregate gross proceeds of $252,000,000 less the Underwriting Fee of $14,490,000 and expenses of the Offering estimated to be $3,000,000.

PRE-CLOSING TRANSACTIONS

Prior to or concurrently with Closing, the Corporation will undertake the following transactions:

Stock Split

Prior to the Closing of the Offering, the Corporation will split its Common Shares on the basis that each currently issued and outstanding Common Share will be split into 205,739.31 post-split Common Shares (the "**Share Split**"). The number of Common Shares issuable pursuant to outstanding Option grants will be adjusted to reflect the Share Split. See "Executive Officers and Directors Compensation". **Any references to Common Shares or security based compensation in this prospectus reflect the Share Split unless otherwise indicated. The Corporation's audited financial statements included in this prospectus and disclosure under the heading "Management's Discussion and Analysis of Financial Results" do not reflect the Share Split.**

Repayment of Participating Debenture

The Corporation is currently indebted to Catalyst Fund III and Catalyst Fund IV pursuant to the Participating Debenture.

Prior to the closing of the Offering, the Corporation will enter into the debenture repayment agreement (the "**Debenture Repayment Agreement**") with Catalyst Fund III and Catalyst Fund IV pursuant to which the Corporation will agree to repay to Catalyst Fund III and Catalyst Fund IV on the Closing Date an aggregate of approximately $389 million, representing all of the principal plus accrued but unpaid interest and fees owing to Catalyst Fund III and Catalyst Fund IV under the Participating Debenture.

The repayment of the Participating Debenture will be satisfied as follows: (i) as to approximately $105 million, by the issuance of 5,939,431 Common Shares to Catalyst Fund III and 1,529,371 Common Shares to Catalyst Fund IV at a price per Common Share equal to the Offering Price; (ii) as to $50 million, by granting to Catalyst Fund IV an approximately 18% undivided participation interest in the Initial Portfolio in accordance with the Participation Agreement, as such participation interest may be adjusted in accordance with the terms of the Participation Agreement; (iii) as to approximately $125 million, by issuance of promissory notes of approximately $67 million to Catalyst Fund III and approximately $58 million to Catalyst Fund IV (such promissory notes to be repaid from the proceeds of the Offering); and (iv) as to the balance of approximately $109 million, by payment of approximately $50 million to Catalyst Fund III and approximately $59 million to Catalyst Fund IV from cash on hand and funding pursuant to the Second Credit Agreement. Catalyst Fund III and Catalyst Fund IV will release the security held by them against the Corporation upon receipt of the foregoing payments on the Closing Date.

The Debenture Repayment Agreement will provide that the parties will enter into the Participation Agreement to set forth their respective rights with respect to their interests in the Loan Portfolio. See "Funding Agreements - Participation Agreement".

The Debenture Repayment Agreement will contain representations and warranties by Catalyst Fund III and Catalyst Fund IV typical of those contained in agreements for similar acquisitions negotiated between sophisticated parties acting at arm's length, certain of which will be qualified as to knowledge and materiality and subject to reasonable exceptions relating to Catalyst Fund III and Catalyst Fund IV (including, among other things, representations and warranties as to organization and status, power and authorization, authorized and issued capital, compliance with laws, matters related to the Loan Portfolio, financial information, outstanding indebtedness and guarantees, outstanding liens, absence of undisclosed liabilities, material agreements, tax matters, environmental matters, litigation matters and employment matters). Catalyst Fund III and Catalyst Fund IV will also provide a representation and warranty that this prospectus contains full, true and plain disclosure of all material facts and does not contain any misrepresentation (as that term is defined in the *Securities Act* (Ontario)), subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. Such representations and warranties will survive for a period of two years from Closing; provided, however, that representations regarding organization and status, and power and authorization shall survive indefinitely, representations regarding tax matters and environmental matters shall survive for the applicable limitation periods, and the prospectus representation shall survive for a period of three years from Closing.

Each of Catalyst Fund III and Catalyst Fund IV will also indemnify Callidus for any breach of the representations and warranties in the Debenture Repayment Agreement. The maximum liability of Catalyst Fund III and Catalyst Fund IV, collectively, under such indemnity will be limited to an amount equal to the net proceeds of the Offering and no claim on this indemnity may be made until the aggregate losses exceed $100,000 and the threshold dollar amount for each claim for the purposes of a breach of the representations and warranties is $25,000. Neither fund will be liable for an amount greater than the net proceeds received by it under the Debenture Repayment Agreement.

There can be no assurance of recovery by Callidus from Catalyst Fund III and Catalyst Fund IV for any breach of the representations and warranties to be made by it under the Debenture Repayment Agreement, as there can be no assurance that such funds' assets will be sufficient to satisfy such obligations and that the aggregate amount of any claims will not exceed the limits of liability identified above. Only Callidus will be entitled to bring a claim or action for misrepresentation or breach of contract under the Debenture Repayment Agreement and purchasers of Offered Shares under this prospectus will not have any contractual rights under the Debenture Repayment Agreement. Purchasers will only have certain statutory rights of action against Callidus and the Underwriters under applicable securities laws. See "Purchasers' Statutory Rights".

Catalyst Fund III and Catalyst Fund IV will agree in the Debenture Repayment Agreement that, in the event that Realization Proceedings have been initiated in connection with any loan included in the Loan Portfolio on the Closing Date or any such proceedings are initiated in connection with such a loan prior to its approved renewal at the next scheduled credit review for that loan (generally one year after the initial advance or the last extension), even if the loss on the loan is not realized until a later time, Catalyst Fund III and Catalyst Fund IV, collectively, will pay to Callidus an amount equal to the difference between the amounts advanced by Callidus to the borrower under that loan and the amounts actually received by Callidus in connection with that loan, whether by way of proceeds of realization or repayment of principal. Catalyst Fund III and Catalyst Fund IV will also agree to pay to Callidus an amount equal to the difference between the amounts advanced by Callidus to the borrower under certain specified loans and the amounts actually received by Callidus in connection with those loans, regardless of whether they are renewed. Any such amounts paid by Catalyst Fund III or Catalyst Fund IV will be considered an asset of the Initial Portfolio and not Growth Capital.

Following completion of the transactions contemplated by the Debenture Repayment Agreement, Callidus will not be responsible for, or entitled to, any of the risks or rewards in connection with Catalyst Fund IV's 18% participation interest in the Initial Portfolio, representing a 18% undivided beneficial ownership interest in the principal and income of each of the loans in that Initial Portfolio. Catalyst Fund IV's interest in the Initial Portfolio will be derecognized from Callidus' balance sheet for the purposes of IFRS. Callidus and Catalyst Fund IV will bear the risk of loan losses with respect to loans for which Realization Proceedings have not been initiated prior to their renewal in accordance with their respective interests in the Initial Portfolio.

The Debenture Repayment Agreement will be a contract of Callidus and will be available electronically on SEDAR under Callidus' issuer profile following Closing. A purchaser of Offered Shares should refer to the terms of the Debenture Repayment Agreement for a complete description of the representations, warranties and indemnities being provided in favour of Callidus, and related limitations under the Debenture Repayment Agreement.

FUNDING ARRANGEMENTS

The Corporation's primary sources of funding for loans will be: (i) Debt Capital; (ii) Growth Capital; and (iii) funds received from the Catalyst Funds pursuant to the Participation Agreement.

Participation Agreement

As at the closing of the Offering, Callidus, the Catalyst Funds and CCGI will enter into the Participation Agreement with respect to the Catalyst Funds' 18% undivided participation interest in the Loan Portfolio existing as of the Closing Date. The Loan Portfolio together with any replacements, substitutions and additions thereto comprise the "**Initial Portfolio**". The Participation Agreement will also provide that, in addition to the Initial Portfolio, Callidus will establish and maintain a number of different loan portfolios, creating a new loan portfolio concurrent with the establishment of a new Catalyst Fund. Future Catalyst Funds will be entitled to participate in future loan portfolios established and maintained by Callidus. It is currently anticipated that the earliest a new Catalyst Fund will be established is the second half of 2015.

Initial Portfolio

As at the closing of the Offering, Catalyst Fund IV will have an 18% undivided participation interest in the Initial Portfolio. The remaining 82% undivided participation interest in the Initial Portfolio will be held by Callidus.

No Catalyst Fund will be entitled to fund any growth in the Initial Portfolio. Any such funding will be provided by Callidus, either by way of Debt Capital or the use of Growth Capital, as determined by Callidus in its sole discretion. In the event growth is funded through Growth Capital, the Corporation's undivided participation interest in the Initial Portfolio will increase and, correspondingly, Catalyst Fund IV's participation interest will decrease.

Subsequent Loan Portfolios

A new loan portfolio will be established on each date of the first closing of a new Catalyst Fund, which depends on the decision of CCGI to create such new fund. See "Risk Factors – Conflicts of Interest", "Risk Factors – CCGI and the Catalyst Funds Exercise Significant Control over Callidus" and "Risk Factors – Callidus' Equity Participation in the Loan Portfolio May Decrease as the Size of the Loan Portfolio Increases". Once a new loan portfolio is established it will be the "**Active Portfolio**" and any then existing loan portfolio will be considered a "Passive Portfolio". No further growth will be permitted in any Passive Portfolio, other than advances under, or extensions, increases in commitments and other amendments to, existing loans, or new loans with an Existing Borrower, in any Passive Portfolio. No Catalyst funds will be entitled to fund any growth in the Passive Portfolio. Any such funding will be provided by Callidus, either by way of Debt Capital or the use of Growth Capital, as determined by Callidus in its sole discretion. In the event growth is funded through Growth Capital, the Corporation's undivided participation interest in the Passive Portfolio will increase and, correspondingly, any applicable Catalyst Fund's participation interest will decrease.

Any new loans with new borrowers entered into from and after the date of establishment of that new Active Portfolio will form part of the Active Portfolio until such time as a subsequent new Active Portfolio is established.

Callidus will determine in its sole discretion when additional funding is required for the Active Portfolio. If Callidus determines that such funding is required, it will notify CCGI of that determination and offer CCGI the opportunity to participate in such funding. Upon receipt of such notice, CCGI will advise Callidus if it wishes to participate in such funding and, if so, the amount of leverage it wishes to allocate to its funding. Callidus will then determine whether the required funding will be funded entirely by Debt Capital or in whole or in part by New Equity Funding. In the event the required funding is to be funded entirely by Debt Capital, the Catalyst Funds will have no entitlement to provide additional funding. If the required funding is to be funded in whole or in part by New Equity Funding, Callidus will then offer CCGI the opportunity to participate in the New Equity Funding up to an amount determined in accordance with the Funding Formula. See "Funding Arrangements – Participation Agreement – Funding Formula". The portion of the New Equity Funding to be funded by Callidus may be funded by way of cash on hand or through the proceeds of an offering of securities (either on a private placement basis or pursuant to a prospectus) or both.

The relative interests of any Catalyst Fund and Callidus in the Loan Portfolio will be adjusted following any New Equity Funding to reflect the additional capital contributed to the Loan Portfolio.

At any given time, the undivided participation interest of the applicable Catalyst Fund, on the one hand, and Callidus, on the other hand in any Passive Portfolio or Active Portfolio, will be proportionate to the aggregate net funding of that portfolio, including respective New Equity Funding, plus respective leverage allocated to such funding less any return of capital. The economic interest will be proportionate to the aggregate amounts actually funded other than by Debt Capital less any return of capital.

The participation interest of the Catalyst Funds in a Loan Portfolio represents an undivided beneficial ownership interest in the principal and income of each of the loans in that Loan Portfolio and the applicable Catalyst Fund will assume all of the risks and rewards in connection with its participation interest. The Loan Portfolio will be derecognized from Callidus' balance sheet for the purposes of IFRS to the extent of the Catalyst Funds' interest therein.

New Equity Funding

"**New Equity Funding**" is defined as any incremental capital, other than Debt Capital required by Callidus in its sole discretion at any given time for the purpose of funding Loan Portfolios. Callidus has sole discretion in determining when New Equity Funding is required and the amount of New Equity Funding required, provided that any amount is subject to the Funding Formula (except where the Floor is applied as described below). At the time of any New Equity Funding, Callidus and the applicable Catalyst Fund will determine the target leverage for their respective participation interests in the Loan Portfolio subject only to, in the case of the Catalyst Funds, the Leverage Cap (if applicable). The degree of leverage so allocated will impact the participation interest in the Loan Portfolio acquired by each of Callidus and the Catalyst Funds as part of the New Equity Funding.

Limitation on Leverage

If (i) the dollar amount of Callidus' participation interest in the Active Portfolio at the end of any particular quarter is lower than it was at the end of the immediately preceding quarter as a result of repayments and funding of new loans; or (ii) Callidus' audit & risk committee reasonably expects the dollar amount of Callidus' participation interest to decline in the then current quarter as compared to the end of the most recently completed quarter, Callidus will limit the leverage applied to the portion of loans funded by the Catalyst Funds' New Equity Funding to 25% of the amount to be funded by the Catalyst Fund (the "**Leverage Cap**").

Additionally, the Catalyst Funds' ability to allocate leverage to New Equity Funding is subject to the restriction that the leverage applied to the portion of the loans funded by the Catalyst Funds may not exceed the leverage applied to those loans by Callidus without Callidus' consent and further that the leverage applied by the Catalyst Funds to all funding in a Loan Portfolio may not exceed the leverage applied by Callidus to that Loan Portfolio.

Option to Acquire Participation Interest

Callidus has been granted an option to acquire any participation interest in the Loan Portfolio that any Catalyst Fund seeks to sell. In the event any Catalyst Fund seeks to dispose of all or part of its participation interest in the Loan Portfolio, such Catalyst Fund will notify Callidus in writing of such intention and Callidus will have the option to either (i) acquire such offered interest for an amount equal to the aggregate funded amount of the interest in the Loan Portfolio being sold plus such Catalyst Fund's entitlement to undistributed interest and fees on the applicable Loan Portfolio; or (ii) allow the Catalyst Fund to sell its interest to a third party without restriction.

Loan Loss Mitigation

In connection with the sale to Callidus of any participation interest of a Catalyst Fund in the Loan Portfolio, the applicable Catalyst Fund will agree that in the event any Realization Proceedings have been initiated with respect to any of the loans in the Loan Portfolio at the time of the sale, or if any such proceedings are initiated in connection with any such loan prior to its approved renewal at the next scheduled credit review for that loan (generally one year after the initial advance or the last extension), the applicable Catalyst Fund will make a payment to Callidus in an amount equal to the loss on that loan. That amount will be calculated as the difference between the amounts advanced by Callidus to the borrower under that loan and the amounts actually received by Callidus in connection with that loan, whether by way of proceeds of realization or repayment of principal. Any such amounts will be considered an asset of the Loan Portfolio and not Callidus Growth Capital for the purposes of the Participation Agreement. The Catalyst Funds will not be required to make any payments related to losses on interest income.

Funding Formula

The respective entitlements of Callidus and the Catalyst Funds to participate in any growth of the Loan Portfolio that is not to be funded entirely by Debt Capital will be determined in accordance with a formula (the "**Funding Formula**") to be set out in the Participation Agreement. The right of Callidus and the applicable Catalyst Fund to contribute funding to the Active Portfolio will be determined based on the Available Capital of Callidus and the Available Capital of the Catalyst Fund as follows:

The "**Available Capital of Callidus**" at the relevant time is the greater of (i) $100 million; and (ii) the sum of (A) cash on hand, plus (B) the amount of undrawn availability under the Credit Facilities up to such amount that, if drawn, would result in a leverage ratio of 40% on the aggregate participation interest of Callidus in the Loan Portfolios, less (C) amounts held for the benefit of a Catalyst Fund pursuant to the Participation Agreement.

The "**Available Capital of the Catalyst Fund**" at the relevant time is an amount equal to 20% of the aggregate capital committed to the applicable Catalyst Fund by its limited partners (or other securityholders) at the calculation date; less the aggregate amount invested by such Catalyst Fund in Common Shares or other securities of Callidus and in the Loan Portfolio on such date, or such lesser amount that CCGI determines is available for investment by the Catalyst Fund in the Loan Portfolio. At no time can the aggregate capital invested in the Loan Portfolio by all Catalyst Funds taken together be greater than $300 million.

When there is a new funding requirement, the maximum amount attributable to the applicable Catalyst Fund will be determined using the following formula:

$$\frac{A_{CF}/(1 - L_{CF})}{A_{CF}/(1- L_{CF}) + A_{CL}/(1 - L_{CL})}$$

Where: A_{CF} is the Available Capital of the Catalyst Fund

A_{CL} is the Available Capital of Callidus

L_{CF} is the leverage ratio the Catalyst Fund has elected to allocate to its funding

L_{CL} is the leverage ratio Callidus has elected to allocate to its funding

Callidus has the right to provide 100% of New Equity Funding to an Active Portfolio up to an aggregate investment in the Loan Portfolio of $230 million (the "**Floor**"), being the amount of funding provided by the Corporation to the Loan Portfolio as of the Closing Date. Any New Equity Funding required after the Floor has been met will be subject to the Funding Formula described above.

The result of the Funding Formula is that as new Catalyst Funds are raised and capital is committed to such funds, the proportion of loans to new borrowers funded by the Catalyst Funds may increase and Callidus' aggregate funded amount in the Loan Portfolio could decrease which may have an adverse effect on Callidus' net income. The Catalyst Funds' entitlement to fund New Equity Funding in a Loan Portfolio could be as high as 75% of the growth in a Loan Portfolio, with the result that Callidus may only be entitled to fund 25% of such growth and would therefore only receive 25% of such growth.

The actual amount of growth to be funded by the Catalyst Funds is subject to the limitation that the aggregate capital invested in the Loan Portfolio by all Catalyst Funds taken together cannot be greater than $300 million and Callidus' right to provide 100% of New Equity Funding to an aggregate investment in the Loan Portfolio of $230 million with the result that the Catalyst Funds' proportion of the overall funding of the Loan Portfolio will not exceed 57%. The amount that may be funded by the Catalyst Funds is further limited by the requirement that the leverage allocated by the Catalyst Funds to a particular Loan Portfolio may not exceed the leverage allocated to that portfolio by Callidus and the further restriction that, with respect to any particular funding of growth, the leverage allocated by the Catalyst Funds may not exceed the leverage allocated to that funding by Callidus without Callidus' consent.

By way of example, if we assume:

- Prior to the New Equity Funding, the Active Portfolio has $100 million of funding, and the participation interests of Callidus and the Catalyst Fund are 40% and 60%, respectively
- Callidus' participation interest of $40 million has a leverage ratio of 40%, or $16 million of allocated debt
- Catalyst's participation interest of $60 million has a leverage ratio of 40%, or $24 million of allocated debt
- Callidus subsequently has a new $50 million funding requirement that will be funded at least in part through New Equity Funding
- the applicable Catalyst Fund has commitments from its investors for $1 billion, which, together with $36 million of funding already deployed, results in Available Capital of the Catalyst Fund of $164 million and, assuming a Leverage Cap, funds its share of the New Equity Funding with 25% leverage
- Callidus has cash on hand and availability under the Credit Facilities (subject to the 40% limit) of less than $100 million, resulting in Available Capital of Callidus of $100 million and elects to fund its share of the funding requirement with 40% leverage

The maximum proportion of the New Equity Funding that the Catalyst Fund would be entitled to fund would be:

$$\frac{\$164M/(1-0.25)}{\$164/(1-0.25) + 100/(1-0.40)}$$

$$= 56.7\%$$

If the funding requirement is $50 million, the Catalyst Fund would be entitled to fund up to $28.4 million, of which 75% or $21.3 million would be funded by New Equity Funding, and 25% or $7.1 million would be funded by the Credit Facilities. The $7.1 million funded by the Credit Facilities toward the Catalyst Fund's participation interest would be allocated to the Catalyst Fund.

This would result in an Active Portfolio with $150 million of funding. The Catalyst Fund would then have a participation interest of 58.9%, or $88.4 million. Callidus would have a participation interest of 41.1%, or $61.6 million.

Decisions as to participation amounts and leverage ratios may lie with the directors and officers of Callidus that are also the directors and officers of CCGI. See “Risk Factors – Conflicts of Interest” and “Risk Factors – CCGI and the Catalyst Funds Exercise Significant Control over Callidus”.

As a particular Catalyst Fund reaches the stage where 50% of its capital is committed, CCGI intends to make less capital available for investment in the Loan Portfolio, thereby decreasing such Catalyst Fund’s relative participation in the growth of the Loan Portfolio and its aggregate dollars invested in the Loan Portfolio. Ultimately, each Catalyst Fund will be required to dispose of the entirety of its interest upon the termination of that fund, which will generally occur within 7 - 10 years of its inception. Pursuant to the Participation Agreement, Callidus has the option to acquire such interest in those circumstances at the funded amount plus such Catalyst Fund’s entitlement to undistributed interest and fees on the applicable Loan Portfolio, thereby capturing the growth in the Loan Portfolio that had previously been allocated to that Catalyst Fund. See “Risk Factors – Callidus’ Equity Participation in the Loan Portfolio May Decrease as the Size of the Loan Portfolio Increases”.

Participation Fee

Pursuant to the Participation Agreement, the Catalyst Funds will pay to Callidus a participation fee with respect to the expenses of the Corporation that are not directly related to the Loan Portfolio and which are attributable to the Catalyst Funds, including interest and fees on debt that are not subject to Derecognition, salaries and wages, and general and administrative expenses.

Assignment

In connection with the Second Credit Agreement, Callidus will transfer all or a portion of the Loan Portfolio to a securitization vehicle. The rights and obligations of each of Callidus and each of the Catalyst Funds under the Participation Agreement will continue notwithstanding such transfer.

Credit Agreement

The Credit Agreement provides for a $40 million revolving credit facility and a $50 million term loan, each as further described below, as well as a $7.5 million facility for the establishment of foreign exchange forward contracts (the “**FX Facility**”). All obligations under the Credit Agreement are secured by a first-priority charge on all the present and future assets of Callidus, including the Loan Portfolio and any other loans owned by Callidus. The Credit Agreement provides for a term to March 31, 2017. If Callidus sells certain assets, including some loans, it is required to apply the proceeds from such sale toward the revolving facility. Notwithstanding the stated termination date, the Senior Lenders may refuse to make further advances and accelerate the payment of all obligations under the Credit Agreement upon the occurrence of an event of default under the Credit Agreement.

The Credit Agreement contains customary representations, warranties, covenants, conditions to funding and events of default. In particular, the Credit Agreement contains restrictive covenants with respect to certain business matters, including among others:

(a) restrictions on the payment of dividends if such payment would cause the financial covenants set out in the Credit Agreement to not be met. Such financial covenants include, among others, the maintenance of an asset coverage ratio of at least 1.00:1:00, a senior debt service coverage ratio of at least 2:00:1:00 and a total debt service coverage ratio of at least 1:00:1:00; and

(b) restrictions limiting the additional debt that Callidus may incur to: (i) debt under the Credit Agreement; (ii) debt in respect of purchase money security interests granted by Callidus in an amount not to exceed $1 million in the aggregate and any renewal or refinancing of such debt; (iii) foreign exchange forward contracts permitted by the Credit Agreement; and (iv) debt ranking junior in priority and fully subordinated and postponed to debt incurred pursuant to the Credit Agreement.

In addition, the Credit Agreement defines certain events of default with reference to Newton Glassman’s continued involvement with Callidus and CCGI’s ownership stake in Callidus and provides that events of default under the Credit Agreement include, among others, (i) the ownership of more than 35% of the voting equity of Callidus by a person other than a person in CCGI; or (ii) certain events of bankruptcy with respect to CCGI.

Upon the occurrence of an event of default and subject to any required notice and grace periods, payment of amounts owed by Callidus pursuant to the Credit Agreement may be accelerated and outstanding advances will incur additional interest at a rate of 2.00% per annum.

Callidus has received consent to enter into the Second Credit Agreement. Prior to the completion of the Offering, Callidus intends to enter into an amended Credit Agreement to eliminate the Revolving Credit Facility.

Revolving Credit Facility

The Credit Agreement provides for a revolving credit facility in the maximum principal amount equal to the lesser of (i) the borrowing base amount and (ii) $40 million (the "**Revolving Facility**") to Callidus pursuant to the terms of the Credit Agreement. As at April 14, 2014, the total amount owing by Callidus under the Revolving Facility was $36,550,440.

The Revolving Facility may be made available by way of bankers' acceptances or equivalent loans which are subject to certain margins and prime-based rate loans which will bear interest at the reference rate described in the Credit Agreement plus 2.50% per annum, payable monthly in arrears ("**Canadian Dollar Prime-Based Loans**").

Callidus may repay the Revolving Facility (other than bankers' acceptances or equivalent loans) or permanently cancel any unadvanced portion of the Revolving Facility without payment of any premium, penalty or fee.

Term Loan

One of the Senior Lenders has provided a term loan in the principal amount of $50 million (the "**Term Loan**") to Callidus pursuant to the terms of the Credit Agreement. As at April 14, 2014, the total amount owing by Callidus under the Term Loan was $50 million plus accrued interest.

The Term Loan is a secured non-revolving term loan, has a term of six years and matures on March 31, 2017. The Term Loan bears interest at a rate of 8.419% per annum calculated and compounded on a semi-annual basis and payable monthly in arrears. The Term Loan may be repaid in whole or in part prior to maturity upon payment of the principal and accrued and unpaid interest and a make-whole payment calculated as provided in the Credit Agreement.

Second Credit Agreement

The Corporation has entered into an agreement (the "**Second Credit Agreement**") with a major global financial institution (the "**Structuring Agent**") and a special purpose vehicle wholly owned by Callidus (the "**Borrower**") that provides for a revolving credit facility in an amount up to US$200 million. The facility provides for an aggregate of approximately US$167 million of Class A loans (the "**Class A Loans**") and approximately $US33 million of Class B loans (the "**Class B Loans**", and together with the Class A Loans, the "**Loans**"), and each of the Loans is subject to a minimum utilization of 50%, measured quarterly.

This revolving credit facility is being extended to the Borrower in order to finance the purchase by the Borrower of certain loans or portions thereof in the Loan Portfolio. Callidus will act as sole servicer to the Borrower.

The Loans are secured by a portion of the Loan Portfolio. The Second Credit Agreement contains customary representations, warranties, covenants, conditions to funding and events of default. The Structuring Agent may terminate the Second Credit Agreement upon the occurrence of an event of default under the Second Credit Agreement.

The Loans are available, at the option of the Borrower, in Canadian dollars or US dollars and are subject to the following rates of interest. For Loans funded via an asset backed commercial paper conduit: (i) in respect of Class A Loans, the sum of the related commercial paper rate and 3%; and (ii) in respect of Class B Loans, the sum of the related commercial paper rate and 5%. For Loans funded other than via an asset backed commercial paper conduit: (i) in respect of Class A Loans, the sum of the 3-month LIBOR and 3%; and (ii) in respect of Class B Loans, the sum of the 3-month LIBOR and 5%. In addition, there is an upfront fee of 1% of each of any Class A Loan amount or Class B Loan amount, as applicable.

The revolving period will be for an initial period of two years (and may be extended upon the mutual agreement of the Borrower and the administrative agent under the Second Credit Agreement) and the amortization period will be for a period of two years following the last day of the revolving period. There will be a ramp-up period ending on the earlier of (i) six months from the commencement of the facility; and (ii) when the portfolio reaches a Moody's Investors Service Inc. diversity score of 10. There is a non-call period to the end of the revolving period, provided that if Callidus has requested an extension to the facility and the Structuring Agent has denied the request, Callidus may pre-pay the facility with no penalty.

The acquisition of any collateral obligation by Callidus must be approved by the Structuring Agent in its sole discretion based on certain information provided by Callidus to the Structuring Agent. Each collateral obligation is subject to a maximum amount of the outstanding balance of the Loans multiplied by the percentage of par determined by the Structuring Agent following the occurrence of certain reevaluation events, including but not limited to the payment default of interest or principal amount on such collateral obligation or other debt obligation that is senior or *pari passu* to such collateral obligation. The maximum aggregate collateral obligation amount is the sum of all collateral obligation amounts minus amounts in excess of the following limits, among others (expressed as a percentage sum of the aggregate collateral obligation amount of all collateral obligations): (i) for minimum first lien loans: 100%; (ii) for obligor exposures: 10% for the top three obligors, 7.5% for the fourth and fifth largest obligors, and 5% for remaining obligors; and (iii) for industry exposures: 20% for the largest industry, 15% for the second and third largest industry, 12.5% for the fourth largest industry, and 10% for the remaining industries.

The borrowing base will be: (i) for Class A Loans, 50% of the aggregate collateral amount; and (ii) for Class B Loans, 60% of the aggregate collateral amount. The Borrower will maintain a minimum equity amount of the greater of (i) the principal balance of the four largest obligors and (ii) US$50 million.

The Structuring Agent's consent will be required in connection with any material modification of a collateral obligation included in the borrowing base.

USE OF PROCEEDS

Offering

The net proceeds to be received by Callidus from the Offering are estimated to be $234,510,000 ($270,136,500 if the Over-Allotment Option is exercised in full), after deducting the Underwriting Fee of $14,490,000 million (or $16,663,500 if the Over-Allotment Option is exercised in full) and the expenses of the Offering, which are estimated to be $3,000,000.

Principal Purposes

Callidus expects to use the anticipated net proceeds of the Offering of $234,510,000 as follows: approximately $125,000,000 will be used to repay to the Catalyst Funds indebtedness incurred by Callidus in order to finance the loans in the existing Loan Portfolio and approximately $109,510,000 will be held by the Corporation to finance additional loans after the Closing Date.

Pending use of the net proceeds of the Offering, such net proceeds will be invested as determined by the Board.

For the year ended December 31, 2013, Callidus had negative cash flow of $11.1 million, which included negative net income of $5.7 million. The negative net income resulted primarily from the payment of approximately $37.5 million to the Catalyst Funds pursuant to the Participating Debenture. As the Participating Debenture will be repaid as part of the Pre-Closing Transactions, the Catalyst Funds will no longer be entitled to interest and fees thereon. On a pro-forma basis, as at December 31, 2013, after giving effect to the Pre-Closing Transactions and the Offering, Callidus' net income would be $15.8 million. See "Pro-Forma Financial Statements".

DIVIDENDS

Callidus has not declared or paid any dividends since its inception and does not anticipate paying dividends on the Common Shares in the foreseeable future. The declaration and payment of dividends on the Common Shares is at the discretion of the Board and will be established on the basis of Callidus' earnings, financial requirements for Callidus' operations, the satisfaction of solvency tests imposed by the corporate law for the declaration and payment of dividends, restrictions on dividend payments imposed by the Credit Agreement and other relevant factors. See ''Risk Factors''.

OPTIONS TO PURCHASE SECURITIES

As of the date of this Prospectus, Callidus has issued options ("**Options**") to purchase an aggregate of 5 Common Shares (representing 5% of the outstanding Common Shares) prior to completion of the Offering, where one-third of such Options have vested, with a weighted-average exercise price of $700,000 per Common Share ($3.40 per Common Share after giving effect to the Pre-Closing Transactions). After giving effect to the Offering, assuming 18,000,000 Common Shares will be issued thereunder, there will be Options to purchase an aggregate of 1,028,689 Common Shares (representing approximately 2.2% of the outstanding Common Shares). Outstanding Options are as described below:

Category	Year of Grant	Prior to Giving Effect to the Pre-Closing Transactions		After Giving Effect to the Pre-Closing Transactions	
		Common Shares Outstanding under Options Granted	**Exercise Price ($)**	**Common Shares Outstanding under Options Granted**	**Exercise Price ($)**
Executive officers	2013	1.642	700,000	337,823	3.40
Employees	2013	3.358	700,000	690,866	3.40

No directors have been granted any Options. For a description of the Incentive Plan, please see "Executive Officers and Directors Compensation – Incentive Plan Awards –Incentive Plan".

PRIOR SALES

Other than in connection with the Pre-Closing Transactions, the Corporation has not issued any Common Shares in the 12-month period prior to the date of this prospectus. See "Pre-Closing Transactions".

PRINCIPAL SHAREHOLDERS

Other than as set forth below, no person or entity will beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the outstanding shares of any class of the Corporation upon completion of the Offering.

Following completion of the Pre-Closing Transactions, and prior to Closing, the Catalyst Funds will beneficially own 28,042,732 Common Shares, representing 100% of the outstanding Common Shares (or approximately 96.46% on a fully-diluted basis). Immediately after Closing and assuming the Over-Allotment Option has not been exercised, the Catalyst Funds will beneficially own 28,042,732 Common Shares, representing approximately 60.91% of the outstanding Common Shares (or approximately 59.57% on a fully-diluted basis). The foregoing assumes that the Over-Allotment Option is not exercised, in whole or in part, and that the Catalyst Funds do not acquire any Common Shares pursuant to the Offering.

The Catalyst Funds are managed, controlled and directed by CCGI or its affiliates. Newton Glassman, Executive Chairman, Chief Executive Officer and a director of the Corporation, and Jim Riley, Secretary and a director of the Corporation, are key decision makers of CCGI and the Catalyst Funds and, as such, may be considered to exert direction or control, directly or indirectly, over any Common Shares beneficially owned by the Catalyst Funds.

Additionally, the Corporation has been advised that, pursuant to partnership arrangements with respect to each of the Catalyst Funds, certain affiliates of CCGI in which Mr. Glassman and Mr. Riley have an interest are entitled to a carried interest in the profits of each such fund, pursuant to which CCGI or an affiliate will be entitled to 20% of the profits from the investments of such fund beyond a specified rate of return. In the event the applicable hurdle rates are achieved with respect to Catalyst Fund II and Catalyst Fund III, affiliates of CCGI would be entitled to an aggregate of 3,964,786 of the Common Shares held by the Catalyst Funds as of the closing of the Offering. It is anticipated that certain of those Common Shares will be distributed to employees of CCGI, including Mr. Glassman and Mr. Riley pursuant to their employment arrangements with CCGI. Mr. Glassman exercises control over CCGI.

None of the other directors and executive officers of the Corporation beneficially own, or control or direct, any Common Shares. Accordingly, based on the foregoing, the directors and executive officers as a group beneficially own, or control or direct, 100 Common Shares, representing 100% of the outstanding Common Shares (or 97.62% on a fully-diluted basis) as at the date of this prospectus.

The Catalyst Funds are private equity funds. As with similar funds, each of the Catalyst Funds has a specified period in which it invests committed capital, followed by a period in which it disposes of its investments, distributes proceeds to investors and, ultimately, dissolves. Accordingly, after the termination of their respective investment periods, each of the Catalyst Funds will undertake a process of disposing any interest it may have in Callidus at that time.

The investment period for Catalyst Fund II has terminated and the fund is in the process of disposing of its investments. The current term of the fund expires in April 2014 although CCGI anticipates that the general partner of Catalyst Fund II will extend the term of Catalyst Fund II to April 2015. If further extensions are necessary to facilitate an orderly disposition of Catalyst Fund II's investments, such extensions can be granted with the approval of investors, however there can be no assurance that any such extension would be approved. Accordingly, Catalyst Fund II, which, as of the closing of the Offering will hold 4,091,710 Common Shares, may be required to dispose of its holdings by April 2015. See "Risk Factors – Risks Related to the Offering – Future Sales of Common Shares by Existing Shareholders".

The terms of Catalyst Fund III and Catalyst Fund IV expire in 2015 and 2017, respectively, although, in each case the applicable general partner has the right to extend the terms for up to two successive one year periods and further extensions may be granted with the approval of investors.

Prior to Closing, CCGI, Catalyst Fund II, Catalyst Fund III and Catalyst Fund IV will enter into lock-up agreements as described under the heading "Plan of Distribution – Restrictions on the Sales of Common Shares – Restrictions on Certain Shareholders".

Also prior to Closing, CCGI, Catalyst Fund II, Catalyst Fund III and entities affiliated with a former executive of Callidus will terminate an existing shareholder agreement relating to Callidus.

INTEREST OF MANAGEMENT AND CCGI IN MATERIAL TRANSACTIONS

Except as described below or as otherwise described in this prospectus (see "Pre-Closing Transactions"), neither CCGI nor any director or executive officer of Callidus, or to the knowledge of Callidus, any of their respective associates or affiliates, has engaged in any transaction with Callidus or its subsidiaries that has materially affected, or that could reasonably be expected to materially affect, Callidus. Callidus has entered into or will enter into, on or about the signing of the Underwriting Agreement, the following agreements with CCGI or entities managed by CCGI:

(a) the Debenture Repayment Agreement;

(b) the Participation Agreement; and

(c) the Management Services Agreement.

See "Pre-Closing Transactions" and "Executive Officers and Directors Compensation – Management Services Agreement".

EXECUTIVE OFFICERS AND DIRECTORS

Summary Information

The following table sets forth certain summary information in respect of the executive officers and directors of the Corporation as at the Closing Date.

Name, City and Country of residence	Position with the Corporation	Date of Appointment(1)	Principal Occupation During the Five Preceding Years
Ann Davis (Toronto, Canada)	Director	April 3, 2014	Retired Partner, KPMG LLP
Tibor Donath (Toronto, Canada)	Lead Director	April 3, 2014	Partner, Bench & Donath
Newton Glassman (Toronto, Canada)	CEO; Director; Executive Chairman	January 1, 2013; September 23, 2011; March 11, 2014	Managing Partner, CCGI
Dan Nohdomi (Toronto, Canada)	Vice President and CFO	February 4, 2013	CFO of Callidus; Former CFO of Greypoint Capital Inc.; Former Corporate Treasurer, Western

Name, City and Country of residence	Position with the Corporation	Date of Appointment(1)	Principal Occupation During the Five Preceding Years
			Forest Products Inc.
David Reese (Toronto, Canada)	COO	November 25, 2011	Chief Operating Officer of Callidus; President of Reese Management Inc.
Jim Riley (Toronto, Canada)	Director and Secretary	September 23, 2011	Managing Director and Chief Operating Officer of CCGI
David Sutin (Toronto, Canada)	Director	March 11, 2014	Independent Financial Advisor; Former Managing Director, Quest Partners Ltd.

Notes:
(1) The above chart reflects the date an individual was first appointed by Callidus or its predecessor.

Biographies

The following are biographies of the directors and executive officers of Callidus as at the completion of the Offering.

Newton Glassman, Executive Chairman, Chief Executive Officer and Director. Mr. Glassman is the Executive Chairman and Chief Executive Officer of Callidus and is the Founder, Managing Partner and acts as Chief Executive Officer of CCGI. He devotes all of his working time to CCGI, investment funds managed by CCGI and assets held by those investment funds. Mr. Glassman was formerly a director of FrontPoint Partners, LLC. He also serves, or has formerly served, as a director or senior officer of various CCGI portfolio companies, including Gateway Casinos & Entertainment Limited, Cable Satisfaction International Inc./Cabovisão, Natural Markets Restaurants Corp, and Therapure Biopharma Inc. Mr. Glassman was previously a Managing Director at Cerberus Capital Management LP where he was involved in several Canadian restructurings, including Loewen Inc., Livent Corporation of Canada, Inc., Philip Services Corporation, GST Telecommunications, Inc., Pacifica Papers, Inc. and AT&T Canada Inc. CCGI and funds managed by it have, since 2002, been involved in numerous distressed and/or under-valued situations. Mr. Glassman holds an M.B.A. from the Wharton School of the University of Pennsylvania, a law degree from Faculty of Law, University of Toronto and an undergraduate degree from the University of Toronto.

Jim Riley, Secretary and Director. Mr. Riley is a Managing Director and Chief Operating Officer of CCGI and devotes all of his working time to CCGI and Callidus. Prior to joining CCGI in 2011, Mr. Riley was a Partner and Co-Chair of the Banking and Finance Law Group at Goodmans LLP. Prior to joining Goodmans LLP, Mr. Riley was a founding partner of the Toronto office of Ogilvy Renault (now Norton Rose Fulbright Canada) in 1996 and prior to that was a Partner at Stikeman Elliott LLP. Mr. Riley holds a master of law degree from Harvard University and a law degree from the Faculty of Law, University of Toronto.

David M. Reese, Chief Operating Officer. Mr. Reese is the Chief Operating Officer of Callidus. Prior to joining Callidus in June 2011, Mr. Reese spent nearly 30 years developing a strong operational and credit background by working and building business groups focused on asset-based lending, leveraged buyouts and structured credit products. Over his career, he has been involved in arranging senior debt, mezzanine debt and equity in both the public and private markets spanning a broad range of industries. He has worked in both corporate and investment banking with several Canadian and international banks and Securitus Capital, a structured credit boutique that he co-founded. Mr. Reese holds a Masters in Business Administration from the Richard Ivey School of Business, University of Western Ontario and a Bachelor of Arts (Biology) from Queen's University.

Dan Nohdomi, Chief Financial Officer. Mr. Nohdomi is the Chief Financial Officer of Callidus. Prior to joining Callidus in February 2013, Mr. Nohdomi was the CFO of Greypoint Capital Inc., a private debt fund based in Toronto, which he assisted in launching and founding. Prior to joining Greypoint in June 2012, Mr. Nohdomi was also part of Brookfield Asset Management's Special Situations Group from May 2006 until September 2012 and was involved in distressed and stressed investing and lending. Mr. Nohdomi was also the Corporate Treasurer of Western Forest Products Inc., a publicly traded, Brookfield Asset Management portfolio company operating in British Columbia, from January 2010 until May 2012. Mr. Nohdomi is a CPA, CA and holds a Masters in Business Administration from Cornell University and a Bachelor of Arts from Trinity Western University.

Ann Davis, Director. After a 37 year career at KPMG LLP in Canada, Ann Davis retired from KPMG on March 31, 2013 having been a partner in the audit practice for over 25 years with specialization in the financial services sector. Ms. Davis provided audit and audit related services to some of KPMG's largest clients with extensive experience with financial institutions including banking, wealth management, investment banking and brokerage, and funds (alternative and mutual funds). She also led the financial services audit practice in the Greater Toronto Area and served as National Industry Leader for KPMG's financial services practice. Ms. Davis graduated from Queen's University in Kingston, Ontario in 1976 with a Bachelor of Science (Honours) Degree. She became a Chartered Accountant in 1979 and is a member of the Chartered Professional Accountants of Ontario. In 1997 she was elected a Fellow of the Chartered Professional Accountants of Ontario.

Tibor Donath, Lead Director. Since 1979, Mr. Donath has been a Partner at Bench & Donath, Chartered Accountants — a Toronto accounting firm providing assurance, accounting and income tax consulting services for private entities in various sectors of the economy. Mr. Donath is a member of the Chartered Professional Accountants of Ontario and of the Ordre des Comptables Professionnel Agrees du Québec. Mr. Donath graduated from Sir George William's University (now Concordia University) with a Bachelor of Commerce in 1973, Major in Accounting, Minor in Economics, and was first licensed to practise accounting in 1976. Since July 2006, Mr. Donath has been a member of the Board of Directors, and Chair of the Audit Committee for Counsel Corporation. Mr. Donath also sits on the Investment Committee of a private venture capital firm.

David E. Sutin, Director. From May 2008 until November, 2011, Mr. Sutin was Managing Partner of Quest Partners Ltd., a financial advisory boutique. Since 2001, Mr. Sutin has been an independent financial advisor, private investor and board member of several companies. Until 2001, Mr. Sutin was Executive Vice President of Harrowston Inc., a publicly-traded private equity firm. Mr. Sutin has over 30 years experience in corporate and real estate investment and financing activity. From March 2011 until March 2014, Mr. Sutin was a director of Patheon Inc. Between June 2009 and December 2010, Mr. Sutin was a director of Sun Gro Horticulture Inc., and a trustee of Sun Gro Horticulture Income Fund. From March 2007 to May 2009, Mr. Sutin was a director of Pay Linx Financial Corporation. Mr. Sutin holds a Bachelor of Arts degree and Masters of Business Administration degree from York University.

Common Share Ownership

The directors and executive officers as a group beneficially own, or control or direct, 100 Common Shares, representing 100% of the outstanding Common Shares (or 97.62% on a fully-diluted basis) as at the date of this prospectus. See "Principal Shareholders".

Terms of Directors and Executive Officers

Directors are elected for a term expiring at the conclusion of the next annual meeting of shareholders of the Corporation, or until their successors are duly elected or appointed pursuant to the OBCA and such directors will be eligible for re-election. Executive officers serve at the discretion of the Board.

Corporate Cease Trade Orders and Bankruptcies

To the knowledge of the Corporation, except as described below, no director or executive officer of the Corporation (nor any personal holding company of any such persons) is, as at the date of this prospectus, or was within 10 years before the date of this prospectus, a director, chief executive officer or chief financial officer of any company (including the Corporation), that: (i) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Glassman was installed as a director of Hollinger Inc. in July of 2005 as part of a court order. Hollinger Inc. was a Canadian media company that was listed on the Toronto Stock Exchange. In 2005, Hollinger Inc. was made subject to a management cease-trade order for being in default of its annual filing requirements. In August 2007, Hollinger Inc. made application for a Court-supervised restructuring under the *Companies' Creditors Arrangement Act* (Canada) and a similar proceeding in the United States pursuant to Chapter 15 of the U.S. *Bankruptcy Code*. Mr. Glassman ceased to be a director in the Spring of 2007, and in August of 2008 the shares of Hollinger Inc. were delisted from the Toronto Stock Exchange.

To the knowledge of the Corporation, except as disclosed below, no director or executive officer of the Corporation (nor any personal holding company of any such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (i) is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Newton Glassman was appointed as a director of Snowbear Limited on March 11, 2005, following the acquisition of Snowbear Limited by Catalyst Fund I. In 2012, an application was made by Catalyst Fund I for an order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act* and section 101 of the *Courts of Justice Act* appointing PricewaterhouseCoopers Inc. as receiver, without security, of all of the assets, undertakings and properties of Snowbear Limited. On May 2, 2012, the Ontario Superior Court of Justice granted the motion made by PricewaterhouseCoopers Inc. to approve an auction services agreement entered into between PricewaterhouseCoopers Inc. and Century Services Inc., and vesting Snowbear Limited's rights, title and interests in and to the assets described in such auction services agreement in the purchasers thereof free and clear of all claims.

Dan Nohdomi purchased certain US real estate assets in 2004. As a result of non-performance of these assets, the lender appointed a receiver and sold the assets in 2005 to a local real estate management company.

Penalties and Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Other than as disclosed in this prospectus (including the disclosure below), to the best of the Corporation's knowledge, there are no existing or potential material conflicts of interest among the Corporation and a director or officer of the Corporation at the date of this prospectus.

Messrs. Glassman and Riley serve as executive officers of CCGI and will be paid by and continue to devote a majority of their time to CCGI, Messrs. Glassman and Riley have fiduciary and other obligations to CCGI and the Catalyst Fund's equity owners. As a result of these relationships, conflicts of interest will arise in the future between Callidus (and its shareholders, other than the Catalyst Funds) and CCGI (and its owners and affiliates, including the Catalyst Funds). Messrs. Glassman and Riley will have fiduciary and other obligations to Callidus by virtue of the Management Services Agreement and applicable law. In particular, decisions relating to funding by the Catalyst Funds under the Participation Agreement will be made by Messrs. Glassman and Riley and such decisions may negatively impact shareholders of Callidus. See "Risk Factors – Conflicts of Interest".

Certain directors and officers of the Corporation serve as directors and officers of other entities or private equity firms or are, and may continue to be, involved in the private equity industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of Callidus. Accordingly, conflicts of interest may arise which could influence these persons in evaluating potential opportunities or acquisitions or in generally acting on behalf of the Corporation. While the majority of the loan opportunities considered by the Corporation are initially developed by Callidus' origination professionals, in some instances opportunities for asset-based loans may be brought to the attention of an officer or director of the Corporation who is also an officer or director of CCGI or another entity or private equity investment business.

In the case of CCGI, Callidus believes that the likelihood of any conflict is reduced given the differences in the business of Callidus and the Catalyst Funds. Whereas Callidus is in the business of asset-based lending, the Catalyst Funds are in the business of control and/or influence investments in distressed and/or under-valued Canadian entities. This often entails the Catalyst Funds purchasing debt of an entity with the primary objective of gaining control or influence of such entity either through converting debt to equity or through a restructuring process. Callidus believes that the Catalyst Funds' investment objectives are distinct from Callidus' business as a conventional finance asset based lender. In addition, CCGI has agreed in the Management Services Agreement to certain non-competition covenants in favour of the Corporation. See "Executive Officers and Directors Compensation – Management Services Agreement".

The Corporation's directors and officers are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any conflicts to the Corporation if and when they arise. Prior to Closing, the Corporation will enter into indemnification agreements with each of its directors and executive officers. The indemnification agreements will generally require that the Corporation indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Corporation as directors and executive officers, provided that the indemnitees acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had reasonable grounds to believe that his or her conduct was lawful. The indemnification agreements will also provide for the advancement of defense expenses to the indemnitees by the Corporation.

EXECUTIVE OFFICERS AND DIRECTORS COMPENSATION

The following discussion describes the significant elements of the Corporation's executive compensation program upon Closing, with particular emphasis on the process for determining compensation payable to the Corporation's CEO, CFO, and, other than the CEO and the CFO, each of the three most highly compensated executive officers of the Corporation or any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity whose total compensation was, individually, more than $150,000 for the most recently completed financial year (collectively, the "**Named Executive Officers**" or "**NEOs**").

The NEOs are Newton Glassman, Dan Nohdomi and David Reese.

Compensation Discussion and Analysis

The following information does not apply to the compensation of the current Executive Chairman and CEO, whose compensation is determined in accordance with the Management Services Agreement. See "Executive Officers and Directors Compensation – Management Services Agreement".

Compensation Philosophy

The Corporation's executive compensation program to be adopted following Closing will be designed to reinforce a strong link between pay and performance in order to:

1. attract leading talent;

2. retain and motivate top performers who can further Callidus' progress in becoming the premier Canadian distressed asset based lender;

3. promote a pay for performance culture with an emphasis on variable compensation, specifically annual incentives; and

4. position Callidus' compensation at the median of a target comparator group for good performance and above median for superior performance, with exceptions based on individual contribution and importance of each individual's role at various points in time.

Market Positioning

The Compensation and Governance Committee will identify a comparator group of Canadian companies for benchmarking purposes in determining compensation for executive officers after the closing of the Offering. The composition of the comparator group will be reviewed by the Compensation and Governance Committee on an annual basis for its suitability for the purposes of the Corporation's compensation practices. The use of comparative market data will be just one of the factors used in setting compensation for the NEOs. An NEO's compensation could be higher or lower than suggested by the comparator data as a result of personal performance, skills, specific role or experience.

Compensation Consultants

Callidus may use compensation consultants to provide market data on executive compensation and technical analysis of the market data in light of the Corporation's compensation plans and practices. Decisions made by the Compensation and Governance Committee, however, may reflect factors and considerations other than the information and recommendations provided by compensation consultants.

Components of Total Compensation

Callidus' executive compensation program consists primarily of the following elements with the purposes set forth below:

Compensation Element	Purpose of Element
Base Salary	To provide stable and competitive income.
Annual Incentives	To motivate and reward short-term behaviours, actions and results that drive long-term value creation.
Long-Term Incentives	To encourage executives to maximize long-term shareholder value (provided in the form of Options, deferred share units of the Corporation ("**DSUs**") and deferred bonuses).

To accomplish both its short-term and long-term objectives, the compensation program emphasizes pay-for-performance, with two variable components. These variable components include annual and long-term incentives which are used to align each component of incentive compensation with the Corporation's short and long-term business objectives. Specifically, the relative mix of total direct compensation at target performance for 2013 for the NEOs was as follows:

	Percentage of Target Total Direct Compensation(1)			
Title	**Base Salary**	**Annual Incentives Target**	**Long-term Incentives Target (Options, DSUs, and deferred bonuses)**	**Percentage of Pay at Risk**
Executive Chairman and CEO	100%(2)	-	-	-
CFO	35%	40%	25%	65%
COO	20%	45%	35%	80%

Notes:
(1) Total Direct Compensation is the sum of base salary, annual incentives and long-term incentives, and reflects the pay for performance philosophy decisions made by the Compensation and Governance Committee. It excludes other compensation that is one-time in nature such as signing bonuses and awards.
(2) See "Executive Officers and Directors Compensation – Management Services Agreement".

As discussed below, a significant portion of variable compensation for executives is deferred in the form of DSUs, stock options and deferred bonuses to maintain the focus of the executives on sustained long-term performance.

As well, the Corporation has adopted a policy which prohibits executives and members of the Board from purchasing financial instruments that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation.

Listed below are the various components of compensation that executives (including the NEOs) may receive, depending on the executive's role within the organization:

Base Salary

Salaries for all employees, including executive officers, are based on each individual's responsibilities, performance and relevant competitive market data. The salaries for executive officers have been established within competitive ranges taking into account the Corporation's size and position in the industry. Adjustments to base salary will generally be considered on an annual basis taking into account the executive's overall performance, experience and values for comparable roles in the market place within a comparator group to be identified by the Compensation and Governance Committee after Closing. Any 2014 salaries which have been finalized as of the date hereof were finalized without consideration of a comparator group.

Annual Bonus

The annual bonus is intended to reward contribution and performance for the relevant fiscal year. The range of potential annual bonus is based on a percentage of base salary and is reviewed annually, taking into account all compensation elements. For executive officers, specific annual performance and annual bonus amounts are determined based on whether pre-determined annual financial performance objectives and key business objectives are met. Depending on the role, bonus targets vary ranging from 125% to 300% of base salary while the actual bonus incentive awards can range from zero to one and a half times the target award.

In 2014, the Corporation will introduce an annual bonus program for its executives that better aligns program payouts with financial and strategic priorities achievements through a matrix approach. For this portion of the bonus program (75% of the total annual bonus payout), 50% of the payout multiplier is based on financial results and 50% is based on achieving strategic priorities. The remaining 25% of the annual bonus payout is based on the achievement of individual goals.

At the beginning of each year, performance objectives along with a payout multiplier range associated with performance achievement levels are set for each NEO for the financial, strategic, and individual components of the incentive plan. For 2014, the performance objectives for determination of annual bonus awards will be based on the financial achievement of the Corporation's earnings before interest and taxes ("**EBIT**") and achievement of strategic and key departmental objectives such as operational efficiency, risk management, sales growth, and strategies to create and sustain a high performance organization (for example, talent management and leadership strategies). Each performance achievement level is mapped to a corresponding position in a matrix generating a multiplier for 75% of the incentive payout. An additional 25% of each NEO's annual bonus is determined by their achievement of individual objectives set at the beginning of the year.

The following table outlines the performance measures and weightings for each NEO for the fiscal year ending December 31, 2014:

	Executive Chairman and CEO	**CFO**	**COO**
EBIT Objectives	n/a	75%	75%
Individual Objectives	n/a	25%	25%

Bonus Deferral

Any bonus in excess of $50,000 payable to a Callidus employee is subject to the deferral mechanics described in this paragraph. Deferred amounts accrue interest at a rate equivalent to that earned on the Loan Portfolio and accrued interest is payable to such individual quarterly. The principal amount of the deferred bonus will be paid to such individual in two equal installments at 12 months and 24 months from the time of deferral. The individual must be employed by Callidus to receive his or her principal amount of bonus and interest thereon. These bonus deferral arrangements will be phased in over a two-year period of escalating deferral percentages, as set out in the chart below. A portion of the deferred bonus could be cancelled if loan losses increase beyond an acceptable level as determined by the Compensation and Governance Committee.

	2-year phase-in	
Amount of bonus	**Percentage of bonus deferred in 2013**	**Percentage of bonus deferred in 2014 and years thereafter**
up to 1x salary	20%	40%
>1x salary	25%	50%

For example, in 2013, if an employee earned an annual salary of $100,000 and was awarded a bonus of $120,000, then the deferred amount of such bonus for 2013 would be $25,000 (the aggregate of 20% of $100,000 and 25% of $20,000).

Incentive Plan

Historically, Callidus has granted Options to purchase Common Shares pursuant to a stock option plan effective as of January 1, 2013 (the "**Old Option Plan**"). As of the date hereof, 5 Options remain outstanding under the Old Option Plan. The Board has ceased granting Options under the Old Option Plan. Effective April 11, 2014, the Board approved an amended and restated incentive plan (the "**Incentive Plan**"), thereby amending the Old Option Plan to comply with TSX listing requirements and to allow for the issuance of DSUs. All existing Options granted under the Old Option Plan and all new Options that will be granted under the Incentive Plan will be governed by the Incentive Plan.

The Incentive Plan is intended to provide the Corporation with share-related mechanisms to attract, retain and motivate qualified directors, employees, officers and consultants ("**Eligible Persons**"), to reward such of those Eligible Persons as may be granted equity-based compensation under the Incentive Plan by the Board from time to time for their contributions toward the long term goals and success of the Corporation, and to enable and encourage such directors, employees and consultants to acquire Common Shares as long term investments in the Corporation. The Incentive Plan will permit both Options and DSUs to be granted (collectively, the "**Grants**"). Previous Grants are taken into account when considering new Grants.

Options

The Board may from time to time authorize grants of Options upon such terms and conditions as it may determine in accordance with the terms of the Incentive Plan. The exercise price of all Options will be as set forth in an option certificate in respect of such Option and will not be less than the market value of the shares as at the date the Option was granted (which, if the Common Shares are traded on the TSX, will be the closing price of the Common Shares on the last trading day immediately preceding the date the option was awarded). In no case will the market value be less than the minimum prescribed by each of the organized trading facilities as would apply to the award date in question.

The vesting schedule for any Option outstanding under the Incentive Plan shall be determined by the Board, provided that the Option will vest over a certain period of time or upon the occurrence of certain events (for example, the Board may determine that a particular Option shall be only exercisable after a triggering event).

Unless otherwise determined by the Board or in the case of death, disability, or ceasing to be an Eligible Person, all Options outstanding under the Incentive Plan shall expire on the date so fixed by the Board at the time the particular Option is granted, provided that such date will be no later than the tenth anniversary of the date the Option was awarded pursuant to the Incentive Plan. If the expiry date for an Option falls within a blackout period or within ten business days after the date the blackout period expires, the expiry date will be the date which is ten days after the blackout period expiry date.

DSUs

The Board may from time to time authorize grants of DSUs upon such terms and conditions as it may determine in accordance with the terms of the Incentive Plan. In addition, independent directors may elect to receive up to 50% of their compensation as DSUs. Only independent directors will be eligible to receive director's DSUs under the Incentive Plan. Each grant will constitute an agreement to deliver Common Shares, cash or other consideration to the participant in the future in consideration of the performance of services after the participant's term of directorship ends. During the deferral period, the participant will not have any right to transfer the rights associated with the DSUs and will have no ownership or voting rights with respect to the DSU or the underlying shares associated with DSUs.

Key Features of the Incentive Plan

The key features of the Incentive Plan are as follows:

- Issuances
    - Subject to adjustment as provided for in the Incentive Plan, and any subsequent amendment to Incentive Plan, the number of Common Shares reserved for issuance and which will be available for purchase pursuant to Grants under the Incentive Plan shall be 10% on a rolling basis. If any Grant expires or otherwise terminates for any reason without having been exercised in full, or is exercised in full, the number of Common Shares in respect of which such Grant expired, terminated, or was exercised in full, as the case may be, will again be available for the purposes of the Incentive Plan.
    - In no case will the Grant under the Incentive Plan, together with any proposed or previously existing security based compensation arrangement, result in (in each case, as determined on the grant date): (i) the number of Common Shares reserved for issuance pursuant to Grants to insiders exceeding 10% of the Corporation's issued and outstanding Common Shares (on a non-diluted basis) and (ii) the issue to insiders, within any one-year period, of a number of Common Shares exceeding in the aggregate 10% of the Corporation's issued and outstanding Common Shares (on a non-diluted basis).
    - The number of Common Shares reserved for issuance to non-employee Directors under the Incentive Plan shall not exceed (i) for all non-employee directors, in the aggregate, a maximum of 1% of the number of outstanding Common Shares; and (ii) on an individual non-employee director basis, Grants per non-employee director in any one calendar year having a maximum aggregate value of $100,000 at the time of the Grants (other than Grants under the Incentive Plan to a non-employee director in the year of his or her initial appointment to the Board).
- Termination
    - With cause: any Grant held by such person will expire on the date on which he or she ceased to be an Eligible Person.
    - Without cause: the expiry date for any vested Option or portion of an Option will be the earlier of the date fixed by the Board at the time of the issuance of the Option, and 60 days following the date that the person ceased to be an Eligible Person, provided that no such Option may be exercised past its original expiry date. All DSUs previously granted to such person will become vested and will be redeemed and paid out.
    - Death/disability: In the event of the death or permanent disability of an Eligible Person prior to the expiry time of an Option, any vested Option or portions of an Option will expire on the date that is one year after the date of the Option holder's death or permanent disability, as applicable, provided that no such Option may be exercised past its original expiry date. The expiry date for any unvested portion of the Option will be, in the case of death, the date of death, and in the case of permanent disability, unless the Board determines otherwise, the date on which the option holder is no longer able to perform his or her duties by reason of the disability. All DSUs previously granted to such person will become vested on death or permanent disability and will be redeemed and paid out.
    - Except in the case of death, the expiry date for any unvested portion of any Option held by an Eligible Person will be the date such person ceases to be an Eligible Person.
- Other
    - Prior to the Closing of the Offering, the Board, certain regulatory authorities, the TSX, or the Underwriters may require that some or all of the Grants be cancelled, repriced upwards or otherwise revised, in which case the Board may deal with the Grants in the manner it deems fair and reasonable. Each Grant holder will enter into all such escrow, pooling or other agreements as are required by any regulatory authorities, the TSX, or the Underwriters in connection with the Offering.
    - Grants are not transferable or assignable.

Amendments to the Incentive Plan

The following amendments to the Incentive Plan require the approval of shareholders of the Corporation:

- any change to the maximum number of Common Shares issuable, either as a fixed number or a fixed percentage of the Corporation's outstanding Common Shares;
- any amendment which reduces the exercise price of any Option, other than an adjustment pursuant to the Incentive Plan;
- any amendment which would change the number of days in respect of the blackout period of the Incentive Plan with respect to the extension of the expiration date of Options expiring during or immediately following a blackout period;
- any amendment which extends the expiry date of an Option other than as then permitted under the Incentive Plan;
- any amendment which cancels any Option and replaces such Option with an Option which has a lower exercise price, other than an adjustment pursuant to the Incentive Plan;
- any amendment which would permit Options to be transferred or assigned;
- any amendment to increase the limits on Grants that may be issued to insiders; and
- any amendment in respect of the amending provision of the Incentive Plan.

Benefits

It is the Corporation's policy to provide all employees with an above average basket of benefits to provide for health care. NEOs are eligible to participate in this group benefit program.

Executive Share Ownership Guidelines

To ensure that the interests of executives are aligned with the interests of shareholders, the Corporation will be adopting a Common Share ownership guideline for its executives in 2014. The Common Share ownership guidelines will provide that the value of Common Shares (including those issuable upon the exercise of Options) held by Callidus executives, excluding the Executive Chairman and CEO, should equal a multiple of their base salary. New executives are required to meet the requirements within five years following the commencement of their employment as an executive of the Corporation. The new Common Share ownership requirements for the NEOs who are subject to the minimum Common Share ownership requirements are set out below:

Minimum Common Share Ownership Requirements for Named Executive Officers			
Named Executive Officer	**Minimum Ownership Requirement (as multiple of base salary)**	**Minimum Ownership Requirement**	**Requirement Met?**
David Reese COO	3 times	$1,500,000	Yes
Dan Nohdomi CFO	3 times	$630,000	Yes

Assessment of Future Performance

Each year, performance objectives for the CEO will be established by the Compensation and Governance Committee and approved by the Board. Performance objectives for other NEOs are established by the CEO.

The Compensation and Governance Committee evaluates the performance of the CEO. This performance evaluation is based upon the CEO achieving objectives related to the Corporation's financial and strategic objectives. The CEO evaluates the performance of each of the other NEOs based upon the achievement of their objectives as set out in their 2014 business plans, which are approved by the Board. The CEO recommends the other NEOs' annual incentive awards to the Compensation and Governance Committee. The Compensation and Governance Committee reviews the CEO's recommendations, and the Board approves the annual incentive awards for NEOs who are not directors. Independent directors of the Board approve the annual incentive awards for all management directors.

Compensation of Named Executive Officers

Summary Compensation Table – NEOs – Expectations for 2014

The following table sets forth, for each NEO, information regarding the compensation anticipated to be paid by the Corporation to the NEOs in 2014 following Closing.

					Non-equity incentive plan compensation				
Name and principal position	**Year**	**Salary**	**Share-based awards**	**Option-based awards(2)**	**Annual incentive plans**	**Long-term incentive plans**	**Pension value**	**All other compensation**	**Total compensation**
		($)	($)	($)	($)	($)	($)	($)	($)
Newton Glassman Executive Chairman, CEO and Director(1)	2014	-	-	-	-	-	-	-	-
Dan Nohdomi Vice President and CFO	2014	210,000	•	•	•	•	•	•	•
David Reese COO	2014	500,000	•	•	•	•	•	•	•

Notes:

(1) Mr. Glassman will not receive any compensation from the Corporation for his services in his capacities as a director or officer of the Corporation and none of the compensation paid to Mr. Glassman by CCGI is, directly or indirectly, attributable to such services. As a result, no compensation has been set out in the above table. He will, however, have an alignment of economic interest with Callidus through his economic interest in CCGI. See "Principal Shareholders".

(2) See "Executive Officers and Directors Compensation – Incentive Plan Awards – Narrative Discussion of Incentive Plans – Incentive Plan".

Incentive Plan Awards – Value Vested or Earned During the Year

Based on information available at the date hereof, the following table sets forth, for each NEO, information regarding all awards that are anticipated to be outstanding as at December 31, 2014.

	Option-based awards(1)				Share-based awards(1)		
Name and principal position	**Number of securities underlying unexercised Options**	**Option exercise price**	**Option expiration date**	**Value of unexercised in-the-money options**	**Number of Common Shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested**	**Market or payout value of vested share-based awards not paid out or distributed**
		($)	($)	($)	($)	($)	($)
Newton Glassman Executive Chairman, CEO and Director	-	-	-	-	-	-	-
Dan Nohdomi Vice President and CFO	•	•	•	•	•	•	•
David Reese COO	•	•	•	•	•	•	•

Notes:

(1) Any awards in 2014 have not been determined but will be determined in accordance with the Corporation's compensation program and policies. See "Executive Officers and Directors Compensation – Compensation Discussion and Analysis".

Management Services Agreement

Pursuant to the terms of a management services agreement to be entered into between CCGI and Callidus at or prior to the closing of the Offering (the "**Management Services Agreement**"), CCGI agrees to: (a) provide Callidus with the services of Mr. Glassman, as Executive Chairman and Chief Executive Officer of the Corporation, and Mr. Riley, as Secretary of the Corporation, or such other persons to perform those functions as may be acceptable to Callidus, acting reasonably; and (b) provide Callidus with access to CCGI's senior management, analysts and research library, as required.

As shared executives of both Callidus and CCGI, Messrs. Glassman and Riley will not devote all of their time to the business of the Corporation. It is expected that each of Mr. Glassman and Mr. Riley will devote approximately 25% of his working time to Callidus, in each case subject to change as is necessary in carrying out their executive responsibilities and fiduciary duties. Mr. Glassman and Mr. Riley have advised the Corporation that they estimate that they have spent approximately 25% of their respective working time in connection with Callidus over the last three years. In the event that Callidus appoints a full-time chief executive officer, it shall be at Callidus' expense.

The Management Services Agreement provides that the compensation to be paid to any directors, officers or employees of CCGI or its affiliates made available to Callidus thereunder, including the Executive Chairman, Chief Executive Officer and the Secretary of the Corporation, shall be paid by CCGI and Callidus will pay to CCGI a nominal sum in consideration for making available the services of the Executive Chairman and Chief Executive Officer of the Corporation and the Secretary of the Corporation. All other expenses incurred by CCGI in carrying out its obligations under the Management Services Agreement, including the services provided by the Executive Chairman and Chief Executive Officer and the Secretary of Callidus in their capacities as executive officers of the Corporation, will be for the account of the Corporation. Except for the nominal sum referenced in this paragraph and amounts payable to a Catalyst Fund in connection with a participation interest it holds pursuant to the Participation Agreement, the Corporation does not pay any fees or other amounts to CCGI, the Catalyst Funds, or any other related entity. Except for the services rendered by Messrs. Glassman and Riley, all transactions between CCGI and the Corporation are contemplated at fair values which would be consistent with arms length transactions.

CCGI and each of its directors, officers and employees are indemnified by the Corporation to the fullest extent permitted by law for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against CCGI, or any of its officers, directors or employees, in the exercise of its duties pursuant to the Management Services Agreement, except those resulting from the following actions by CCGI or its directors, officers or employees: willful misconduct, bad faith, negligence, breach of such person's standard of care under the Management Services Agreement or material breach or default of such person's obligations under the Management Services Agreement (collectively, the "**Material Breaches**"). The Corporation and each of its directors, officers and employees are indemnified by CCGI to the fullest extent permitted by law for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Corporation, or any of its officers, directors or employees, resulting from Material Breaches.

If, upon the request of the independent directors of the Board, CCGI renders services to the Corporation that are outside of the scope of services required to be rendered pursuant to the provisions of the Management Services Agreement, such additional services will be compensated for separately and shall be on such terms that are no less favourable to the Corporation than those available from arm's length parties.

The management services to be provided by CCGI under the Management Services Agreement are not exclusive to the Corporation and nothing in the Management Services Agreement prevents CCGI from providing similar management services to other companies or from engaging in other activities (other than as set out in the Management Services Agreement). See also "Executive Officers and Directors – Conflicts of Interest".

Pursuant to the Management Services Agreement, CCGI has agreed that for a period ending on the later of (a) five years from the Closing Date, and (b) two years after the termination of the Management Services Agreement, neither CCGI nor its affiliates will (i) engage in; (ii) establish or manage any fund or other entity that engages in; or (iii) invest in any other fund or entity that engages principally in the asset-based lending business as carried on by Callidus. In addition, CCGI has agreed that during the term of the Management Services Agreement any opportunities within such business description that are made available to CCGI or its affiliates will first be offered to Callidus. CCGI and its affiliates will not be restricted from entering into lending transactions with one of the Catalyst Funds' portfolio companies or from making or acquiring loans as part of an overall investment objective of acquiring control or influence over an entity (other than an entity that engages principally in the asset-based lending business as carried on by Callidus).

The Management Services Agreement will remain in force until the earlier of (i) the date on which the Corporation and CCGI mutually agree in writing to terminate the Management Services Agreement; and (ii) the date on which CCGI gives written notice of the termination of the Management Services Agreement, provided that such notice may not be given for so long as any Catalyst Fund holds Common Shares or holds a direct participation interest in any Loan Portfolio. No additional fees will be payable by Callidus to CCGI on termination of the Management Services Agreement.

Employment and Consulting Contracts

David Reese

David Reese acts as COO of the Corporation and currently is paid $500,000 per annum. In addition, Mr. Reese is eligible to receive benefits and participate in annual bonus and option incentive programs. Mr. Reese is entitled to a severance payment in the event of termination without cause of up to six months' compensation. The estimated payment that would have been triggered from a termination without cause would have totaled up to approximately $650,000 as at December 31, 2013.

Dan Nohdomi

In October 2013, the Corporation entered into an employment agreement with Dan Nohdomi. The agreement contains provisions with respect to base salary (which is currently $210,000 per annum), eligibility for benefits and annual bonus and option incentives. The agreement also provides for a severance payment in the event of termination without cause of up to six months' salary. The agreement also contains non-competition, non-solicitation and confidentiality provisions binding on Mr. Nohdomi. The estimated payment that would have been triggered from a termination without cause would have totaled up to approximately $105,000 as at December 31, 2013.

Compensation of Directors

Summary Compensation Table – Directors – Expectations for 2014

The following table sets forth information regarding the compensation anticipated to be due by the Corporation to its directors in 2014.

Name	Fees earned	Share-based awards(2)	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
	($)	($)	($)	($)	($)	($)	($)
Ann Davis	35,000	25,000	-	-	-	-	60,000
Tibor Donath	35,000	25,000	-	-	-	-	60,000
Newton Glassman(1)	-	-	-	-	-	-	-
Jim Riley(1)	-	-	-	-	-	-	-
David Sutin	35,000	25,000	-	-	-	-	60,000

Notes:

(1) Messrs. Glassman and Riley will not receive any compensation from the Corporation for their services in their capacities as directors and officers of the Corporation and none of the compensation paid to Messrs. Glassman and Riley by CCGI is, directly or indirectly, attributable to such services. As a result, no compensation has been set out in the above table. Each of them will, however, have an alignment of economic interest with Callidus through their economic interests in CCGI. See "Principal Shareholders".

(2) See "Executive Officers and Directors Compensation – Incentive Plan Awards – Narrative Discussion of Incentive Plans – Incentive Plan".

Narrative Discussion

The Corporation will pay the following director fees to independent directors: (i) an annual base fee of $60,000; and (ii) a fee of $2,500 per meeting of the board or any committee thereof that such independent director attends, to a maximum of $2,500 per day. Directors may accept up to 50% of their compensation in DSUs. No additional fees will be payable to a committee chair for acting in such capacity.

AUDIT & RISK COMMITTEE AND CORPORATE GOVERNANCE

General

Following completion of the Offering, the Board will establish the Audit & Risk Committee and the Nominating, Compensation and Corporate Governance Committee (the "**Compensation and Governance Committee**"). It will also adopt new Board and committee charters, review its charter and the charters of its committees, modify such charters and adopt new charters, position descriptions and corporate governance principles and practices that are intended to meet or exceed the independence and other governance standards and guidelines as set out in National Instrument 52-109 –*Certification of Disclosure in Issuers' Annual and Interim Filings,* National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Board of Directors

Independence

Upon Closing, the Board will be comprised of five directors, of which three directors will be independent. Pursuant to NI 52-110, an independent director is one who is free from any direct or indirect material relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with a director's independent judgment. Certain types of relationships are by their nature considered to be material relationships. As the Executive Chairman and Chief Executive Officer of the Corporation and as an executive officer of CCGI, Newton Glassman is not considered to be an independent director. Jim Riley is a Managing Director and Chief Operating Officer of CCGI and is not considered to be an independent director. The Board is expecting to have three independent directors upon completion of the Offering, being Ann Davis, Tibor Donath and David Sutin.

The following is a list of the directors as at the Closing Date, who are presently directors of other issuers that are reporting issuers (or the equivalent):

Name	Name of Reporting Issuer
Tibor Donath	Counsel Corporation

After Closing, the Board intends to hold in-camera independent director meetings through the Corporate Governance Committee at every scheduled Board meeting, and otherwise as deemed necessary and upon the request of independent directors.

Mandate of the Board of Directors

The Board has responsibility for the supervision of the management of the business and affairs of the Corporation and, generally through management, to pursue the best interests of the Corporation in conducting the day to day business of the Corporation. The Board discharges this responsibility directly and indirectly through the delegation of specific responsibilities to committees of the Board, the Executive Chairman, the independent directors and the officers of the Corporation, all as more particularly described in the Board Mandate which will be approved by the Board prior to completion of the Offering, a copy of which is attached to this prospectus as Appendix "B". The Board Mandate provides that the Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board also considers the legitimate interests its other stakeholders such as employees, customers and communities may have in the Corporation. In broad terms, the stewardship of the Corporation involves the Board in strategic planning, financial reporting, risk management and mitigation, senior management determination, communication planning and internal control integrity.

As described below, the Board will establish the Audit & Risk Committee and the Compensation and Governance Committee and adopt charters defining the responsibilities of these committees.

Orientation and Continuing Education

The orientation and continuing education of the directors will be the responsibility of the Compensation and Governance Committee of the Board. The details of the orientation of new directors will be tailored to their needs and areas of expertise and will include the delivery of written materials and participation in meetings with management and the Board. The focus of the orientation program will be on providing new directors with (i) information about the duties and obligations of directors, (ii) information about the Corporation's business and operations, (iii) the expectations of directors (including, in particular, expected time commitments), (iv) opportunities to meet with management, and (v) access to documents from recent Board meetings.

The directors have all been chosen for their specific level of knowledge and expertise. All directors will be provided with materials relating to their duties, roles and responsibilities. In addition, the directors will be kept informed as to matters impacting, or which may impact, the Corporation's operations through reports and presentations by internal and external presenters at meetings of the Board and during periodic strategy sessions held by the Board. Directors may periodically take part in visits to the Corporation's office to observe for themselves the Corporation's operations.

Position Descriptions

Executive Chairman

Newton Glassman is the Executive Chairman of the Corporation and, as Managing Partner of CCGI, Mr. Glassman is not considered to be an independent director. The Board will adopt a written position description for the Executive Chairman prior to completion of the Offering which will set out the Executive Chairman's key responsibilities, which include facilitating communication between the Board and management, assessing management's performance, managing Board members, acting as chair of Board meetings and meetings of the Corporation's shareholders and managing relations with shareholders, other stakeholders and the public. The Compensation and Governance Committee, with input from all Board members, will review this position description at least annually or, where circumstances warrant, at such shorter intervals as is necessary, to determine if further additions, deletions or amendments are required.

Lead Director

The Board intends to appoint Tibor Donath as Lead Director prior to or concurrent with Closing. The Board will adopt a written position description for the Lead Director who will responsible for, among other things, setting the agenda of Board meetings in conjunction with the Executive Chairman. This Lead Director, if and when appropriate, will have the power to call, set the agenda for and chair meetings of the independent directors and chair in-camera sessions of the Board without management so as to give the directors an opportunity to fully and frankly discuss issues and provide feedback and direction to management.

Chair of the Audit & Risk Committee

The Board intends to appoint Ann Davis as chair of the Audit & Risk Committee on or following Closing. The Board will adopt a written position description for the chair of the Audit & Risk Committee prior to completion of the Offering which will set out the chair's key responsibilities, which include duties relating to leadership of the committee, fostering ethical and responsible decision making, overseeing committee structure and composition, acting as chair and establishing the agenda for committee meetings, reporting to the Board, facilitating communication between the committee and management, evaluating the performance of the committee members and retaining the necessary resources and advisors to assist the committee. The Compensation and Governance Committee, with input from all Board members, will review this position description at least annually or, where circumstances warrant, at such shorter intervals as is necessary, to determine if further additions, deletions or amendments are required.

Chair of the Compensation and Governance Committee

The Board intends to appoint David Sutin as chair of the Compensation and Governance Committee on or following Closing. The Board will adopt a written position description for the chair of the Compensation and Governance Committee prior to completion of the Offering which will set out the chair's key responsibilities, which include duties relating to leadership of the committee, fostering ethical and responsible decision making, overseeing the committee structure and composition, chairing and establishing the agenda for committee meetings, reporting to the Board, facilitating communication between the committee and management, evaluating the performance of the committee members and retaining necessary resources and advisors to assist the committee. The Compensation and Governance Committee, with input from all Board members, will review this position description at least annually or, where circumstances warrant, at such shorter intervals as is necessary, to determine if further additions, deletions or amendments are required.

Chief Executive Officer

The CEO of the Corporation is Newton Glassman. The Board will adopt a position description for the CEO prior to completion of the Offering which will set out the CEO's key responsibilities, which include providing leadership and vision, developing, in concert with the Board, the Corporation's strategic direction, tactics and business plan necessary to realize organizational objectives and manage the overall business of the Corporation, ensuring strategic and business plans are effectively implemented, results are monitored and reported to the Board and financial and operational objectives are attained. The Compensation and Governance Committee, with input from all Board members, will review this position description at least annually or, where circumstances warrant, at such shorter intervals as is necessary, to determine if further additions, deletions or amendments are required.

Code of Conduct and Ethics

The Corporation will adopt a written Code of Conduct and Ethics (the "**Code of Conduct**") prior to completion of the Offering that will apply to all directors, officers, employees, contractors and consultants. The Code of Conduct will encourage and promote a culture of ethical business conduct and will guide personnel in managing business situations and allow the Corporation to conduct business in a responsible and ethical manner, treating all those with whom the Corporation deals with fairness and respect. The Code of Conduct will address compliance with applicable laws and regulations, conflicts of interests, confidentiality and disclosure, employment practices, health, safety and environment, use of Callidus' property and resources, retention of documents and records, reporting financial transactions, compliance and enforcement and non-compliance reporting.

As part of the Corporation's Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to the Corporation's best interests or that may give rise to real, potential or apparent conflicts of interest. The Board or the persons or committee appointed pursuant to the Code of Conduct will have the ultimate responsibility for the Code of Conduct.

All persons subject to the Code of Conduct will be required to provide, upon request, Code of Conduct and Ethics Certification, confirming compliance with all laws, rules and regulations of the jurisdictions where they carry out their duties and where the Corporation is conducting its business activities, as well as compliance with all Callidus policies, which includes the confidentiality and insider trading policy adopted by the Board prior to completion of the Offering.

In addition to the steps taken by the Board to encourage independence discussed elsewhere in this prospectus, the Compensation and Governance Committee will assist with advising the Board on related party transactions and other matters involving conflicts of interest. Further, the Board takes steps to encourage independence when directors have conflicting interests in transactions. These steps may include, among other things, excusing interested directors from voting or taking any other action that may impact the outcome of an activity of business transaction to ensure that such directors are not involved in voting or otherwise having an influence in respect of transactions when there is a conflict or potential conflict of interest.

The Code of Conduct will be filed with the Canadian securities regulatory authorities through SEDAR and will be available at www.sedar.com.

Related Party Transaction Policy

The Corporation will adopt a written related party transaction policy (the "**Related Party Policy**") that will provide guidance as to how directors, officers, and employees of the Corporation identify potential related party transactions with the goal of avoiding potential or actual conflicts of interest. Potential related party transactions will be evaluated using enumerated factors including a valuation review. The evaluation will be carried out by the Compensation and Corporate Governance Committee unless the related party is CCGI or an investment fund established and managed by CCGI or its affiliates, in which case the Audit Committee will carry out the review. The Related Party Policy will accord with applicable corporate and securities laws and applicable stock exchange requirements, including those set out in the OBCA and Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). Pursuant to the Related Party Policy, directors and officers also will be required to disclose to the Corporation any interest that they have in a material contract or transaction.

Conflicts of Interest

As described above under the heading "Executive Officers and Directors – Conflicts of Interest", certain officers and directors of the Corporation are also officers and/or directors of CCGI. See also "Executive Officers and Directors Compensation – Management Services Agreement" and "Risk Factors – Conflicts of Interest".

Nomination of Directors

The responsibility for proposing new nominees for the Board will fall within the mandate of the Compensation and Governance Committee. New candidates for nomination to the Board will be identified and selected having regard to the strengths and constitution of the Board and the needs of the Board and its committees. The Compensation and Governance Committee will also develop and determine the appropriate size of the Board from time to time and determine its composition, identify the competencies and skills required by the Board to discharge its oversight responsibilities, organize the process for recruiting potential candidates and provide orientation to such members. The Compensation and Governance Committee is expected to consist of all independent directors.

Compensation of Directors and Chief Executive Officer

Subject to the terms of the Management Services Agreement, the Board will determine and review the form and amount of compensation to directors on the recommendation of the Compensation and Governance Committee. It is intended that the Compensation and Governance Committee will annually assess and make a recommendation to the Board with regard to the competitiveness and appropriateness of compensation to the CEO, all other officers and key employees of the Corporation. See "Executive Officers and Directors Compensation" and "Executive Officers and Directors Compensation – Management Services Agreement".

Committees of the Board Of Directors

On or following completion of the Offering, the Board will establish the Audit & Risk Committee and the Compensation and Governance Committee as committees of the Board. These committees are discussed in greater detail below.

Audit & Risk Committee

On Closing, the members of the Audit & Risk Committee will be Ann Davis, Tibor Donath and David Sutin. All members of the Audit & Risk Committee will be "independent" and "financially literate" for the purposes of NI 52-110. The Audit & Risk Committee will meet at least once each financial quarter to fulfill its mandate. The Audit & Risk Committee will provide a report to the Board outlining the results of the Audit & Risk Committee's activities and any reviews it has undertaken.

The Corporation expects that each member of the Audit & Risk Committee will have extensive business experience and/or education which provide him or her with the skills and background necessary to discharge his or her responsibilities as a member of the Audit & Risk Committee.

The specific responsibilities of the Audit & Risk Committee are set out in the Audit & Risk Committee Charter, a copy of which is attached to this prospectus as Appendix "C". The Audit & Risk Committee's primary role is to assist the Board in fulfilling its oversight responsibilities regarding the Corporation's internal controls, financial reporting and risk management processes.

The primary responsibilities of the Audit & Risk Committee will include: (i) identifying and monitoring the management of the principal risks that could impact the financial reporting of the Corporation; (ii) monitoring the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance; (iii) monitoring the independence and performance of the Corporation's external auditors; (iv) dealing directly with the external auditors to approve external audit plans, other services (if any) and fees; (v) overseeing the external audit process and results; (vi) providing an avenue of communication among the external auditors, management and the Board; (vii) ensuring that there is an appropriate standard of corporate conduct relating to the internal controls and financial reporting of the Corporation; (viii) ensuring that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual; and (ix) ensuring that an appropriate Code of Conduct is in place and understood by employees and directors of the Corporation. The Audit & Risk Committee will have the ability to retain external advisors to assist in fulfilling its mandate as necessary.

The Catalyst Funds, which are managed, controlled and directed by CCGI or its affiliates, will beneficially own 28,042,732 Common Shares following the completion of the Offering and, therefore, CCGI and the Catalyst Funds will be a related party to the Corporation. As a result, any transaction between Callidus and CCGI and the Catalyst Funds will be subject to the Corporation's corporate governance policies and the review, consideration and prior approval of the Audit & Risk Committee. The Audit & Risk Committee will have the ability to consult with those executive officers and operating personnel of the Corporation who do not have economic interests in CCGI, as well as other external advisors that the Audit & Risk Committee deems appropriate, in connection with reviewing a transaction with CCGI. In addition, in some cases, transactions between the Corporation and CCGI will be related party transactions for the purposes of MI 61-101. MI 61-101 provides, among other things, that in certain circumstances a transaction between an issuer and a related party of the issuer is subject to formal valuation and minority shareholder approval requirements.

The Audit & Risk Committee will be responsible for directly overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including the resolution of significant financial reporting issues between the external auditor and management. The external auditor will report directly to the Audit & Risk Committee. The Audit & Risk Committee will pre-approve all non-audit services undertaken by the external auditor.

Compensation and Governance Committee

On Closing, the members of the Compensation and Governance Committee will be Ann Davis, Tibor Donath and David Sutin. All members of the Compensation and Governance Committee will be "independent" for the purposes of NI 52-110. The Board will adopt a written charter for the Compensation and Governance Committee that sets out its areas of responsibility.

The Compensation and Governance Committee will be responsible for annual reviews of the Corporation's mission and strategic direction. The Compensation and Governance Committee will provide an assessment of the effectiveness of the Board as a whole, each committee of the Board, and the contribution of each individual director. The Compensation and Governance Committee will oversee the nominations to the Board and corporate governance practices of the Corporation.

The responsibilities of the Compensation and Governance Committee will include assisting the Board in fulfilling its responsibilities in relation to: (i) the selection of senior management; (ii) professional development for senior management; (iii) the Corporation's overall approach to governance; (iv) the size, composition and structure of the Board and its committees; (v) orientation and continuing education for directors; (vi) related party transactions and other matters involving conflicts of interest unless such matters fall within the mandate of the Audit & Risk Committee; (vii) the Corporation's Code of Conduct and Ethics; (viii) the Corporation's written whistleblower policy, disclosure policy and insider trading and confidentiality policy; and (ix) any additional matters delegated to the committee by the Board.

The Compensation and Governance Committee will also establish and oversee policies with respect to compensation of the senior management of the Corporation and the Board. These responsibilities will include assisting the Board in fulfilling its responsibilities in relation to: (i) the retention and compensation of senior management; (ii) the compensation of the Board and its committees; and (iii) any additional matters delegated to the committee by the Board. The Corporation and the Board believe that the interests of the Compensation and Governance Committee are aligned with the interests of shareholders to ensure that the compensation process is objective and that the Corporation's practices are designed to retain, motivate and reward senior management for performance and contribution to the Corporation's long term success.

Assessment of the Board and Board Committees

The members of the Board will collectively assess the performance of the Board as a whole and its individual members, as well as the effectiveness and contributions of each Board committee. Such assessment will occur annually with an emphasis on the overall effectiveness and contributions made by the Board as a whole and each committee of the Board. Evaluations will include the completion of written effectiveness surveys by directors and interviews with each director by the Lead Director of the Board. The results of such assessments and surveys will be presented by the Compensation and Governance Committee to the full Board.

External Auditor Service Fees

Callidus has accrued the following fees for services rendered in respect of the audits by KPMG LLP for the two fiscal years ended December 31, 2013 and December 31, 2012.

External Auditor Service Fees	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2012
	($)	($)
Audit Fees (1)	80,000	60,000
Audit Related Fees (2)	-	-
Tax Fees (3)	5,000	5,000
All Other Fees (4)	-	-

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit of the consolidated financial statements.

(2) "Audit Related Fees" include fees for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements other than those included in "Audit Fees".

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax advice and tax planning.

(4) "All Other Fees" include fees for products and services provided by the auditor other than those included above.

RISK FACTORS

An investment in the Common Shares is highly speculative. The Offering is suitable only for those purchasers who are able to risk a loss of their entire investment. Purchasers should consult with their own professional advisors to assess the legal, financial and other aspects of an investment in the Common Shares. In addition to the other information contained in this prospectus, prospective purchasers should carefully consider the following risk factors.

The risks and uncertainties described herein are not the only risks and uncertainties that Callidus faces. Additional risks and uncertainties of which Callidus is not currently aware or that Callidus currently believes to be immaterial may also materially *adversely affect Callidus' business, assets, liabilities, financial condition, results of operations, prospects, cash flows and the value or future trading price of the Common Shares (one or more of the foregoing, a "**Material Adverse Effect**"). The occurrence of any of the possible events and risks described below and elsewhere in this prospectus could have a Material Adverse Effect and prospective purchasers could lose all or part of their investment in the Common Shares.*

This prospectus also contains forward-looking statements that involve risks and uncertainties. Callidus' actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this prospectus. See "Cautionary Note Regarding Forward-Looking Statements".

Risks Relating to Callidus' Operations

Lending to Small and Mid-Sized Companies

The Loan Portfolio consists primarily of loans to small and medium sized, privately-owned companies, most of which do not publicly report their financial condition and are not subject to the same accounting rules and securities laws that govern disclosure and financial controls of public companies. Compared to larger, publicly-traded companies, loans to these types of companies may carry more inherent risk. See also "Risk Factors – Risks Relating to Callidus' Operations – Creditworthiness of Borrowers". The companies that Callidus finances generally have limited access to capital and higher funding costs, are in a weaker financial position, may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks. Small and medium-sized companies also typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tends to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, because most of Callidus' customers do not publicly report their financial condition and may not have sophisticated financial controls and oversight, Callidus is more susceptible to a borrower's misrepresentation, which could cause Callidus to suffer losses on its portfolio. See also "Risk Factors – Risks Relating to Callidus' Operations – Fraud by a Borrower". The failure of a borrower to accurately report its financial position could result in Callidus providing loans that do not meet its underwriting criteria, defaults on loan payments, the loss of some or all of the principal of a loan, or non-compliance with loan covenants. Accordingly, loans made to these types of companies involve higher risk than loans made to companies that have larger businesses, greater financial resources or are otherwise able to access traditional credit sources.

Creditworthiness of Borrowers

Callidus' business depends on the creditworthiness of its borrowers and their ability to fulfill their obligations to Callidus. Although Callidus intends to originate loans only with borrowers which it believes to be creditworthy, there can be no assurance that borrowers will not default and that Callidus will not sustain a loss on its loans as a result. See "Risk Factors – Risks Relating to Callidus' Operations – Default by and Bankruptcy of a Borrower". Callidus will also rely on representations made by borrowers in their loan documentation. However, there can be no assurance that such representations will be accurate or that Callidus will have any recourse against the borrower in the event a representation proves to be untrue. See also "Risk Factors – Risks Relating to Callidus' Operations – Fraud by a Borrower".

Default by and Bankruptcy of a Borrower

A borrower's failure to satisfy its borrowing obligations, including any covenants imposed by Callidus, could lead to defaults and the termination of the borrower's loans and enforcement against its assets. In order to protect and recover its investments, Callidus may be required to bear significant expenses (including legal, accounting, valuation and transaction expenses) to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower. In certain circumstances, a borrower's default under one loan could also trigger cross-defaults under other agreements and jeopardize that borrower's ability to meet its obligations under a loan agreement it may have with Callidus.

Should a borrower become insolvent, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale of all of a borrower's collateral will be sufficient to satisfy the loan obligations secured by the collateral, or that sufficient assets will remain after priority creditors have been repaid. See also "Risk Factors – Risks Relating to Callidus' Operations – Collateral Securing Callidus' Loans".

Adequacy of Provision for Credit Losses

Callidus maintains a provision for credit losses that reflects management's judgment of the risk of losses inherent in the Loan Portfolio. Callidus periodically reviews its provisions for credit losses to ensure they are adequate and will consider factors such as economic conditions and trends, collateral values, credit quality indicators, past charge-off experience, levels of past due loans, past due loan migration trends, and non-performing assets when performing its analysis. Determining the appropriate level of the provision for credit losses is an inherently uncertain process and therefore the determination of this provision may prove to be inadequate to cover losses in connection with the Loan Portfolio. Factors that could lead to the inadequacy of a provision for credit losses may include the inability to appropriately underwrite credit risk of new loans, to effectively manage collections, to anticipate adverse changes in the economy or the occurrence of discrete events that adversely affect specific borrowers, industries, markets or geographic areas. For these reasons, Callidus cannot provide assurance that its provisions for credit losses will be adequate to cover credit losses in the Loan Portfolio and such provisions may not keep pace with changes in the creditworthiness of borrowers or in collateral values.

If the credit quality of borrowers declines, if the risk profile of a market, industry, or group of borrowers changes significantly, or if a market for the collateral against which Callidus has secured its loans deteriorates significantly, Callidus' previous estimates of the appropriate level of reserves for credit losses may be inadequate. Losses from loans that exceed Callidus' expectations could have a Material Adverse Effect on the Corporation.

Callidus has and will continue to provide for credit losses based on industry specific historical losses considering the categories, segmentation and distribution of the assets being financed and its customer base.

Performance of the Loan Portfolio

Callidus maintains a Loan Portfolio of $471 million as at April 10, 2014. The past performance of Callidus has been based on a comparable loan portfolio of a smaller size. For example, as at December 31, 2011, the size of Callidus' loan portfolio was approximately $140 million. There can be no assurance that the same types of earnings can be made on the current Loan Portfolio or additional loans.

Collateral Securing Callidus' Loans

While all of Callidus' loans are secured by a lien on specified collateral of the borrower (particularly inventory, receivables and tangible fixed assets), there is no assurance that Callidus has obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect Callidus from suffering a partial or complete loss if the loan becomes non-performing and Callidus moves to enforce against the collateral. In such event, Callidus could suffer loan losses that could have a Material Adverse Effect on the Corporation. In addition, when underwriting a loan, Callidus makes an estimate of the value of the collateral under a distressed disposition generally using liquidation analysis. A decrease in the market value of collateral assets at a rate greater than the rate projected by Callidus may adversely affect the current realization values of such collateral. The degree of realization risk varies by the business of the borrower and the nature of the security.

Reliance on Certain Individuals and the Management Services Agreement

The success of Callidus will depend in large part upon the skill and expertise of Messrs. Glassman, Reese and Riley and other Callidus professionals referred to under "Executive Officers and Directors". There is no assurance that all of Callidus' current management team, including Messrs. Glassman, Reese and Riley, will continue to be employed by or available to the Corporation. There can also be no assurance that Callidus' asset-based lending strategy will continue to be successful in the absence of any one or all of Messrs. Glassman, Reese or Riley, or that Callidus will be able to attract and retain suitable candidates to replace these individuals. See also "Risk Factors – Risks Relating to Callidus' Operations – Management and Employees".

In addition, in the event that the Management Services Agreement is terminated, the Corporation will be required to establish replacement arrangements for certain of its management and related resources. There can be no assurance that replacement arrangements will be available on terms and conditions similar to or as favourable as those currently in place with CCGI, or at all. Further, any such arrangements will result in significantly increased fees, costs and expenses to the Corporation which, in turn, may have an adverse impact on the Corporation and its business, operations and financial condition. The failure of CCGI to perform its obligations pursuant to and in accordance with the Management Services Agreement or the termination of the Management Services Agreement could have a Material Adverse Effect on the Corporation.

Conflicts of Interest

Certain of the Corporation's directors and officers are, and may continue to be, involved in the private equity industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of Callidus. Situations may arise in connection with potential opportunities or acquisitions where the other interests of these directors and officers may conflict with Callidus' interests. Directors and officers of the Corporation with conflicts of interest will be subject to and follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

The officers and directors of CCGI have a fiduciary duty to manage its business in a manner beneficial to its owners and, in connection with fulfilling this duty, CCGI's ownership and management may compete with Callidus for the time and focus of Messrs. Glassman and Riley or for employment of other talented individuals, or may develop CCGI's business plan in a manner that is incompatible with the Corporation's objectives, any of which might result in Callidus' failure to realize the full benefits of the current relationship with CCGI and jeopardize the Corporation's ability to execute its growth plan. If conflicts arise in allocating the services or functions of these officers, a reduction in the services or function of such persons could have a Material Adverse Effect on the Corporation. See also "Risk Factors – Risks Relating to Callidus' Operations – Reliance on Certain Individuals and the Management Services Agreement" and "Risk Factors – Risks Relating to Callidus' Operations – Management and Employees".

Other than with respect to the non-competition provisions in the Management Services Agreement, CCGI will not be restricted from competing with the Corporation and Callidus cannot ensure that CCGI's business focus will not change over time. See "Executive Officers and Directors Compensation – Management Services Agreement".

CCGI and the Catalyst Funds Exercise Significant Control over Callidus

Immediately after Closing, the Catalyst Funds, which are managed, controlled and directed by CCGI or its affiliates, will beneficially own approximately 60.91% of the outstanding Common Shares and may subsequently acquire additional Common Shares. Messrs. Glassman and Riley are executive officers of CCGI. As a result, CCGI and the Catalyst Funds will exercise significant control over Callidus, giving it the ability to, among other things, approve significant corporate transactions or potentially delay or prevent transactions that could otherwise be beneficial to other shareholders. CCGI and the Catalyst Funds may have the ability to control the outcome of matters submitted for the vote or consent of Callidus' shareholders. In some cases, the interests of CCGI and the Catalyst Funds may not be the same as those of the Corporation's other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Corporation or its other shareholders. See "Risk Factors – Conflicts of Interest".

Callidus' Equity Participation in the Loan Portfolio May Decrease as the Size of the Loan Portfolio Increases

The Catalyst Funds have the right under the Participation Agreement to participate in the funding of the growth in a Loan Portfolio. The amount that the Catalyst Funds are entitled to fund will be determined based on the Funding Formula and the leverage the Catalyst Funds elect to allocate to their participation. In certain circumstances, this could result in a Catalyst Fund having the right to fund growth that is in excess of that Catalyst Fund's then current participation interest. In that case, the Catalyst Fund's proportionate participation interest in the Loan Portfolio would increase and Callidus' proportionate participation interest would decrease, notwithstanding the increase in size of the Loan Portfolio.

The amount of available capital for each of Callidus and the Catalyst Funds is calculated by using different methods, and the terms of the Participation Agreement may permit the Catalyst Funds to increase their participation interest in the Loan Portfolio to a level that is higher or lower than their participation interest on the Closing Date. There can be no assurance that Callidus will experience an increase in its participation in the Loan Portfolio should Loan Portfolio assets increase, or that Callidus' earnings from the Loan Portfolio will increase as Loan Portfolio assets increase. Furthermore, it may be difficult to accurately predict the level of Callidus' participation in future Loan Portfolio growth, or the proportion of Loan Portfolio returns to which Callidus investors will be entitled.

Decisions with respect to funding of the Loan Portfolio will be made by CCGI on behalf of the Catalyst Funds subject to the Funding Formula. Newton Glassman, the Executive Chairman and Chief Executive Officer of Callidus, is also the Managing Partner of CCGI. See "Risk Factors – Conflicts of Interest," "Risk Factors – CCGI and the Catalyst Funds Exercise Significant Control over Callidus."

Loan Concentration

Callidus specializes in certain broad industry segments, including technology and hardware, industrials, forestry, consumer goods, financials, energy distribution and agriculture. Currently, the largest industry sectors represented in the Loan Portfolio as at December 31, 2013 are: technology and hardware, representing 37% of Gross Loans Receivable, and industrials, representing 30% of Gross Loans Receivable. Together, these two sectors represent approximately 67% of Gross Loans Receivable. Callidus does not have fixed guidelines for diversification and lending could potentially be concentrated in relatively few industries or markets. Callidus relies on its Credit Committee to assess various risks, including those relating to concentration, on a case by case basis. As a result, Callidus' Loan Portfolio currently has concentrations of risk exposure related to the above-mentioned industry segments, and additional concentrations may develop. If industry segments in which Callidus has a concentration of investments experience adverse economic or business conditions, the delinquencies, default rate and charge-offs in those segments may increase and could have a Material Adverse Effect on the Corporation.

In addition, as of December 31, 2013, the Loan Portfolio contained two loans with a funding commitment in excess of $50 million. The largest loan provides a US$75 million funding commitment to a wireless service provider, and the second largest loan provides a $65 million funding commitment to a company in the mining and construction industry. As of December 31, 2013, these two loans represent approximately 20% of the funding commitments of the Loan Portfolio. A default by either borrower on its loan may result in Callidus failing to be repaid outstanding principal and interest owed to it, and could have a Material Adverse Effect on the Corporation.

Loan Prepayment

Callidus' term loans are prepayable by the borrowers, subject to prepayment penalties. Callidus is unable to predict if or when a borrower will prepay a loan. Typically, a borrower's decision to prepay depends on its continued positive economic performance and the existence of favourable financing market conditions that permit the borrower to replace its existing financing with less expensive capital. As market conditions change frequently, it is very difficult to predict if or when a borrower may deem market and business conditions to be favourable for prepayment. Prepayment of a loan by a borrower may have the effect of reducing the achievable yield of the loan to a level below that which was anticipated by Callidus. Such a reduction may occur when Callidus is unable to invest the funds prepaid by the borrower in other transactions with an expected yield greater than or equal to the yield Callidus expected to receive from the prepaying borrower.

Quarterly Financial and Operational Results

Callidus' quarterly net income and results of operations are difficult to forecast. Callidus may experience substantial fluctuations in net income and results of operations from quarter to quarter. Investors should not rely on Callidus' results of operations in any prior reporting period to be indicative of its performance in future reporting periods. Many different factors could cause Callidus' results of operations to vary from quarter to quarter, including:

- the success of Callidus' origination activities;
- credit losses and default rates;
- Callidus' ability to enter into financing arrangements;
- funding decisions made by the Catalyst Funds pursuant to the Participation Agreement;
- competition;
- seasonal fluctuations in Callidus' business, including the timing of transactions;
- costs of compliance with regulatory requirements;
- the timing and effect of any future acquisitions;
- personnel changes;
- changes in accounting rules;
- changes in prevailing interest rates;
- general changes to the Canadian, United States and global economies; and
- political conditions or events.

Callidus bases its current and future operating expense levels and its lending and investment plans on estimates of future net income, origination activity and rates of growth. Callidus expects that its expenses will increase in the future, and Callidus may not be able to adjust its spending quickly enough to compensate for net income that falls short of Callidus' expectations. Any shortfalls in Callidus' net income, origination activity, or in its expected growth rates, could have a Material Adverse Effect on the Corporation.

Change in Interest Rates

As at the date of this prospectus, all of the loans in the Loan Portfolio had fixed interest rates. Changes in market interest rates may cause the fair value or future cash flows of a financial instrument to fluctuate.

Additional Indebtedness of Borrowers

Callidus' lending criteria is based on the making of demand loans on a first lien (senior secured), collateralized basis. Callidus does, however, seek to provide flexible and innovative loan structuring and, to the extent a borrower is permitted to incur other debt secured by certain assets that ranks equally with, or senior to, the loans made by Callidus, such debt instruments may provide that the senior holders are entitled to receive payment of interest or principal on or before the dates on which the Callidus debt is serviced. The rights Callidus may have with respect to the collateral securing the loans it provides may also be limited pursuant to the terms of one or more intercreditor agreements with the holders of senior debt. Typically, an intercreditor agreement will provide various rights and remedies to the holder of a first priority lien during the time it is outstanding, which may result in Callidus failing to be repaid outstanding principal and interest owed to it and could have a Material Adverse Effect on the Corporation.

Fraud by a Borrower

While Callidus makes every effort to verify the accuracy of information provided to it when making a decision on whether to underwrite a loan, and has implemented systems and controls to assist in protecting itself against fraud, a borrower may fraudulently misrepresent information relating its financial health, operations, or compliance with the terms under which Callidus has advanced funds. In cases of fraud, it is difficult and often unlikely that Callidus will be able to collect amounts owing under loan or realize on collateral, which could have a Material Adverse Effect on the Corporation.

Control over Borrowers

Callidus is generally not in a position to exercise control over its borrowers or prevent decisions by the management or shareholders of a borrower that may affect the value of the collateral securing the Callidus loan, or otherwise affect the ability of the borrower to repay its obligations to Callidus. Furthermore, Callidus does not intend to take controlling equity positions in its borrowers. The lack of liquidity of debt positions that Callidus typically holds in its borrowers results in the risk that Callidus may not be able to dispose of its exposure to the borrower in the event that Callidus disagrees with the actions of that company. This could have a Material Adverse Effect on the Corporation.

Securities of Borrowers

Callidus lends almost exclusively to private companies. The securities issued by these companies will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. To the extent Callidus receives, or takes security in, any form of securities issued by private companies, it may be difficult for Callidus to dispose of such holdings if the need arises. Furthermore, if Callidus is required to liquidate all or a portion of the securities it holds in an illiquid company, it may realize significantly less than the value at which it had previously recorded its holdings. In addition, Callidus may face restrictions on its ability to liquidate any securities it may hold in a borrower to the extent it has material non-public information regarding such borrower.

Monitoring, Enforcement and Liquidation Procedures

From time to time, Callidus will be required to take enforcement proceedings with respect to non-performing loans and may be required to liquidate a borrower's assets. Enforcement and liquidation proceedings can be time consuming and, if a sufficient number of loans require enforcement, management's attention may be diverted from the day to day operations or from pursuing its growth strategy and the Corporation may incur significant expenses that cannot be recovered.

In connection with managing and monitoring the Loan Portfolio, Callidus has established a "watch list" system whereby borrowers with a deteriorating financial condition, or that otherwise meet certain criteria, are closely monitored by Callidus with a view to Callidus taking a proactive approach to ensuring the borrower's compliance with the terms and obligations of its loan and managing the risk of default. There can be no assurance that Callidus' watch list procedures will successfully identify borrowers at risk of defaulting on, or failing to comply with, their obligations under a loan, or that enhanced scrutiny by Callidus of borrowers on the watch list will be sufficient to prevent a borrower's default on its loan obligations.

At any given time borrowers, including but not necessarily limited to those placed on a watch list by management, may represent a risk of a loss to Callidus. Such situations could arise where the collateral of the borrower falls below the outstanding loan balance, or where the borrower has otherwise failed to comply with its obligations. In appropriate cases, management will take a loan loss provision to reflect the potential loss on the loan that could be expected through a workout situation or a liquidation scenario (see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Table 3 – Loan Loss Provision"). Borrowers on the watch list or loans subject to a loan loss provision may be, and often are, still performing for Callidus with respect to their contractual monthly interest payments.

Credit Facilities

Callidus currently has a $40 million Revolving Facility, of which $19.9 million is outstanding as at December 31, 2013, and a $50 million Term Loan, of which $50 million plus accrued interest is outstanding as at December 31, 2013. In addition, Callidus intends to enter into the Second Credit Agreement, which provides for an aggregate of approximately US$167 million of Class A Loans and approximately US$33 million of Class B Loans. If Callidus' cash flow and capital resources are insufficient to service amounts owed under its Credit Facilities or any future indebtedness, Callidus may be forced to reduce or delay funding of new loans, dispose of assets, issue equity, or incur additional debt to obtain necessary funds. Alternatively, Callidus may be required to restructure its debt, all of which could have a Material Adverse Effect on the Corporation. In addition, Callidus cannot guarantee that it would be able to carry out any of the foregoing on terms acceptable to Callidus (or at all), that such actions would be permitted under the terms of the Credit Facilities, or that such actions would enable Callidus to continue to satisfy its capital requirements.

In addition, Callidus has not yet determined whether it will renew, extend or replace the Credit Facilities upon their respective maturities, or whether such a renewal, extension or replacement will be available on terms that are as favourable as the current Credit Facilities. Callidus' ability to renew, extend or replace the Credit Facilities may be constrained by the then-current economic conditions affecting credit markets. A failure by Callidus to renew, extend or replace the Credit Facilities at their maturity dates could have a Material Adverse Effect on the Corporation.

The Credit Facilities also contain financial and non-financial covenants (See "Funding Arrangements – Credit Agreement" and "Funding Arrangements – Second Credit Agreement"). Complying with such covenants may at times necessitate that Callidus forego other favourable business opportunities, such as granting additional loans. Moreover, Callidus' failure to comply with any of these covenants may constitute a default under some or all of the Credit Facilities and could result in the acceleration of some or all of Callidus' then outstanding indebtedness. Such an acceleration could have a Material Adverse Effect on the Corporation.

In the event of default by Callidus' under the Credit Facilities, Callidus' secured creditors (and their agents) will be contractually entitled to direct sales of Callidus' assets and investments, and may be expected to do so in a manner that prefers the interests of the secured and priority creditors over the interests of the Corporation's shareholders. Holders of Common Shares will incur losses if the proceeds from a sale by Callidus' secured and priority creditors, after payment in full of amounts due to such creditors (together with any associated costs and expenses), are insufficient to repay the respective amounts invested by each shareholder. As a result, investors in the Common Shares could experience a total loss of their investment.

See also "Risk Factors – Risks Relating to Callidus' Operations – Use of Leverage".

Lack of Funding

Callidus is dependent upon its ability to secure funding for its loans and to fund its existing obligations. While Callidus actively pursues new sources of funding, there can be no assurance that such additional financing will be obtained. In the past, Callidus has obtained the cash required for its operations through a combination of funding from the Catalyst Funds and debt. Callidus intends to fund new loans using (i) Debt Capital; (ii) Growth Capital; and (iii) funds received from the Catalyst Funds pursuant to the Participation Agreement. As at December 31, 2013, Callidus had liquidity of $99 million available to fund new loans.

Concentration of Debt Financing Sources

Callidus has obtained debt financing from a limited number of financial institutions. Callidus' reliance on such entities for a significant amount of its funding exposes it to funding concentration risks. If the limited number of entities acting as lender to Callidus decide to terminate the Credit Facilities, such termination could have a Material Adverse Effect on the Corporation.

Use of Leverage

Callidus makes use of borrowed money to fund part of its loan origination and to pay various other operational expenses. The use of leverage magnifies the potential gains and losses from an investment and increases the risk of loss of capital. To the extent that income generated by the Loan Portfolio is greater than the cost of servicing the Corporation's debt, Callidus' net income will be greater than if borrowing had not been used. Conversely, if income from lending activities financed with borrowed funds is insufficient to cover the cost of borrowing, Callidus' net income will be less. The ability of Callidus to service any of its current or future outstanding debt depends largely on its financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that Callidus employs at any particular time will depend on its assessments of market and other factors at the time of any proposed borrowing.

As a result of Callidus' use of leverage:

- the Common Shares may be exposed to incremental risk of loss and a decrease in the value of its Loan Portfolio would have a greater negative impact on the value of the Common Shares than if Callidus did not use leverage;
- adverse changes in interest rates could reduce or eliminate the incremental income Callidus receives from the proceeds of any leverage;
- Callidus and, indirectly, its shareholders, bear the entire cost of paying interest and repaying any borrowed funds;
- Callidus' ability to pay dividends on its Common Shares may be restricted by covenants or other restrictions imposed by the its lenders. See "Funding Arrangements" and "Risk Factors – Risks Relating to Callidus' Operations – Credit Facilities";
- Callidus' ability to amend its organizational documents or other agreements may be restricted if such amendments would result in a material adverse effect on its lenders; and
- Callidus may, under some circumstances, be required to dispose of its loan assets under unfavourable market conditions in order to maintain its leverage, thus causing Callidus to recognize a loss that might not otherwise have occurred.

The extent to which the gains and losses associated with leveraged investing are increased will generally depend on the degree of leverage employed. Callidus currently expects to maintain a leverage ratio of less than 50% debt to total loan assets.

Changes in Market and General Economic Conditions

A weak economy could impact the quality of the loans available to Callidus. Adverse economic conditions also may decrease the estimated value of the collateral securing Callidus' loans. Further or prolonged economic slowdowns or recessions could lead to financial losses in the Loan Portfolio and a decrease in Callidus' net finance income, net income and book value. Any of these events, or any other events caused by turmoil in global financial markets, could have a Material Adverse Effect on the Corporation.

Competitive Business Environment

Callidus' ability to originate new asset-based loans could be significantly affected by the activities of other industry participants. New competitors may enter the Canadian asset-based loan market or current market participants may significantly increase their activities in this area. There can be no assurance that Callidus will be able to compete effectively with its current and future competitors in connection with the origination of new loans. If these or other competitors were to engage in aggressive pricing policies, Callidus may have difficulty originating new loans or could be forced to offer lower rates, both of which could have a Material Adverse Effect on the Corporation. Some of Callidus' competitors offer a broader range of financial and lending services than Callidus and can leverage their existing customer relationships to offer and sell services that compete directly with Callidus' services. Further, Callidus' competitors may have greater financial, technical, marketing, origination and other resources, and may have greater access to lower cost capital. As a result of competition, Callidus may not be able to attract new customers, retain existing customers, or sustain the rate of growth that Callidus has experienced to date. As a result, Callidus' ability to profitably expand its Loan Portfolio may decline. If Callidus' existing customers choose to use competing sources of credit to refinance their debt, Callidus' Loan Portfolio could be adversely affected.

Entering New Markets

The Corporation plans to expand 'Callidus Lite' and to further expand in the United States ABL industry. The United States is a different lending market with different competitive dynamics and therefore presents distinct and substantial risks. The Corporation will face competition from significantly larger lenders in the United States. If the expansion of the 'Callidus Lite' product or the growth in the United States does not develop as currently anticipated, or if Callidus is unable to penetrate them successfully, such result could have a Material Adverse Effect on the Corporation.

Inability to Realize Potential Benefits from Growth

Callidus' inability to realize the potential benefits from its growth strategy may adversely impact its operating results. Callidus' ability to realize such benefits will be based on its management of growth and will require it to continue to build its operational, financial and management controls, human resource policies, and reporting systems and procedures. Callidus' ability to manage its growth will depend in large part upon a number of factors, including the ability of Callidus to rapidly:

- secure additional sources of funding to fund new loans, while maintaining a prudent capital structure for Callidus;
- significantly expand Callidus' internal operational and financial controls so that it can maintain control over operations and provide support to other functional areas as the number of personnel and size of its business increases;
- attract and retain qualified personnel in order to continue to develop Callidus' origination platforms and provide services that respond to evolving customer needs; and
- develop support capacity for customers as sales increase, so that Callidus can provide post-sales support without diverting resources from origination efforts.

Callidus' inability to achieve any of these objectives could have a Material Adverse Effect on the Corporation.

Management and Employees

Callidus' success and ability to compete is dependent on its continuing ability to identify, attract, hire, train, retain and motivate highly qualified management and employees with relationships and referral sources, an understanding of the ABL businesses, and knowledge of the industries in which Callidus' borrowers operate. Many of the financial institutions with which Callidus competes for experienced personnel may be able to offer more attractive terms of employment. If any of Callidus' key origination personnel were to cease their employment with Callidus, Callidus' origination volume may decline or cease. In addition, Callidus invests significant time and expense in training its employees, which increases their value to competitors who may seek to recruit them, and increases the costs of replacing them. These factors could have a Material Adverse Effect on the Corporation. See also "Risk Factors – Risks Relating to Callidus' Operations – Reliance on Certain Individuals and the Management Services Agreement".

Litigation

From time to time in the ordinary course of its business, Callidus may become involved in various legal proceedings, including commercial, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause Callidus to incur significant expenses. Furthermore, the results of any such actions could have a Material Adverse Effect on the Corporation.

Operating Policies and Strategies

The Board of Callidus has the authority to modify or waive certain of the Corporation's operating policies and strategies without prior notice and without the approval of Callidus shareholders. Callidus cannot predict the effect that changes to its current operating policies and strategies would have on its business, operating results or share price. Changes to the Callidus' operating policies and strategies could have a Material Adverse Effect on the Corporation.

Foreign Currency and Hedging Transactions

The results of operations and cash flows of Callidus may be affected by changes in the Canadian dollar exchange rate relative to the currencies of other countries. Currently, Callidus' Loan Portfolio contains exposure to loans denominated in U.S. dollars. Accordingly, a decrease in the value of the U.S. dollar relative to the Canadian dollar may have a negative effect on the financial performance of Callidus. Callidus currently employs hedging techniques to minimize currency exchange rate risks. Callidus is unable to offer any assurance that its hedging strategies will successfully reduce the risk they were designed to mitigate. Callidus' use of hedging transactions exposes it to risks associated with such transactions. Hedging against a decline in the values of its portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. Moreover, it may not be possible to hedge against an exchange rate fluctuation that is so generally anticipated that Callidus is not able to enter into a hedging transaction at an acceptable price.

Callidus makes use of certain derivative instruments, including forward contracts and swaps to facilitate its currency hedging activities. The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in the underlying securities and other traditional investments. Callidus' use of derivative instruments involves certain inherent risks, including, but not limited to:

- the risk of default on amounts owing to Callidus by the counterparties with which Callidus has entered into such transactions;

- the risk that Callidus has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and

- the risk that, in respect of certain derivative products, an adverse change in market prices for currencies or interest rates will result in Callidus incurring an unrealized mark-to-market loss in respect of such derivative products.

Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index.

Failure of Computer and Data Processing Systems

Callidus is dependent upon the successful and uninterrupted functioning of its computer and data processing systems to monitor the Loan Portfolio, conduct its day-to-day operations, and identify new business opportunities. The failure of these systems could interrupt operations or materially impact Callidus' ability to originate and service its Loan Portfolio and conduct its day-to-day business operations.

Cyber-Security

Callidus maintains confidential information regarding its borrowers, business plans, strategy and potential origination opportunities in its computer systems. Callidus also maintains an internet website. Despite the implementation of network security measures, this infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage reputation, result in legal or regulatory liability, and could have a Material Adverse Effect on the Corporation.

Material Non-Public Information

Callidus' management or employees, and their respective affiliates, may serve as directors of, or in a similar capacity with, its borrowers. In the event that material non-public information is obtained with respect to its borrowers, such persons may become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations. As a result, Callidus could be prohibited for a period of time from selling the securities of a borrower, to the extent it owns any, and such a prohibition could have a Material Adverse Effect on the Corporation.

Payment In Kind Interest

Some of the loans made by Callidus contain a PIK interest provision. Loans with a PIK provision carry additional risk as the Corporation will not receive cash until such time as the "cash payment date" is reached (unless a portion of such loan is sold). If a borrower whose loan contains a PIK provision defaults, Callidus may obtain no return on its investment.

Lack of Regulation

Currently, there are no regulatory capital requirements on asset-based lenders that would impede their ability to extend credit, unlike the major commercial banks that are subject to the provisions of the *Bank Act* (Canada) and Basel III. Any changes to the regulation of the asset-based lending industry could have a Material Adverse Effect on the Corporation.

Risks Relating to the Offering

No Prior Public Market for Common Shares

Prior to the Offering, there has been no public trading market for the Common Shares, and Callidus cannot offer assurances that one will develop or be sustained after the Offering. Callidus cannot predict the prices at which the Common Shares will trade. The Offering Price was determined through negotiations among Callidus and the Underwriters, and may not bear any relationship to the market price at which it will trade after the Offering, or to any other established criteria of Callidus' value. Shares of companies often trade at a discount to the initial offering price due to sales loads, underwriting discounts and related offering expenses. Therefore, the Common Shares should not be treated as a trading vehicle.

Investment of Net Proceeds of the Offering

Callidus will have significant flexibility in applying the net proceeds of the Offering. Investors in Callidus will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding any investments or lending activity undertaken by Callidus after the Offering. Callidus may pay operating and other expenses, such as costs associated with due diligence activities in connection with potential new investments, from the net proceeds of this Offering. The Corporation's ability to achieve its investment objectives may be limited to the extent that net proceeds of the Offering, pending full investment, are used to pay expenses rather than to make investments. Furthermore, no assurance can be given that Callidus will be successful in investing the net proceeds of the Offering in investments or lending activities that will achieve its business objectives.

Delays in Deploying Net Proceeds of the Offering

Callidus currently anticipates that a portion of the net proceeds of the Offering will be used in accordance with its investment objectives and underwriting criteria within six to twelve months following completion of the Offering. Callidus cannot offer any assurance that it will be able to locate a sufficient number of suitable investment opportunities to allow it to successfully deploy the net proceeds of the Offering within that timeframe. To the extent Callidus is unable to do so, Callidus' investment income, and in turn its results of operations, will likely be adversely affected.

Portfolio Investment Opportunities not yet Identified

Callidus has not yet identified all of the potential portfolio investments into which it will direct a portion of the net proceeds of the Offering. Portfolio investments will be selected by Callidus subsequent to the Closing, and Callidus' shareholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in the Common Shares.

Loss of Entire Investment

An investment in the Offered Shares is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in the Corporation.

Market Price of the Common Shares

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Callidus' control, including the following:

- actual or anticipated fluctuations in Callidus' quarterly results of operations, including changes in earnings or variations in operating results;
- changes in the value of Callidus' portfolio of investments;
- recommendations by securities research analysts;
- operating performance and, if applicable, share price performance of Callidus' competitors;
- addition or departure of Callidus' management and other key personnel;
- expiration of lock-up or other transfer restrictions on outstanding Common Shares;
- sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Callidus or its competitors;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related industry and market issues;
- funding decisions by the Catalyst Funds pursuant to the Participation Agreement; and
- loss of a major funding source.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities and that have often been unrelated to the operating performance, underlying asset values or business prospects. Accordingly, the market price of the Common Shares may decline even if Callidus' operating results, underlying asset values or business prospects have not changed. There can be no assurance that continuing fluctuations in share price and volume will not occur, which could have a Material Adverse Effect on the Corporation.

Dividend Policy

Callidus has not declared or paid any dividends since its inception and does not anticipate paying dividends on the Common Shares in the foreseeable future. The declaration and payment of dividends on the Common Shares is at the discretion of the Board The amount and timing of any future dividends will be at the discretion of the Board after taking into account such factors as the Corporation's financial condition, results of operations, current and anticipated cash needs, the satisfaction of solvency tests imposed by the corporate law for the declaration and payment of dividends, restrictions on dividend payments imposed by the Credit Facilities, the requirements of any future financing agreements and other factors that the Board may deem relevant. See "Dividend Policy".

Future Capital Requirements and Dilution

Callidus may need to raise additional funds through public or private debt or equity financings in order to:

- fund ongoing operations;
- take advantage of opportunities, including more rapid expansion of Callidus' business or the acquisition of complementary businesses; or
- respond to competitive pressures.

Any additional capital raised through the sale of equity will dilute Callidus' existing shareholders' percentage ownership of Common Shares. Capital raised through debt financing would require Callidus to make periodic interest payments and may impose restrictive covenants on the conduct of Callidus' business. Furthermore, additional financings may not be available on terms favourable to Callidus, or at all. A failure to obtain additional funding could prevent Callidus from making expenditures that may be required to implement Callidus' growth strategy and grow or maintain Callidus' operations.

While Callidus believes that its capacity to expand the existing Credit Facilities and access the equity markets will be sufficient to fund future originations and its normal operating and capital expenditures, as Callidus grows, this ability to access necessary capital cannot be assured.

Future Sales of Common Shares by Existing Shareholders

Sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. If this occurs and continues, it could impair Callidus' ability to raise additional capital through the sale of securities.

100% of the Common Shares issued and outstanding prior to completion of this Offering are subject to a post-Closing lock-up period of (a) with respect to the CCGI Shares, until the later of (i) two years after the Closing Date; and (ii) the date on which CCGI or its affiliates would become entitled to such Common Shares pursuant to the provisions of the partnership agreement of the applicable Catalyst Fund (or, if CCGI does not become entitled to such Common Shares with respect to a particular Catalyst Fund, on the date such fund has disposed of substantially all of its investments); and (b) with respect to all other Common Shares held beneficially by the Catalyst Funds, 180 days after the Closing Date. Upon expiration of such lock-up period, such Common Shares will be freely tradable in the public market, subject to the provisions of applicable securities laws. See "Plan of Distribution".

The Catalyst Funds are private equity funds. As with all similar funds, each of the Catalyst Funds has a specified period in which it invests committed capital, followed by a period in which it disposes of those investments, distributes proceeds to investors and, ultimately, dissolves. Accordingly, after the termination of their respective investment periods, each of the Catalyst Funds will undertake a process of disposing of any interest it may have in Callidus at that time. The investment period for Catalyst Fund II has terminated and the fund is in the process of disposing of its investments. The current term of the fund expires in April 2014 although CCGI anticipates that the general partner of Catalyst Fund II will extend the term of Catalyst Fund II to April 2015. If further extensions are necessary to facilitate an orderly disposition of Catalyst Fund II's investments, such extensions can be granted with the approval of investors, however there can be no assurance that any such extension would be approved. Accordingly, Catalyst Fund II, which, as of the closing of the Offering will hold 4,091,710 Common Shares, may be required to dispose of its holdings by April 2015. The terms of Catalyst Fund III and Catalyst Fund IV expire in 2015 and 2017, respectively, although, in each case the applicable general partner has the right to extend the terms for up to two successive one year periods and further extensions may be granted with the approval of investors. See "Principal Shareholders".

Inaccurate or Unfavourable Research

The trading market for Common Shares relies in part on the research and reports that securities analysts and other third-parties choose to publish about Callidus. Callidus does not control these analysts or other third-parties. The price of the Common Shares could decline if one or more securities analysts downgrade Callidus or if one or more securities analysts or other third-parties publish inaccurate or unfavourable research about Callidus or cease publishing reports about Callidus.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement between the Corporation, Catalyst Fund II, Catalyst Fund III, Catalyst Fund IV, and the Underwriters, the Corporation has agreed to issue and sell, and the Underwriters have severally agreed to purchase, as principals, on the Closing Date or such other date as may be agreed upon by the Corporation and the Underwriters, but not later than a date that is 42 days after the date of the receipt for this prospectus, 18,000,000 Offered Shares at the Offering Price for a total consideration of $252,000,000, subject to compliance with all of the applicable legal requirements and to the terms and conditions contained in the Underwriting Agreement.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint. The Underwriters are, however, severally obligated to take up and pay for all of the Offered Shares if any of the Offered Shares are purchased under the Underwriting Agreement. The Underwriters are not required to take up or pay for Common Shares covered by the Over-Allotment Option described below. The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Corporation, Catalyst Fund II, Catalyst Fund III, and Catalyst Fund IV have agreed to indemnify the Underwriters, their directors, executive officers, employees and agents, against certain liabilities, including civil liabilities under applicable securities legislation or will contribute to payments the Underwriters may be required to make in respect thereof.

The Offering is being made in each of the provinces and territories of Canada (the "**Offering Jurisdictions**"). Offered Shares will be offered in each of the Offering Jurisdictions through those Underwriters or their affiliates who are registered to offer Offered Shares in such provinces and territories and such other registered dealers as may be designated by the Underwriters. Subject to applicable law and the provisions of the Underwriting Agreement, the Underwriters may offer the Offered Shares outside of Canada. There is currently no market through which Common Shares may be sold and prospective purchasers may not be able to resell Common Shares purchased under this prospectus.

The TSX has conditionally approved the listing of the Common Shares, subject to the Corporation fulfilling all of the listing requirements of the TSX on or before July 8, 2014.

The Offering Price and other terms of the Offering were determined by negotiation among the Corporation, Catalyst Fund II, Catalyst Fund III, Catalyst Fund IV, and the Underwriters. The Corporation has agreed to pay the Underwriters, in consideration for the services provided in connection with the Offering, an Underwriting Fee of $0.805 per Offered Share.

Subscriptions for Offered Shares will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing is expected to occur on the Closing Date, or such other date as the Corporation and the Underwriters may agree, but in any event no later than the date that is 42 days after the date of the receipt for this prospectus.

Offered Shares will be delivered electronically through the non-certificated inventory ("**NCI**") system of CDS Clearing and Depository Services Inc. ("**CDS**"). On the Closing Date, the Corporation, via its transfer agent, will electronically deliver the Offered Shares registered to CDS or its nominee. Transfers of ownership of Offered Shares in Canada must be effected through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of shareholders who hold Offered Shares in CDS must be exercised through, and all payments or other property to which such shareholders are entitled, will be made or delivered by CDS or the CDS participant through which the shareholder holds such Offered Shares. A holder of an Offered Share participating in the NCI system will not be entitled to a certificate or other instrument from the Corporation or the Corporation's transfer agent evidencing that person's interest in or ownership of Offered Shares, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS participant. The ability of a beneficial owner of Offered Shares to pledge such Offered Shares or otherwise take action with respect to such owner's interest in such Offered Shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

The Offered Shares offered hereby have not been, and will not be, registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold within the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Underwriters have agreed that they will not offer or sell Offered Shares within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement provides that the Underwriters, acting through its U.S. registered broker-dealer affiliate, may re-offer and re-sell the Offered Shares that they have acquired pursuant to the Underwriting Agreement to "qualified institutional buyers" as defined in, and in accordance with the exemption from the registration requirements of, Rule 144A under the U.S. Securities Act, and in compliance with similar exemptions under applicable state securities laws. The Underwriting Agreement also provides that the Underwriters may offer and sell the Offered Shares outside the United States in accordance with Regulation S under the U.S. Securities Act. The Offered Shares that are sold in the United States will be restricted securities within the meaning of Rule 144 under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless such offer is made pursuant to an exemption from registration under the U.S. Securities Act.

Over-Allotment Option

The Corporation has granted the Underwriters the Over-Allotment Option, exercisable in whole or in part at any time and from time to time, for a period of 30 days following Closing, to purchase up to an additional 2,700,000 Common Shares (representing approximately 15% of the Offered Shares offered pursuant to the Offering) solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, the Underwriting Fee and the net proceeds to the Corporation will be $289,800,000, $16,663,500, and $273,136,500, respectively. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of Common Shares upon exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires those Common Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize, maintain or otherwise affect the market price of Common Shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of Common Shares while the Offering is in progress. These transactions may also include making short sales of Common Shares, which involve the sale by the Underwriters of a greater number of Common Shares than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Common Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of Common Shares available for purchase in the open market compared with the price at which they may purchase Common Shares through the Over-Allotment Option. The Underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of Common Shares in the open market that could adversely affect purchasers who purchased in the Offering.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for, or purchase, Offered Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the Toronto Stock Exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the Underwriters may effect transactions which stabilize or maintain the market price for the Common Shares, and the price of Common Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which Common Shares are listed, in the over-the-counter market, or otherwise.

The Underwriters propose to offer Offered Shares initially at the Offering Price specified on the cover page of this prospectus. After the Underwriters have made their best effort to sell all of the Offered Shares at the price specified on the cover page, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by prospective purchasers for Offered Shares is less than the gross price paid by the Underwriters to the Corporation. Any such reduction in price will not affect the proceeds received by the Corporation.

Restrictions on the Sales of Common Shares

Restrictions on the Corporation

Pursuant to the Underwriting Agreement, the Corporation has agreed that without the prior written consent of the Lead Underwriter, it will not, during the period ending 180 days after the Closing Date: (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Common Shares, rights to purchase Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares; (ii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Common Shares; or (iii) agree or announce any intention to do any of the foregoing, other than Common Shares issuable under the Over-Allotment Option or under equity compensation plans of the Corporation outstanding at Closing; regardless of whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares, or other securities or interests, in cash or otherwise.

Restrictions on Certain Shareholders

Prior to Closing, the Lead Underwriter will enter into a lock-up agreement with CCGI and each of Catalyst Fund II, Catalyst Fund III and Catalyst Fund IV pursuant to which each such party will agree, subject to certain exceptions, not to offer, sell, contract to sell, agree to sell, pledge, hypothecate, grant or otherwise dispose of, or agree to dispose of, directly or indirectly, any Common Shares or securities convertible into or exchangeable or exercisable for any Common Shares or Common Shares issuable on the conversion or exchange of any convertible security (whether such Common Shares or convertible securities were held or received prior to, at, or after Closing, but excluding any Common Shares acquired on the secondary market after the completion of the Offering), enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of Common Shares, without the prior written consent of the Lead Underwriter for the following periods:

(a) with respect to the 3,964,786 Common Shares representing the number of Common Shares anticipated to be distributed to CCGI or its affiliates as its carried interest (the "**CCGI Shares**"), until the later of (i) two years after the Closing Date; and (ii) the date on which CCGI or its affiliates would become entitled to such Common Shares pursuant to the provisions of the partnership agreement of the applicable Catalyst Fund (or, if CCGI does not become entitled to such Common Shares with respect to a particular Catalyst Fund, on the date such fund has disposed of substantially all of its investments); and.

(b) with respect to all other Common Shares held beneficially by the Catalyst Funds, 180 days after the Closing Date.

CCGI or an affiliate will be entitled to 20% of the Common Shares held by each of Catalyst Fund II and Catalyst Fund III as of the Closing Date once the relevant fund has undertaken the disposition of its investment and limited partners have received their committed capital plus a specified rate of return. CCGI anticipates that it will become entitled to 20% of the Common Shares held by Fund II in 2015 and, in the event the hurdle rate of return is achieved, it would become entitled to 20% of the Common Shares held by Catalyst Fund III in 2017. See "Principal Shareholders".

Notwithstanding the foregoing, the Underwriters have agreed to provide their consent, as a condition of Closing, for the Catalyst Funds to transfer or grant, directly or indirectly, the CCGI Shares to CCGI, an affiliate of CCGI or to any partner or employee of CCGI who may ultimately be entitled to such Common Shares provided that any such affiliate, partner or employee first executes a lock-up agreement with the Lead Underwriter substantially in the form of the lock-up agreement with CCGI. See "Principal Shareholders".

All other holders of Common Shares and Options as of the Closing Date will similarly be subject to a 180-day lock-up.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Corporation, and Cassels Brock & Blackwell LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder in force on the date hereof, provided the Offered Shares are listed on a designated stock exchange (which includes the Toronto Stock Exchange), the Offered Shares will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan, registered disability savings plan, deferred profit sharing plan or tax-free savings account ("**TFSA**"), all as defined in the Tax Act.

Notwithstanding that Offered Shares may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the annuitant of a RRSP or RRIF and the holder of a TFSA that holds Offered Shares will be subject to a penalty tax if Offered Shares constitute a "prohibited investment" (as defined in the Tax Act) for the trust. Offered Shares will not be a prohibited investment for a trust governed by a RRSP, RRIF or TFSA provided the annuitant or holder of such RRSP, RRIF, or TFSA, as the case may be, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act for the purpose of the prohibited investment rules) in the Corporation. Generally, an annuitant or holder will have a significant interest in the Corporation if the annuitant or holder (and/or persons or partnerships not dealing at arm's length with the annuitant or holder) owns directly or indirectly 10% or more of the issued shares of any class of the capital stock of the Corporation or any corporation related to the Corporation within the meaning of the Tax Act. In addition, the Offered Shares will not be a prohibited investment if they are "excluded property" (as defined in the Tax Act) for trusts governed by a TFSA, RRSP or RRIF.

Prospective investors who intend to hold the Offered Shares in a RRSP, RRIF or TFSA should consult their own tax advisors as to whether the Offered Shares will be a prohibited investment in their particular circumstances.

MATERIAL CONTRACTS

The following material contracts and documents (the "**Material Contracts**") can reasonably be regarded as material to purchasers of Common Shares:

(a) the Debenture Repayment Agreement;

(b) the Participation Agreement;

(c) the Credit Agreement;

(d) the Second Credit Agreement;

(e) the Management Services Agreement; and

(f) the Underwriting Agreement.

Copies of the Material Contracts may, following the filing of the final prospectus, be inspected at the head and registered office of Callidus located at 77 King Street West, Suite 4320, TD North Tower, P.O. Box 212, Toronto, Ontario M5K 1K2, during normal business hours during the period of distribution of Offered Shares offered hereunder, or they are available at www.sedar.com.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not aware of any legal proceedings or regulatory actions outstanding, threatened or pending as of the date hereof by or against the Corporation which would be material to the Corporation's consolidated financial condition or results of operations.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The independent auditors of the Corporation are KPMG LLP, at its offices located at 4600-333 Bay Street, Toronto, Ontario, M5H 2S5. KPMG LLP have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The Corporation will retain Computershare Investor Services Inc. in Toronto, Ontario to act as registrar and transfer agent for the Common Shares.

EXPERTS

There is no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion in this prospectus, other than KPMG LLP, Fasken Martineau DuMoulin LLP and Cassels Brock & Blackwell LLP (collectively, the "**Experts**").

There were no registered or beneficial interests, direct or indirect, in any securities or other property of Callidus or of one of its associates or affiliates: (i) held by an Expert, when such Expert prepared the report, valuation, statement or opinion referred to herein as having been prepared by such Expert; (ii) received by an Expert, after the time specified above; or (iii) to be received by an Expert; except in each case for the ownership of Common Shares, which in respect of each Expert, as a group, has at all relevant times represented less than 1% of the outstanding Common Shares. In addition, none of the Experts, and no director, executive officer or employee of any of the Experts, is or is expected to be elected, appointed or employed as a director, executive officer or employee of Callidus or of any associate or affiliate of Callidus.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies of rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. Purchasers should refer to any applicable provisions of the securities legislation of their province or territory for the particulars of these rights or consult with a legal advisor.

APPENDIX "A"
GLOSSARY OF TERMS

In this prospectus, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set forth below:

"**ABL**" means asset-based lending, as defined below.

"**Active Portfolio**" has the meaning set out under the heading "Funding Arrangements – Participation Agreement".

"**Adjusted EBITDA**" has the meaning set out under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures".

"**affiliate**" has the meaning ascribed to that term in the *Securities Act* (Ontario).

"**Amended and Restated Roadshow Presentation**" has the meaning set out under the heading "Marketing Materials".

"**Amended and Restated Term Sheet**" has the meaning set out under the heading "Marketing Materials".

"**asset-based lending**" means commercial finance where loans are secured by assets and subject to a borrowing base.

"**assets under management**" means the sum of the current fair value of fund assets and the uncalled committed capital (as defined by the limited partnership agreements governing such funds).

"**associate**" has the meaning ascribed to that term in the *Securities Act* (Ontario).

"**Audit & Risk Committee**" means the audit & risk committee of the Board.

"**Audit & Risk Committee Charter**" means the charter of the Audit & Risk Committee, a copy of which is attached as Appendix "C".

"**Available Capital of Callidus**" has the meaning set out under the heading "Funding Arrangements – Participation Agreement – Funding Formula ".

"**Available Capital of the Catalyst Fund**" has the meaning set out under the heading "Funding Arrangements – Participation Agreement – Funding Formula ".

"**Average Loan Portfolio Outstanding**" has the meaning set out under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures".

"**Board**" means the board of directors of the Corporation.

"**Board Mandate**" means the mandate of the Board, a copy of which is attached as Appendix "B".

"**Callidus**" mean Callidus Capital Corporation.

"**Callidus Investment**" means an investment in Callidus, whether through Common Share ownership or participation interests granted pursuant to the Participation Agreement.

"**Catalyst Fund I**" means Catalyst Fund Limited Partnership I.

"**Catalyst Fund II**" means Catalyst Fund Limited Partnership II (together with a parallel fund).

"**Catalyst Fund III**" means Catalyst Fund Limited Partnership III.

"**Catalyst Fund IV**" means Catalyst Fund Limited Partnership IV.

"**Catalyst Funds**" means Catalyst Fund II, Catalyst Fund III and Catalyst Fund IV and any other investment fund established or managed by CCGI after the date hereof that CCGI elects to have participate in the funding of the Loan Portfolio.

"**CCGI Shares**" has the meaning set out under the heading "Plan of Distribution – Restrictions on the Sales of Common Shares – Restrictions on Certain Shareholders".

"**CCGI**" means The Catalyst Capital Group Inc.

"**CDS**" has the meaning set out on the cover page.

"**CEO**" means the Chief Executive Officer of the Corporation.

"**CFO**" means the Chief Financial Officer of the Corporation.

"**Chairman**" means the Chairman of the Board.

"**Class A Loans**" has the meaning set out under the heading "Funding Arrangements – Second Credit Agreement".

"**Class B Loans**" has the meaning set out under the heading "Funding Arrangements – Second Credit Agreement".

"**Closing Date**" has the meaning set out on the cover page.

"**Closing**" has the meaning set out on the cover page.

"**Code of Conduct**" has the meaning set out under the heading "Audit Committee and Corporate Governance – Code of Conduct and Ethics".

"**Common Shares**" has the meaning set out on the cover page.

"**Compensation and Governance Committee**" means the nominating, compensation and corporate governance committee of the Board.

"**COO**" means the Chief Operating Officer of the Corporation.

"**Corporation**" means Callidus Capital Corporation.

"**Credit Agreement**" means the first amended and restated credit agreement dated December 19, 2013 among Callidus and the Senior Lenders.

"**Credit Committee**" has the meaning set out under the heading "Lending Review Process".

"**Credit Facilities**" mean the credit facilities provided to Callidus pursuant to the terms of the Credit Agreement and the Second Credit Agreement.

"**Debenture Repayment Agreement**" has the meaning set out under the heading "Pre-Closing Transactions".

"**Debt Capital**" means amounts drawn under the Credit Facilities (or any other credit facilities or debt securities related to the Loan Portfolio from time to time).

"**Derecognition**" has the meaning set out under the heading "Management's Discussion and Analysis of Financial Results – Outlook".

"**DSU**" means the deferred share units of the Corporation.

"**EBITDA**" has the meaning set out under the heading "Management's Discussion and Analysis of Financial Results – Description of Non-IFRS Measures".

"**Eligible Persons**" has the meaning set out under the heading "Executive Officers and Directors Compensation – Incentive Plan Awards – Narrative Discussion of Incentive Plans – Incentive Plan".

"**Existing Borrower**" means any entity to which Callidus has made a loan forming part of a Loan Portfolio, or which has had a loan outstanding to Callidus, in the past twelve months and any and all affiliates of such entity.

"**fair value**" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date.

“**Financial Statements**” means the audited annual consolidated financial statements of Callidus as at December 31, 2013, 2012 and 2011, and for the years ended December 31, 2013, 2012 and 2011, and the related notes attached thereto.

“**Floor**” has the meaning set out under the heading “Funding Arrangements – Participation Agreement – Funding Formula”.

“**Forward-looking statement**” has the meaning set out under the heading “Cautionary Note Regarding Forward-Looking Statements”.

“**fully collateralized basis**” means that the loan advanced is less than the estimated value of the collateral at the time of such advance**.**

“**Funding Formula**” has the meaning set out under the heading “Funding Arrangements – Participation Agreement – Funding Formula”.

“**FX Facility**” means the facility for the establishment of foreign exchange forward contracts in the maximum principal amount of $7.5 million provided to Callidus pursuant to the terms of the Credit Agreement.

“**Grants**” means, collectively, Options and DSUs granted pursuant to the Incentive Plan.

“**Gross Loans Receivable**” has the meaning set out under the heading “Management’s Discussion and Analysis of Financial Results – Description of Non-IFRS Measures”.

“**Gross Yield**” has the meaning set out under the heading “Management’s Discussion and Analysis of Financial Results – Description of Non-IFRS Measures”.

“**Growth Capital**” means cash held by Callidus for the purpose of expanding the Loan Portfolio including $50 million from the proceeds of the Offering, the net proceeds of future issuances of any securities and amounts generated by Callidus from the operation of the business which amounts are not held for the benefit of a Catalyst Fund pursuant to the terms of the Participation Agreement and which, for greater certainty, will not include Debt Capital.

“**IASB**” means the International Accounting Standards Board.

“**IFRS**” has the meaning set out under the heading “Presentation of Financial Matters”.

“**Initial Portfolio**” has the meaning set out under the heading “Funding Arrangements – Participation Agreement”.

“**Incentive Plan**” means the amended and restated incentive plan of the Corporation effective as of April 11, 2014.

“**Lead Underwriter**” has the meaning set out on the cover page.

“**Leverage Cap**” has the meaning set out under the heading “Funding Arrangements – Participation Agreement – Limitation on Leverage”.

“**Loan Portfolio**” means, collectively, the Initial Portfolio, the Active Portfolio, the Passive Portfolios and any other 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.

“**Loans**” has the meaning set out under the heading “Funding Arrangements – Second Credit Agreement”.

“**Management Services Agreement**” has the meaning set out under the heading “Executive Officers and Directors Compensation – Management Services Agreement”.

“**management**” has the meaning set out under the heading “Pre-Closing Transactions and Basis Of Presentation Of Callidus”.

“**Marketing Materials**” means the Term Sheet, the Amended and Restated Term Sheet, the Roadshow Presentation and the Amended and Restated Roadshow Presentation.

“**Material Adverse Effect**” has the meaning set out under the heading “Risk Factors”.

“**MD&A**” means management’s discussion and analysis.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**mid-market companies**” means those with borrowing requirements of $5 to $100 million who are unable to access traditional debt.

“**NCI**” means non-certificated inventory.

“**NEO**” or “**Named Executive Officer**” has the meaning set out under the heading “Executive Officers and Directors Compensation”.

“**New Equity Funding**” has the meaning set out under the heading “Funding Arrangements – Participation Agreement – Funding Formula”.

“**New Senior Debt**” means new indebtedness incurred pursuant to the Second Credit Agreement.

“**NI 41-101**” means National Instrument 41-101 — *General Prospectus Requirements*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**Offered Shares**” has the meaning set out on the cover page.

“**Offering Jurisdictions**” has the meaning set out under the heading “Plan of Distribution”.

“**Offering Price**” has the meaning set out on the cover page.

“**Offering Price**” has the meaning set out on the cover page.

“**Offering**” has the meaning set out on the cover page.

“**Order**” has the meaning set out under the heading “Executive Officers and Directors – Corporate Cease Trade Orders and Bankruptcies”.

“**Over-Allotment Option**” has the meaning set out on the cover page.

“**Participating Debenture**” means the participating secured grid debenture dated as of July 1, 2012, issued by Callidus in favour of Catalyst Fund III and Catalyst Fund IV.

“**Participation Agreement**” means the participation agreement dated the Closing Date among Callidus, the Catalyst Funds and CCGI.

“**Passive Portfolio**” has the meaning set out under the heading “Funding Arrangements – Participation Agreement”.

“**PIK**” means payment-in-kind.

“**PIK Loan**” has the meaning set out under “Description of the Business - Current Loan Portfolio - Payment In Kind Loans”.

“**Pre-Closing Transactions**” means the series of transactions described under the heading “Pre-Closing Transactions”.

“**Preferred Shares**” means the preferred shares in the capital of the Corporation.

“**Realization Proceedings**” means, with respect to any loan: (i) the Corporation has made a demand for payment prior to the stated expiration date of that loan; (ii) the Corporation’s Credit Committee has rejected an application to renew that loan; (iii) the Corporation has entered into a standstill and forbearance agreement; or (iv) proceedings have been initiated with respect to the borrower thereunder under the *Companies’ Creditors Arrangement Act* (Canada) or the Bankruptcy and Insolvency Act (Canada) or similar legislation in other jurisdictions, except in connection with an original credit approval and as a condition for making that loan available.

“**Related Party Policy**” means the related party transaction policy of the Corporation.

“**Revolving Facility**” means the revolving credit facility in the maximum principal amount of $40 million provided to Callidus pursuant to the terms of the Credit Agreement.

“**Roadshow Presentation**” means the template version of the roadshow presentation dated March 26, 2014.

“**RRIF**” means a registered retirement income fund.

“**RRSP**” means a registered retirement savings plan.

“**Second Credit Agreement**” means the loan financing and servicing agreement dated April 10, 2014, between, among others, the Corporation, CCC Funding Corporation and the lenders named therein, as described in the Prospectus.

“**Senior Lenders**” means two major financial institutions.

“**Share Split**” has the meaning set out under the heading “Pre-Closing Transactions”.

“**Structuring Agent**” has the meaning set out under the heading “Funding Arrangements – Second Credit Agreement”.

“**Tax Act**” has the meaning set out under the heading “Eligibility for Investment”.

“**Tax Fees**” has the meaning set out under the heading “External Auditor Service Fees”.

“**Term Loan**” means the loan to Callidus in the principal amount of $50 million pursuant to the terms of the Credit Agreement.

“**Term Sheet**” means the template version of the indicative term sheet dated March 26, 2014.

“**TFSA**” means a tax free savings account.

“**Total Available Capital**” has the meaning set out under the heading “Funding Arrangements – Participation Agreement – Funding Formula ”.

“**TSX**” means the Toronto Stock Exchange.

“**U.S. Securities Act**” has the meaning set out on the cover page.

“**U.S.**” or “**United States**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

“**Underwriters** ” has the meaning set out on the cover page.

“**Underwriting Agreement**” has the meaning set out on the cover page.

“**Underwriting Fee**” has the meaning set out on the cover page.

APPENDIX "B"
BOARD MANDATE

CALLIDUS CAPITAL CORPORATION

To each of the directors of Callidus Capital Corporation (the "**Corporation**").

1. GENERAL

The fundamental responsibility of the board of directors (the "**Board**") is to supervise the management of the business and affairs of the Corporation.

The Board has adopted this Mandate, which reflects the Corporation's commitment to high standards of corporate governance, to assist the Board in supervising the management of the business and affairs of the Corporation. The Board is responsible for assessing its own effectiveness in fulfilling this mandate.

The Board believes that sound corporate governance practices are essential to the well-being of the Corporation and the promotion and protection of its shareholders' interests. The Board oversees the functioning of the Corporation's governance system, in part through the work of the Nominating, Compensation and Corporate Governance Committee.

The Board promotes fair reporting, including financial reporting, to shareholders of the Corporation and other interested persons as well as ethical and legal corporate conduct through an appropriate system of corporate governance, internal controls and disclosure controls. The Board believes that the Corporation is best served by a board of directors that functions independently of management and is informed and engaged.

The Nominating, Compensation and Corporate Governance Committee will review this mandate annually, or more often if warranted, and recommend to the Board such changes as it deems necessary and appropriate in light of the Corporation's needs and legal and regulatory developments.

2. COMPOSITION AND OPERATION OF THE BOARD

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs including selecting its chairman, nominating candidates for election to the board, constituting committees of the full Board and determining compensation for the directors. Subject to the articles and by-laws of the Corporation and the *Business Corporations Act* (Ontario) (the "**OBCA**"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

The Board should consist of individuals who possess skills and competencies in areas that are relevant to the business and affairs of the Corporation. At least a majority of the directors will be "independent" directors within the meaning of applicable securities laws, instruments, rules and policies and regulatory requirements.

The directors of the Corporation will be elected at the annual meeting of the shareholders of the Corporation and shall serve until no longer than the close of the next annual meeting of shareholders, subject to re-election thereat.

3. MEETINGS

The Board shall have at least four regularly scheduled meetings in each financial year of the Corporation.

The Chairman of the Board (the "**Chairman**"), the Chief Executive Officer (the "**CEO**") and the Lead Director of the Board (the "**Lead Director**"), if any, are responsible for the agenda for each meeting of the Board. Prior to each Board meeting, the Chairman and the CEO will discuss agenda items for the meeting with the Lead Director, if any. Materials for each meeting should be distributed to the Board in advance of the meeting.

Directors are expected to attend at least three quarters of all meetings of the Board held in a given financial year of the Corporation and to adequately review meeting materials in advance of each meeting.

The independent directors (in this context, meaning directors who are not also senior officers or not independent within the meaning of applicable laws) should hold an in-camera session without the non-independent directors and any senior officers present at each meeting of the Board, unless such a session is not considered necessary by the independent directors present. The Chairman, if independent, and if not independent, the Lead Director, if any, should chair the in camera sessions.

4. BOARD COMMITTEES

The Board may appoint such committees from time to time as it considers appropriate. Each permanent committee shall have a mandate that is approved by the Board, setting out the responsibilities of, and the extent of the powers delegated to, such committee by the Board. The Board shall assess the mandates of each committee (considering, among other things, the recommendations of the applicable committee) from time to time, and at least annually. The committees currently consist of the Audit Committee and the Nominating, Compensation and Corporate Governance Committee.

5. RESPONSIBILITIES

The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders such as employees, customers and communities may have in the Corporation. In broad terms, the stewardship of the Corporation involves the Board in strategic planning, financial reporting, risk management and mitigation, senior management determination, communication planning and internal control integrity.

6. DUTIES

The Board's specific duties, obligations and responsibilities fall into the following categories.

(i) **Legal Requirements**

(A) The Board has the oversight responsibility for meeting the Corporation's legal requirements and for properly preparing, approving and maintaining the Corporation's documents and records.

(B) The Board has the statutory responsibility to:

(I) manage the business and affairs of the Corporation;

(II) act honestly and in good faith with a view to the best interests of the Corporation;

(III) exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and

(IV) act in accordance with its obligations contained in the OBCA and the regulations thereto, the articles and by-laws of the Corporation, securities laws and regulations, and other relevant legislation and regulations.

(C) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:

(I) any submission to the shareholders of a question or matter requiring the approval of the shareholders;

(II) the filling of a vacancy among the directors;

(III) the issuance of securities;

(IV) the declaration of dividends;

(V) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;

(VI) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;

(VII) the approval of management proxy circulars; and

(VIII) the approval of any take-over bid circular or directors' circular.

(ii) **Independence**

The Board shall have the responsibility to:

(A) implement appropriate structures and procedures to permit the Board to function independently of management;

(B) evaluate the relevant relationships of each independent director and is required to make an affirmative decision that any such relationship does not preclude a determination that the director is independent within the meaning of applicable laws;

(C) implement a system which enables an individual director to engage an outside advisor at the reasonable expense of the Corporation in appropriate circumstances; and

(D) provide an orientation and education program for newly appointed members of the Board.

(iii) **Strategy Determination**

The Board shall:

(A) adopt and annually review a strategic planning process and approve the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business;

(B) review and, if appropriate, approve all material transactions affecting the Corporation not contemplated in the strategic plan and budget approved by the Board from time to time;

(C) annually consider what additional skills and competencies would be helpful to the Board, with the Nominating, Compensation and Corporate Governance Committee being responsible for identifying specific candidates for consideration for appointment to the Board; and

(D) annually review operating and financial performance results relative to established strategy, budgets and objectives.

(iv) **Corporate Governance**

The Board is responsible for ensuring the establishment of appropriate standards of corporate conduct and should ensure that adequate procedures are in place to monitor compliance with the Corporation's code of conduct and ethics (the "**Code of Conduct**"). Only the Board may grant waivers of the Code of Conduct which would be to the benefit of any director or senior officer.

If any resignations are submitted in accordance with the majority voting policy of the Corporation (the "**Policy**"), the Board shall refer the resignation to the Nominating, Compensation and Corporate Governance Committee. The Nominating, Compensation and Corporate Governance Committee and the Board may adopt such procedures as they see fit to assist it in their determinations with respect to the Policy.

(v) **Managing Risk**

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to confirm that systems are in place to effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

(vi) **Appointment, Training and Monitoring of Senior Management**

The Board shall:

(A) appoint the Chief Executive Officer ("**CEO**") and such other senior officers as it determines to be appropriate;

(B) be responsible for satisfying itself as to the integrity of the CEO and the other senior officers of the Corporation, and that the CEO and the other senior officers create a culture of integrity throughout the Corporation;

(C) review (upon recommendations from the Compensation and Governance Committee) the compensation of:

(I) directors to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director; and

(II) the senior officers to ensure that it is competitive within the industry and that the form of compensation aligns the interests of each senior officer with those of the Corporation;

(D) monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;

(E) ensure that a process is established that adequately provides for succession planning, including the appointment, training and monitoring of the CEO and other senior officers; and

(F) establish limits of authority delegated to management.

(vii) **Reporting and Communication**

The Board has the responsibility to:

(A) verify that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;

(B) verify that the financial performance of the Corporation is reported to shareholders, other security holders and regulators on a timely and regular basis;

(C) verify that the financial results are reported fairly and in accordance with generally accepted accounting standards (including International Financial Reporting Standards as applicable);

(D) verify the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and

(E) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year.

(viii) **Monitoring and Acting**

The Board has the responsibility to:

(A) review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements;

(B) review and approve the annual financial statements, management's discussion and analysis related to such annual financial statements, budgets and forecasts, annual information form and management information circular of the Corporation, as applicable;

(C) if requested by the Audit Committee, review and approve the quarterly financial statements and management's discussion and analysis related to such quarterly financial statements;

(D) verify that the Corporation operates at all times within applicable laws and regulations to the highest ethical and moral standards;

(E) approve and monitor compliance with significant policies and procedures by which the Corporation is operated;

(F) recommend to shareholders the appointment of the Corporation's external auditor, pursuant to the recommendation of the Audit & Risk Committee, and set the external auditor's compensation;

(G) monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;

(H) take such action as it determines appropriate when performance falls short of its goals and objectives or when other special circumstances warrant;

(I) verify that the Corporation has implemented adequate internal controls and information systems which ensure the effective discharge of its responsibilities; and

(J) consider, and if established, review from time to time, a dividend policy for the Corporation.

(ix) **Other Activities**

The Board may exercise or delegate any other powers consistent with this mandate, the Corporation's articles and by-laws, the OBCA and any other governing laws, as the Board deems necessary or appropriate. The powers of the Board may be exercised by a resolution passed at a meeting of the Board at which a quorum is present or by a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting. If there is a vacancy in the Board, the remaining directors may exercise all the powers of the Board so long as a quorum remains in office. The Board may perform any other activities consistent with this mandate, the by-laws of the Corporation, the OBCA and any other governing laws as the Board determines necessary or appropriate.

APPENDIX "C"
AUDIT & RISK COMMITTEE CHARTER

CALLIDUS CAPITAL CORPORATION

1. GENERAL

It is the policy of Callidus Capital Corporation (the "**Corporation**") to establish and maintain an Audit & Risk Committee (the "**Committee**"), composed entirely of independent directors, to assist the board of directors (the "**Board**") in carrying out its oversight responsibility for the Corporation's internal controls, financial reporting and risk management processes. The Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board, including administrative support. If determined necessary by the Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

2. COMPOSITION OF THE COMMITTEE

(A) The Committee shall consist of at least three directors. The Board shall appoint the members of the Committee and may seek the advice and assistance of the Nominating, Compensation and Corporate Governance Committee in identifying qualified candidates. The Board shall appoint one member of the Committee to be the chair of the Committee (the "**Chair**").

(B) Each director appointed to the Committee by the Board shall be an outside director who is unrelated. An outside, unrelated director is a director who is independent of management and is free from any interest, any business or other relationship which could, or could reasonably be perceived, to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholdings. In determining whether a director is independent of management, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.

(C) Each member of the Committee shall be "financially literate". In order to be financially literate, a director must be, at a minimum, able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

(D) A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

3. MEETINGS OF THE COMMITTEE

(A) The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair and whenever a meeting is requested by the Board, a member of the Committee, the auditors, or a senior officer of the Corporation. Meetings of the Committee shall also correspond with the review of the quarterly financial statements and management's discussion and analysis.

(B) Notice of each meeting of the Committee shall be given to each member of the Committee and to the auditors, who shall be entitled to attend each meeting of the Committee and shall attend whenever requested to do so by a member of the Committee. However, no notice of a meeting shall be necessary if all of the members are present either in person or by means of telephone or web conference, or other communication equipment, or if those absent waive notice or otherwise signify their consent to the holding of such meeting.

(C) Notice of a meeting of the Committee shall:

(I) be in writing;

(II) state the nature of the business to be transacted at the meeting in reasonable detail;

(III) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and

(IV) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Committee may permit.

(D) A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Committee. However, it shall be the practice of the Committee to require review, and, if necessary, approval of certain important matters by all members of the Committee.

(E) Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts, by facsimile or other electronic signature) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.

(F) A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

(G) In the absence of the Chair, the members of the Committee shall choose one of the members present to be chair of the meeting. In addition, the members of the Committee shall choose one of the persons present to be the secretary of the meeting.

(H) The chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Committee; however, the Committee (i) shall meet with the external auditors independent of management, as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.

(I) The Committee shall hold an in-camera session without any senior officers present at each meeting of the Committee, unless such a session is not considered necessary by the members present.

(J) Minutes shall be kept of all meetings of the Committee and shall be signed by the chair and the secretary of the meeting.

4. COMMITTEE RESPONSIBILITIES

The Committee's primary responsibilities are to:

(A) identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;

(B) monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

(C) monitor the independence and performance of the Corporation's external auditors;

(D) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;

(E) directly oversee the external audit process and results;

(F) provide an avenue of communication among the external auditors, management and the Board;

(G) ensure that there is an appropriate standard of corporate conduct relating to the internal controls and financial reporting of the Corporation;

(H) ensure that an effective "whistle blowing" procedure (the "**Policy**") exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual; and

(I) ensure that an appropriate code of conduct and ethics (the “**Code of Conduct**”) is in place and understood by employees, officers and directors of the Corporation.

5. DUTIES

(A) The Committee shall:

(I) review the audit plan with the Corporation’s external auditors and with management;

(II) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;

(III) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;

(IV) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(V) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;

(VI) consider whether the Corporation’s financial disclosures are complete, accurate, prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and fairly present the financial position of the Corporation;

(VII) obtain timely reports from the external auditors describing critical accounting policies and practices applicable to the Corporation, the alternative treatment of information in accordance with IFRS that were discussed with the Chief Financial Officer of the Corporation, the ramifications thereof, and the external auditor’s preferred treatment, and should review any material written communications between the Corporation and the external auditor;

(VIII) review and discuss with senior officers of the Corporation any guidance being provided on the expected future results and financial performance of the Corporation, and provide its recommendations on such guidance to the Board;

(IX) review the procedures which are in place for the review of the public disclosure by the Corporation of financial information extracted or derived from the financial statements of the Corporation and periodically assess the adequacy of such procedures;

(X) review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;

(XI) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management’s response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;

(XII) review with financial management and the external auditors the quarterly unaudited financial statements and management’s discussion and analysis before release to the public;

(XIII) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management’s discussion and analysis and press releases containing financial information;

(XIV) review, consider and if appropriate, approve any transaction between the Corporation and the Catalyst Capital Group Inc. ("**CCGI**"), a related party to the Corporation;

(XV) oversee any of the financial affairs of the Corporation, its subsidiaries or affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management;

(XVI) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditors or the discharge of the external auditors when circumstances are warranted;

(XVII) consider the recommendations of management in respect of the appointment of the external auditors;

(XVIII) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors, or the external auditors of the Corporation's subsidiary entities (if any);

(XIX) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and consider the potential impact of such services on the independence of the external auditors;

(XX) review the fees paid by the Corporation to the external auditor and any other professionals in respect of audit and non-audit services on an annual basis;

(XXI) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Instrument 51-102 — *Continuous Disclosure Obligations* (or any successor instrument) of the Canadian Securities Administrators and the planned steps for an orderly transition period;

(XXII) establish and maintain procedures for:

(1) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and

(2) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(XXIII) review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors or auditing matters;

(XXIV) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors;

(XXV) review with management at least annually, the financing strategy and plans of the Corporation; and

(XXVI) review all securities offering documents (including documents incorporated therein by reference) of the Corporation.

(B) The Committee has the authority to:

(I) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates (to the extent necessary);

(II) discuss with the management of the Corporation, its subsidiaries and affiliates and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate;

(III) consult with executive officers and operating personnel of the Corporation who do not have economic interests in CCGI, as well as other external advisors that the Committee deems appropriate, in connection with reviewing transactions with CCGI;

(IV) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(V) to set and pay the compensation for any advisors employed by the Committee;

(VI) conduct any investigation considered appropriate by the Committee; and

(VII) at any meeting, request the presence of the auditor, a member of senior management or any other person who could contribute to the subject of the meeting.

(C) The Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

6. CHAIR OF THE COMMITTEE

(A) The Board will appoint one member who is qualified for such purpose to be Chair, to serve until the next annual election of directors or otherwise until his or her successor is duly appointed. If, following the election of directors, in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

(B) The Chair should:

(I) provide leadership to the Committee and oversee the functioning of the Committee;

(II) chair meetings of the Committee (unless not present), including in-camera sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations and decisions of the Committee, and otherwise at such times and in such manner as the Chair considers advisable;

(III) ensure that the Committee meets at least quarterly in each financial year of the Corporation, and otherwise as is considered advisable;

(IV) in consultation with the Chairman of the Board and the members of the Committee, establish dates for holding meetings of the Committee;

(V) set the agenda for each meeting of the Committee, with input from other members of the Committee, the Chairman of the Board, the Lead Director, if any, and any other appropriate individuals;

(VI) ensure that Committee materials are available to any director upon request;

(VII) act as a liaison, and maintain communication, with the Chairman of the Board, the Lead Director, if any, and the Board to co-ordinate input from the Board and to optimize the effectiveness of the Committee;

(VIII) report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;

(IX) assist the members of the Committee to understand and comply with the responsibilities contained in this mandate;

(X) foster ethical and responsible decision making by the Committee;

(XI) consider complaints covered by the Policy, undertake an investigation of the violation or suspected violation of the Code of Conduct or as defined in the Policy, and promptly report to the Committee and the Board any complaint that may have material consequences for the Corporation and, for each financial quarter of the Corporation, the Chair should report to the Committee and to the external auditors, in the aggregate, the number, the nature and the outcome of the complaints received and investigated under the Policy;

(XII) together with the Nominating, Compensation and Corporate Governance Committee, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;

(XIII) ensure appropriate information is provided to the Committee by the senior officers of the Corporation to enable the Committee to function effectively and comply with this mandate;

(XIV) ensure that appropriate resources and expertise are available to the Committee;

(XV) ensure that the Committee considers whether any independent counsel or other experts or advisors retained by the Committee are appropriately qualified and independent in accordance with the applicable laws;

(XVI) facilitate effective communication between the members of the Committee and the senior officers of the Corporation, and encourage an open and frank relationship between the Committee and the external auditor;

(XVII) attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Corporation to respond to any questions from shareholders that may be asked of the Committee;

(XVIII) in the event a Chairman of the Board is not appointed by the Board at the first meeting of the Board following the annual meeting of shareholders each year, and the position of Chair of the Nominating, Compensation and Corporate Governance Committee is vacant, serve as the interim Chairman of the Board until a successor is appointed; and

(XIX) perform such other duties as may be delegated to the Chair by the Committee or the Board from time to time.

7. REMOVAL AND VACANCIES

Any member of the Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as he or she resigns or ceases to meet the qualifications set out above. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board on the recommendation of the Committee. If a vacancy exists on the Committee, the remaining members will exercise all of its powers so long as a quorum remains in office.

8. ASSESSMENT

At least annually, the Committee will assess its effectiveness in fulfilling its responsibilities and duties as set out in this Mandate and in a manner consistent with the Board mandate to be adopted by the Board.

9. REVIEW AND DISCLOSURE

The Committee will review this Mandate at least annually and submit it to the Board for approval with such further proposed amendments as it deems necessary and appropriate.

10. CODE OF CONDUCT AND ETHICS

The Committee should:

(A) review periodically and recommend to the Board any amendments to the Code of Conduct, and monitor the policies and procedures established by the senior officers to ensure compliance with the Code of Conduct;

(B) review actions taken by the senior officers to ensure compliance with the Code of Conduct, the results of the confirmations and the responses to any violations of the Code of Conduct;

(C) monitor the disclosure of the Code of Conduct, any proposed amendments to the Code of Conduct and any waivers to the Code of Conduct granted by the Board; and

(D) review the policies and procedures instituted to ensure that any departure from the Code of Conduct by a director or senior officer which constitutes a “material change” within the meaning of applicable laws is appropriately disclosed in accordance with applicable laws.

11. WHISTLEBLOWER POLICY

The Committee shall review the Corporation's Policy periodically to determine whether the Policy is effective in providing appropriate procedures to report violations (as defined in the Policy) or suspected violations, and recommend to the Board any amendments to the Policy.

12. ACCESS TO OUTSIDE ADVISORS

The Committee may retain any outside advisor, including an executive search firm, at the expense of the Corporation at any time and has the authority to determine any such advisor’s fees and other retention terms. The Committee, and any outside advisors retained by it, will have access to all records and information relating to the Corporation and its subsidiaries which it deems relevant to the performance of its duties.

APPENDIX "D"
FINANCIAL STATEMENTS

Consolidated Financial Statements
(Expressed in Canadian dollars)

CALLIDUS CAPITAL CORPORATION

Years ended December 31, 2013, 2012 and 2011

KPMG LLP
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Callidus Capital Corporation

We have audited the accompanying consolidated financial statements of Callidus Capital Corporation, which comprise the consolidated statements of financial position as at December 31, 2013, December 31, 2012 and December 31, 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the three years ended December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Callidus Capital Corporation as at December 31, 2013, December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the three years ended December 31, 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 15, 2014
Toronto, Canada

CALLIDUS CAPITAL CORPORATION

Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

December 31, 2013, 2012 and 2011

	2013	2012	2011
Assets			
Current assets:			
Cash and cash equivalents	$ 38,014	$ 49,127	$ 71,996
Loans receivable (note 5)	349,992	114,395	138,909
Derivative assets (note 15)	–	18	317
Income taxes receivable (note 11)	9	–	–
Deferred tax asset (note 11)	1,228	–	–
Assets held for sale (note 17)	11,360	11,690	12,601
Other assets	17	19	18
	$ 400,620	$ 175,249	$ 223,841
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Revolving credit facility (note 8)	$ 19,879	$ –	$ –
Accounts payable and accrued liabilities	788	949	2,463
Deferred facility fees (note 3)	3,701	3,030	1,205
Derivative liabilities (note 15)	329	–	–
Income and other taxes payable (note 11)	–	–	15
	24,697	3,979	3,683
Borrower deposits	235	150	84
Due to Catalyst Fund Limited Partnerships (note 7)	330,703	125,670	172,919
Senior debt (note 7)	49,683	49,586	49,489
Shareholders' deficiency:			
Share capital (note 10)	1	1	1
Contributed surplus (note 16)	5,152	–	–
Accumulated deficit	(9,851)	(4,137)	(2,335)
	(4,698)	(4,136)	(2,334)
Contingencies (note 13)			
	$ 400,620	$ 175,249	$ 223,841

See accompanying notes to consolidated financial statements.

CALLIDUS CAPITAL CORPORATION

Consolidated Statements of Comprehensive Income
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2013, 2012, 2011

	2013	2012	2011
Revenue:			
Interest	$ 47,102	$ 21,451	$ 18,720
Fees and other	6,222	6,070	3,095
	53,324	27,521	21,815
Interest expense and participation fees:			
Catalyst Fund Limited Partnerships	37,494	17,870	14,074
Senior debt and revolving credit facilities	4,414	4,307	3,245
	41,908	22,177	17,319
Net interest income	11,416	5,344	4,496
Other income (loss):			
Provision for loan losses (note 6)	(5,976)	(2,030)	(3,199)
Foreign exchange gain (loss)	(1,363)	(433)	940
Other income	451	–	–
	(6,888)	(2,463)	(2,259)
Non-interest expenses:			
Management fees	–	–	260
Salaries and wages	4,248	3,004	2,379
Stock options	5,152	–	–
General and administrative	2,036	1,745	1,287
	11,436	4,749	3,926
Loss before income taxes	(6,908)	(1,868)	(1,689)
Income taxes (recovery):			
Current	34	(66)	–
Deferred	(1,228)	–	–
	(1,194)	(66)	–
Loss and comprehensive loss for the year	$ (5,714)	$ (1,802)	$ (1,689)

See accompanying notes to consolidated financial statements.

CALLIDUS CAPITAL CORPORATION

Consolidated Statements of Changes in Equity
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2013, 2012, 2011

	2013	2012	2011
Share capital, beginning of year	$ 1	$ 1	$ 1
Balance, end of year	$ 1	$ 1	$ 1
Contributed surplus, beginning of year	$ –	$ –	$ –
Stock options expense	5,152	–	–
Balance, end of year	$ 5,152	$ –	$ –
Accumulated deficit, beginning of year	$ (4,137)	$ (2,335)	$ (646)
Loss for the year	(5,714)	(1,802)	(1,689)
Balance, end of year	$ (9,851)	$ (4,137)	$ (2,335)

See accompanying notes to consolidated financial statements.

CALLIDUS CAPITAL CORPORATION

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2013, 2012, 2011

	2013	2012	2011
Cash provided by (used in):			
Operating activities:			
Loss for the year	$ (5,714)	$ (1,802)	$ (1,689)
Transaction costs not involving cash:			
Stock options	5,152	–	–
Amortization of transaction costs	97	97	73
Provision for loan losses	5,976	2,030	3,199
Change in non-cash operating items:			
Change in loans receivable, net of repayments	(241,573)	22,484	(45,079)
Derivative assets	18	299	–
Income taxes receivable	(9)	–	–
Deferred tax asset	(1,228)	–	–
Assets held for sale	330	911	–
Other assets	2	(1)	438
Accounts payable and accrued liabilities	(161)	(1,514)	(294)
Deferred facility fees	671	1,825	277
Derivative liabilities	329	–	–
Income and other taxes payable	–	(15)	(18)
Borrower deposits	85	66	84
	(236,025)	24,380	(43,009)
Financing activities:			
Net advances from (repayment to) Catalyst Fund Limited Partnerships	205,033	(47,249)	38,384
Net draw on senior debt and revolving credit facilities	19,879	–	49,416
Increase in share capital	–	–	1
	224,912	(47,249)	87,801
Increase (decrease) in cash and cash equivalents	(11,113)	(22,869)	44,792
Cash and cash equivalents, beginning of year	49,127	71,996	27,204
Cash and cash equivalents, end of year	$ 38,014	$ 49,127	$ 71,996
Cash and cash equivalents are composed of the following:			
Cash	$ 32,264	$ 41,627	$ 65,096
Restricted cash	5,750	7,500	6,900
	$ 38,014	$ 49,127	$ 71,996

See accompanying notes to consolidated financial statements.

1. Reporting entity:

Callidus Capital Corporation ("Callidus") is a company domiciled in Canada and was incorporated under the Business Corporations Act (Ontario). Callidus' registered office is at 77 King Street West, Toronto, Ontario Canada.

These consolidated financial statements comprise Callidus and its subsidiaries (together referred to as the "Company"). The Company operates a specialty finance business that provides senior secured asset based loans and lending services to mid-market companies operating in Canada and the United States.

Callidus Capital Management Inc. ("CCM"), the former principal subsidiary of the Company, was a private company incorporated under the Business Corporations Act (Ontario). On December 14, 2012, CCM was granted registration as an investment fund manager and as an exempt market dealer with the Ontario Securities Commission ("OSC").

CCM was amalgamated with Callidus effective January 1, 2013 and the OSC registration name was changed to Callidus.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 19.

The consolidated financial statements were authorized for issue by the Board of Directors on April 11, 2014.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for derivative instruments which are measured at fair value.

2. Basis of presentation (continued):

(c) Functional and presentation currency:

These consolidated financial statements are presented in thousands of Canadian dollars, which is also the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the allowance for loan losses and the Company's assessment of consolidation under IFRS 10, Consolidated Financial Statements, of certain loans in its loan portfolio.

3. Significant accounting policies:

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS consolidated statements of financial position at January 1, 2011 for the purposes of transition to IFRS.

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the consolidated statements of financial position.

3. Significant accounting policies (continued):

(b) Loans receivable:

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans receivable include accrued interest receivable, loans advanced to borrowers during the normal course of the Company's business, and loans acquired from other lenders at a discount.

Loans receivable are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. The loans receivable balances include accrued interest.

(c) Impairment:

Collectability is regularly evaluated by assessing the realizable values of the assets securing the loans and viability of the underlying business. At each reporting date, the Company assesses whether there is objective evidence that loans receivable or other financial assets are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy; and
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

3. Significant accounting policies (continued):

The Company considers evidence of impairment for loans at both a specific asset and a collective level. All individually significant loans are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified, where the loans have similar risk characteristics.

Impairment losses are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and the new financial asset is recognized at fair value. The impairment loss before an expected restructuring is measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans receivables.

3. Significant accounting policies (continued):

Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The Company writes off a loan either partially or in full, and any related allowance for impairment losses, when the Company determines that there is no realistic prospect of recovery.

(d) Borrower deposits:

Borrower deposits include amounts received by the Company from potential borrowers as part of the loan application process. If the loan is approved and closes, the full amount of the deposit is credited against the loan. If the loan is approved on terms substantially the same as the terms and conditions contained in the term sheet provided to the potential borrower and the borrower chooses not to proceed with the credit facility, the deposit is deemed a fully earned work fee by the Company and non-refundable and is recognized into income at that time. The deposit amounts less any legal and due diligence costs incurred by the lender are refunded to such potential borrowers if the loan application is not approved.

(e) Foreign currency transactions:

Transactions in foreign currencies are translated into the respective functional currency of the Company at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Foreign currency differences arising on translation are generally recognized in the consolidated statements of comprehensive income.

3. Significant accounting policies (continued):

(f) Financial assets and financial liabilities:

(i) Recognition:

The Company initially recognizes loans and other financial assets on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification:

Financial assets:

The Company classifies its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available-for-sale; and
- at fair value through profit or loss, and within this category as:
    - held for trading; or designated at fair value through profit or loss.

At December 31, 2013, 2012 and 2011, all financial assets except for derivative instruments have been categorized as loans and receivables.

3. Significant accounting policies (continued):

Financial liabilities:

The Company classifies its financial liabilities as measured at amortized cost or fair value through profit or loss. At December 31, 2013, 2012 and 2011, the Company has no liabilities at fair value through profit and loss.

(iii) Derecognition:

Financial assets:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income ("OCI") is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

3. Significant accounting policies (continued):

Financial liabilities:

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) Amortized cost measurement:

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. Significant accounting policies (continued):

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(g) Derivatives held for risk management purposes:

Derivatives held for risk management purposes are measured at fair value in the consolidated statements of financial position.

All changes in fair value are recognized immediately in the consolidated statements of comprehensive income.

3. Significant accounting policies (continued):

Embedded derivatives:

Derivatives may be embedded in another contractual arrangement (a host contract) such as a loan contract. The Company accounts for an embedded derivative separately from the host contract when:

- the contract is not itself carried at fair value through profit or loss;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the consolidated statements of financial position together with the host contract.

(h) Income taxes:

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

(i) Current tax:

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

3. Significant accounting policies (continued):

(ii) Deferred tax:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. Significant accounting policies (continued):

(iii) Tax exposures:

In determining the amount of current and deferred tax, the Company considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(i) Consolidation:

The Company consolidates any entities which it controls. Control is established when the Company has the power over the entity, exposure or rights to variable returns from its involvement, and the ability to exercise power to affect the amount of returns. The Company assesses individual loans for control at each reporting date.

(j) Interest:

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. Significant accounting policies (continued):

Interest income includes interest earned on loans receivable. Interest income is calculated on the daily balance and charged monthly. Fees are recognized in accordance with the signed loan agreements.

Facility fees are earned on commitment of a new facility or renewal of existing facilities, and are payable by the borrower (i) at closing or renewal, or (ii) the earlier of maturity or repayment of the credit facility. These fees are non-refundable and are recognized as income over the expected term of the facility.

Unused line fees are calculated daily based on the unused portion of the credit facility and are payable by the borrower monthly.

Discounts on acquired loans are recognized when the loan is fully repaid.

As at December 31, 2013, there were $3,701 (2012 - $3,030; 2011 - $1,205) in deferred facility fees that will be recognized in income in fiscal 2014 and 2015.

As at December 31, 2013, there were $2,200 (2012 - $2,200; 2011 - $2,200) in discounts on acquired loans that will be recognized when the related loans are fully repaid.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in the consolidated statements of comprehensive income.

(k) Impairment of non-financial assets:

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets ("CGU") that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

3. Significant accounting policies (continued):

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(l) Financial guarantees and loan commitments:

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

(m) Stock options:

Stock options granted to employees is recognized in salary and wage expense on the consolidated statements of comprehensive income, with a corresponding increase in contributed surplus, over the period in which the employees become unconditionally entitled to the awards.

(n) Assets held for sale:

Assets held for sale are carried at the lower of the carrying amount at designation and fair value less costs to sell.

4. Future accounting developments:

The Company actively monitors developments and changes in standards from the IASB. The IASB issued a number of new or revised standards which are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated financial statements.

(a) IFRS 9, Financial Instruments, ("IFRS 9"):

IFRS 9 was issued by the IASB in November 2009 to provide guidance on classification and measurement of financial assets.

Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. In 2010, the IASB released an updated version that introduces additional changes relating to financial liabilities. In 2013, the IASB issued a new general hedge accounting standard which will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. On November 19, 2013, IFRS 9 was formally amended to remove the January 1, 2015 effective date, in line with the decision made in the July 2013 IASB meeting. The IASB also tentatively decided at its November 2013 meeting that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after January 1, 2018.

The Company continues to monitor all of these developments and continues to assess the impact thereof on the Company's consolidated financial statements.

(Expressed in thousands of Canadian dollars)

4. Future accounting developments (continued):

(b) Amendments to International Accounting Standard 32, Offsetting Financial Assets and Liabilities ("IAS 32"):

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities.

The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively.

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

The Company is assessing the impact thereof on the consolidated financial statements.

5. Loans receivable:

Loans and advances to customers are measured at amortized cost.

Contractual Maturity	2013	2012	2011
0 - 3 months	$ 169,318	$ –	$ 25,004
3 - 6 months	16,538	17,642	1,089
6 - 12 months	160,448	89,890	98,660
No specific maturity	3,688	6,863	14,156
	$ 349,992	$ 114,395	$ 138,909

The loans can be prepaid subject to prepayment penalties. The total credit facilities available to borrowers at December 31, 2013 was $479,000 (2012 - $209,000; 2011 - $250,239).

(Expressed in thousands of Canadian dollars)

5. Loans receivable (continued):

The loans receivable charge interest at fixed rates. For the current year, the loan portfolio generated a blended yield, including all interest and fees of approximately 21% (2012 - 21%; 2011 - 20%). The loans are all senior secured credit facilities with revolving and non-revolving loans secured by a first charge on substantially all of the borrowers' assets.

In fiscal 2011, the Company acquired a pool of distressed loans funded by a competitor (the "Assignor") for $18,737. The loans were recorded at the exchange amount documented in the purchase agreement and will be held at amortized cost, consistent with existing loans and receivables.

Certain loans acquired were given a value of nil which reflects its fair value given the uncertainty associated with its recoverability. However, the Company expects to recover proceeds from several of these loans in future periods. At December 31, 2011, the notional value of the loans expected to produce additional proceeds was $2,067. During 2012, two of the loans were realized in the amount of $969, from which $363 was paid to the Assignor as part of an agreement to share equally, the net proceeds realized during the twelve month period ended June 30, 2012 on certain of the acquired loans.

6. Loan loss allowance:

As at December 31, 2013, the Company has allowance for loan losses of $10,176 (2012 - $4,200; 2011 - $2,500), which is offset against loans receivable on the consolidated statements of financial position.

	2013	2012	2011
Individual allowance for impairment			
Balance, beginning of year	$ 4,200	$ 2,500	$ –
Charge for the year:			
Interest accrual on non-performing loans	976	1,700	–
Additional individual allowances	5,000	–	2,500
Balance, end of year	$ 10,176	$ 4,200	$ 2,500

During the year, the Company had direct write-offs of nil (2012 - $330; 2011 - $699).

(Expressed in thousands of Canadian dollars)

7. Long-term and callable debt:

	2013	2012	2011
Due to Catalyst Fund Limited Partnerships	$ 330,703	$ 125,670	$ 172,919
Senior debt	50,000	50,000	50,000
Associated transaction costs	(317)	(414)	(511)
	49,683	49,586	49,489
	$ 380,386	$ 175,256	$ 222,408

The Company entered into a Debenture Note and Commitment Agreement (the "Original Debenture"), with Catalyst Fund Limited Partnership II ("Catalyst Fund II") on May 1, 2007 whereby Catalyst Fund II committed up to U.S. $150 million to finance commercial loans made by the Company. On July 1, 2012, the Company entered into a series of agreements, including an amendment and restatement of the Original Debenture, whereby Catalyst Fund Limited Partnership III and Catalyst Fund Limited Partnership IV (the "Funds"), committed up to U.S. $200 million to finance commercial loans made by the Company and the Original Debenture issued to Catalyst Fund II was cancelled. The committed amount was increased to U.S. $350 million, effective October 24, 2013 by way of an amendment to the amended and restated debenture agreement.

The amounts due on the senior debt represent a senior secured non-revolving term loan for $50 million. The loan has a term of six years, matures March 31, 2017, and bears a fixed rate of interest based on Government of Canada Bond rate at the time of issuance plus 5.75%. The loan is secured by a first priority charge over all assets and property owned by the Company. The Company was in compliance with its financial covenants at December 31, 2013, 2012 and 2011.

In 2011, the Company paid $575 in transaction costs associated with the above term financing, which has been deferred and is being amortized into interest expense over the term of the loan using the effective interest rate method.

8. Revolving credit facility:

On December 19, 2013, the Company obtained a $47.5 million revolving credit facility (the "Revolving Credit Facility"), consisting of a $40 million revolving facility (the "Revolver") and a $7.5 million Treasury Risk Management Facility (the "FEX Facility"). The Revolver may be drawn in either Canadian dollar or U.S. dollar advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases subject to (i) a borrowing base calculation dependent on certain accounts receivable and inventories; and (ii) a financial ratio of total senior debt divided by the total senior debt borrowing base.

The Revolving Credit Facility matures March 31, 2017, ranks pari passu with the term loan and shares a first priority charge over all assets of the Company. As at December 31, 2013, the Company had availability of $20,121 under the Revolver.

The Company was in compliance with its financial covenants at December 31, 2013.

9. Related party transactions:

(a) Relationships:

The Catalyst Capital Group Inc. and Funds managed by them (collectively "Catalyst") and Tradecap Management Inc. (formerly Callidus Management Inc.) own 95% and 5% of the issued and outstanding shares of the Company, respectively.

The Chief Executive Officer of Catalyst is a member of the Board of Directors and the Credit Committee of the Company.

(Expressed in thousands of Canadian dollars)

9. Related party transactions (continued):

(b) Due to Catalyst:

Catalyst has committed up to U.S. $350 million to finance commercial loans made by the Company. Catalyst charges interest at 8% per annum on funds advanced from time to time plus a commitment fee of 1% of committed funds plus additional interest determined by a formula based on the net income of the Company. The amounts due to Catalyst are secured by a subordinated security interest over the Company's assets. The commitment obligation is for a minimum of three years and maximum of five years (the "Term") and the Term can be extended by mutual consent. Advances are aligned to loans receivable and are settled at the end of each fiscal year unless there is a specific repayment date agreed to at the time the advance is made. To date, no specific repayment terms have been agreed to between the above parties.

During the year, Catalyst provided the Company with over 80% (2012 - 74%; 2011 - 75%) of its funding for issuance of facilities to external borrowers. Future funding of operations is dependent on Catalyst continuing to provide the Company with sufficient funding to support its lending operations.

(c) Transactions during the year:

During the year, participation fees of $19,690 (2012 - $8,796; 2011 - $5,236) and commitment fees of $599 (2012 - $508; 2011 - $1,038) to Catalyst were paid or accrued. Interest expense also includes $17,205 (2012 - $8,566; 2011 - $3,800) paid to Catalyst. All transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(d) Key management personnel compensation:

Key management personnel compensation comprised the following:

	2013	2012	2011
Short-term employee benefits	$ 1,581	$ 1,156	$ 480
Share-based payments	1,690	–	–
	$ 3,271	$ 1,156	$ 480

(Expressed in thousands of Canadian dollars)

10. Share capital:

	2013	2012	2011
100 common shares			
Issued, beginning and end of year	$ 1	$ 1	$ 1

11. Income taxes:

(a) Amounts recognized in profit or loss:

	2013	2012	2011
Current taxes expense (recovery):			
Current year	$ 13	$ (66)	$ –
Prior year adjustments	21	–	–
	34	(66)	–
Deferred tax expense:			
Origination and reversal of temporary differences	(376)	–	–
Recognition of previously unrecognized deferred tax assets	(852)	–	–
	(1,228)	–	–
Total income tax expense	$ (1,194)	$ (66)	$ –

(b) Reconciliation of effective tax rate:

		2013		2012		2011
Loss before income taxes		$ (6,908)		$ (1,868)		$ (1,689)
Tax using the domestic corporation tax rate	26.50 %	$ (1,831)	26.50 %	$ (495)	28.25 %	$ (477)
Non-deductible expenses	(0.22)%	15	(0.62)%	12	(0.24)%	4
Share options	(19.76)%	1,365	–	–	–	–
Recognition of previously unrecognized tax asset	12.34 %	(852)	–	–	–	–
Changes to estimates for prior years	(0.32)%	22	(3.48)%	65	–	–
Other	(1.26)%	87	(18.86)%	352	(28.01)%	473
Total income tax expense	17.28 %	$ (1,194)	3.54 %	$ (66)	–	$ –

(Expressed in thousands of Canadian dollars)

11. Income taxes (continued):

(c) Components of deferred tax assets:

	2013	2012	2011
Deferred financing fees	$ 980	$ 803	$ 313
Loan loss provision	270	66	66
Financing costs	(22)	(17)	(11)
	1,228	852	368
Deferred tax assets not recognized	–	852	368
Total recognized deferred tax assets	$ 1,228	$ –	$ –

In previous years, the Company did not recognize a deferred tax asset due to uncertainty regarding future profitability. During 2013, the Company considers it probable that future taxable profits will be available against which such deductible temporary differences can be used.

12. Fair values of financial instruments:

(a) Fair values and carrying values of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal, or in its absence, the most advantageous market to which the Company has access. The fair value of a liability reflects its non-performance risk. Some of the Company's financial instruments lack an available trading market. As such, the fair values of such instruments are based on estimates using discounted cash flows and other valuation techniques. The fair values derived from such valuation techniques may be significantly affected by the assumptions used to determine discount rates and the amount and timing of future cash flows. Due to this estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the financial instruments.

(Expressed in thousands of Canadian dollars)

12. Fair values of financial instruments (continued):

The amounts in the following table represent the fair values and fair value hierarchy of all the financial instruments carried on the Company's consolidated statements of financial position:

	2013			2012			2011			
	Fair value	Carrying value	Fair value over carrying	Fair value	Carrying value	Fair value over carrying	Fair value	Carrying value	Fair value over carrying	Fair value hierarchy level
Assets										
Loans receivable	$ 349,992	$ 349,992	$ –	$ 114,395	$ 114,395	$ –	$ 138,909	$ 138,909	$ –	$ 3
Derivative assets	–	–	–	18	18	–	317	317	–	2
	$ 349,992	$ 349,992	$ –	$ 114,413	$ 114,413	$ –	$ 139,226	$ 139,226	$ –	
Liabilities										
Revolving credit facility	$ 19,879	$ 19,879	$ –	$ –	$ –	$ –	$ –	$ –	$ –	3
Derivative liabilities	329	329	–	–	–	–	–	–	–	2
Due to Catalyst	330,703	330,703	–	125,670	125,670	–	172,919	172,919	–	3
Senior debt	49,683	49,683	–	49,586	49,586	–	49,489	49,489	–	3
	$ 400,594	$ 400,594	$ –	$ 175,256	$ 175,256	$ –	$ 222,408	$ 222,408	$ –	

The fair value hierarchy leveling is applicable for all years.

12. Fair values of financial instruments (continued):

The above table categorized financial instruments recorded at fair value on the consolidated statements of financial position into one of the three fair value hierarchy levels:

- Level 1 - fair values are based on unadjusted quoted prices from an active market for identical assets or liabilities;
- Level 2 - fair values are based on inputs other than quoted prices that are directly or indirectly observable in an active market; and
- Level 3 - fair values are based on inputs not observable in the market.

The following methods and assumptions are used to estimate the fair values of financial instruments:

(i) The carrying value of cash and cash equivalents, other assets and other liabilities is a reasonable approximation of fair value because these instruments are either short-term in nature or re-price to current market rates frequently.

(ii) For securities traded over the counter, the Company determines fair values using prices obtained from independent vendors. Where available, the Company also uses quoted prices for recent trading activity of assets with similar characteristics to the asset being valued. The Company classifies instruments valued using such methods in Level 2 of the fair value hierarchy. In addition, the Company classifies illiquid investment securities in Level 3 of the fair value hierarchy if the value for such instruments is based on the Company's estimates of unobservable inputs like liquidity discounts and credit spreads.

(iii) The fair value of the loans portfolio is determined by aggregating the present value of the discounted cash flows factoring current interest rates and estimates of credit risk. Discount rates used to determine the fair value of loans range from 14.5% to 30.0%.

(iv) Fair values of derivative instruments are determined using pricing models, which take into account current market and contractual prices of underlying instruments, as well as time value and yield curve underlying the positions. Accordingly, such instruments are classified in Level 2 of the fair value hierarchy.

(Expressed in thousands of Canadian dollars)

12. Fair values of financial instruments (continued):

(b) Reconciliation:

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement of Level 3 instruments:

Assets	2013	2012	2011
Loans receivable:			
Balance, beginning of year	$ 114,395	$ 138,909	$ 109,629
New loans, net of repayments	235,597	(24,514)	29,280
Balance, end of year	$ 349,992	$ 114,395	$ 138,909

Liabilities	2013	2012	2011
Revolving credit facility:			
Balance, beginning of year	$ –	$ –	$ –
Changes in debt, net of repayments	19,879	–	–
Balance, end of year	$ 19,879	$ –	$ –
Due to Catalyst:			
Balance, beginning of year	$ 125,670	$ 172,919	$ 134,534
Changes in debt, net of repayments	205,033	(47,249)	38,385
Balance, end of year	$ 330,703	$ 125,670	$ 172,919
Senior debt:			
Balance, beginning of year	$ 49,586	$ 49,489	$ –
Changes in debt, net of repayments	97	97	49,489
Balance, end of year	$ 49,683	$ 49,586	$ 49,489

13. Contingencies:

In the normal conduct of operations, there are pending claims against the Company. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations is not expected to materially affect the Company's consolidated financial position or consolidated results of operations.

14. Financial risk management:

The Company's exposure to risks associated with financial instruments includes currency risk, interest rate risk, liquidity risk and credit risk.

(a) Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. This exposure is the result of indebtedness and related interest expenses denominated in U.S. dollars, as well as assets and liabilities that will be settled in U.S. dollars. The Company has entered into foreign exchange forward contracts to mitigate this risk (note 15).

An increase (decrease) of 1% in the value of the Canadian dollar as compared to the U.S. dollar would result in a net immaterial change to the Canadian equivalent amount of U.S. dollar foreign exchange exposure as at December 31, 2013, as the gain (loss) on translation is offset by the mark-to-market value of the foreign exchange forward contracts.

(b) Interest rate risk:

The Company is exposed to interest rate risk as it earns interest on its loans and receivable and pays interest on its revolving credit facility and amounts due to Catalyst and on its senior debt.

The Company's loans receivable primarily bear a fixed rate of interest as does the Company's senior debt and amounts due to Catalyst. Any changes in interest rates will not have an impact on the Company's interest income and related expenses on these financial instruments.

The Company's revolving credit facility is exposed to changes in interest rates. The Company continues to monitor the interest rate gap.

14. Financial risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's liquid assets consist of cash and cash equivalents amounting to $38,014 or 9.5% of the total assets.

The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(d) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other banks.

The Company adheres to a credit evaluation process and requires collateral in the form of a general security agreement covering all of the borrower's property. The Company does experience credit risk and appropriate measures are being taken on a regular basis to evaluate and monitor this risk.

15. Derivatives held for risk management:

The table below analyses derivatives held for risk management purposes by type of instrument.

	Notional value*			Fair value		
	2013	2012	2011	2013	2012	2011
Foreign exchange forwards	$ 148,900	$ 64,300	$ 53,400	$ (329)	$ 18	$ 317

*Amounts in thousands of U.S. dollars, all of the Company's forward contracts mature within 30 days of year end.

16. Share-based payments:

Stock options plan:

The Company grants stocks options which vest evenly over a three-year period and are exercisable no later than ten years after the date of the grant. As approved by the directors, a total of 10% of the total issued and outstanding common shares of the Company have been reserved for issuance under the plan of which 5% have been awarded.

The cost of these options is recognized on a graded vesting basis except where the employee is eligible to retire prior to a tranche's vesting date, in which case the cost is recognized between the grant date and the date the employee is eligible to retire.

The amount recorded in contributed surplus as at December 31, 2013 was $5,152 (2012 - nil; 2011 - nil). In 2013, an expense of $5,152 (2012 - nil) was recorded in the consolidated statements of comprehensive income. As at December 31, 2013, future unrecognized compensation cost for non-vested stock options was $3,278 (2012 - nil; 2011 - nil) which is to be recognized over a weighted average period of 2 years (2012 - nil years).

Significant assumptions used in valuing the options include volatility rate of 30% and risk-free rate of 3.13%. The options expire on December 31, 2022.

17. Assets held for sale:

During 2011, the Company received 100% of the common shares of a borrower, in exchange for a loan valued at $12.6 million. The asset held for sale is a corporation which distributes athletic equipment. It maintains current operations. This entity is being held for sale on the consolidated statements of financial position. The asset held for sale is recorded at the lower of carrying value or fair value less cost to sell. The entity is currently being marketed for sale and will be sold as market conditions permit.

18. Capital:

The Company is required to maintain minimum excess working capital as prescribed by the OSC. At December 31, 2013 and 2012, the Company was in compliance with the OSC's requirement to maintain minimum capital of $100.

(Expressed in thousands of Canadian dollars)

19. Transition to IFRS:

The Company has adopted IFRS issued by the IASB effective January 1, 2011. The consolidated financial statements for the year ended December 31, 2013 have been prepared in accordance with IFRS. As these are the first consolidated financial statements prepared under IFRS, the provisions of IFRS 1 have been applied. The Company previously prepared its primary financial statements under Canadian Accounting Standards for Private Enterprises ("ASPE") on a non-consolidated basis.

Reconciliation of equity:

	January 1, 2011			December 31, 2012		
	ASPE	Effect of transition to IFRS	IFRS	ASPE	Effect of transition to IFRS	IFRS
Assets						
Cash and cash equivalents	$ 27,204	$ –	$ 27,204	$ 49,127	$ –	$ 49,127
Loans receivable	109,629	–	109,629	126,085	(11,690)	114,395
Derivative assets	–	–	–	–	18	18
Assets held for sale	–	–	–	–	11,690	11,690
Other assets	773	–	773	37	(18)	19
	$ 137,606	$ –	$ 137,606	$ 175,249	$ –	$ 175,249
Liabilities and Shareholders' Deficiency						
Liabilities:						
Accounts payable and accrued liabilities	$ 2,758	$ –	$ 2,758	$ 949	$ –	$ 949
Deferred facility fees	927	–	927	3,030	–	3,030
Derivative liabilities	–	–	–	–	–	–
Income and other taxes payable	32	–	32	–	–	–
	3,717	–	3,717	3,979	–	3,979
Borrower deposits	–	–	–	150	–	150
Due to Catalyst Fund Limited Partnerships	134,534	–	134,534	125,670	–	125,670
Senior debt	–	–	–	49,586	–	49,586
Shareholders' deficiency:						
Share capital	1	–	1	1	–	1
Contributed surplus	–	–	–	–	–	–
Accumulated deficit	(646)	–	(646)	(4,137)	–	(4,137)
	(645)	–	(645)	(4,136)	–	(4,136)
	$ 137,606	$ –	$ 137,606	$ 175,249	$ –	$ 175,249

(Expressed in thousands of Canadian dollars)

19. Transition to IFRS (continued):

For the year ended December 31, 2012	ASPE	Effect of transition to IFRS	IFRS
Revenue:			
Interest	$ 19,751	$ 1,700	$ 21,451
Fees	4,567	1,503	6,070
Other	1,503	(1,503)	–
	25,821	1,700	27,521
Interest expense and participation fees:			
Catalyst Fund Limited Partnerships	17,870	–	17,870
Senior debt and revolving credit facilities	4,307	–	4,307
	22,177	–	22,177
Net interest income	3,644	1,700	5,344
Other loss:			
Provision for loan losses	(330)	(1,700)	(2,030)
Foreign exchange loss	(433)	–	(433)
	(763)	(1,700)	(2,463)
Non-interest expenses:			
Salaries and wages	3,004	–	3,004
General and administrative	1,745	–	1,745
	4,749	–	4,749
Loss before income taxes	(1,868)	–	(1,868)
Income tax recovery	(66)	–	(66)
Loss for the year	$ (1,802)	$ –	$ (1,802)

IFRS requires that interest income continue to accrue and a related provision for credit losses created for any non-performing loans. Under ASPE, the Company used to cease recognition of interest income when, in management's opinion, there was a deterioration in credit quality and there was no longer reasonable assurance of timely collection of the full amount of interest.

20. Subsequent events:

(a) During 2013, one of the Company's borrowers entered formal restructuring proceedings in Canada and the US. It is anticipated that the Company, as a secured creditor will own the assets of the borrower when it emerges from protection subsequent to year end. As at December 31, 2013, the carrying value of the loan, net of a provision was $37,029.

(b) On April 15, 2014, the Company filed an initial public offering of its common shares with a number of the regulatory authorities in each of the provinces and territories of Canada for the issuance of 18,000,000 common shares for gross proceeds of $252 million.

CERTIFICATE OF THE ISSUER

Dated: April 15, 2014

This prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(Signed) "*Newton Glassman*"	*(Signed)* "*Daniel Nohdomi*"
NEWTON GLASSMAN Chief Executive Officer	DANIEL NOHDOMI Chief Financial Officer

On behalf of the Directors

(Signed) "*David Sutin*" DAVID SUTIN Director	*(Signed)* "*Jim Riley*" JIM RILEY Director

CERTIFICATE OF THE UNDERWRITERS

Dated: April 15, 2014

To the best of our knowledge, information and belief, this prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

CANACCORD GENUITY CORP.

(Signed) "Alan Polak"

Alan Polak
Managing Director & Head of Financial Institutions
Investment Banking

CIBC WORLD MARKETS INC.

(Signed) "Donald A. Fox"

Donald A. Fox
Managing Director, Investment Banking
Head, Financial Institutions

TD SECURITIES INC.

(Signed) "Jonathan Broer"

Jonathan Broer
Managing Director,
Head of Financial Institutions

NATIONAL BANK FINANCIAL INC.

(Signed) "Darin E. Deschamps"

Darin E. Deschamps
Managing Director, Investment Banking

GMP SECURITIES L.P.

(Signed) "Andrew Kiguel"

Andrew Kiguel
Managing Director, Investment Banking

DESJARDINS SECURITIES INC.

(Signed) "A. Thomas Little"

A. Thomas Little
Managing Director, Head of Financial Institutions
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DUNDEE SECURITIES LTD.

(Signed) "Aaron Unger"

Aaron Unger
Managing Director, Equity Capital Markets