We have stated many times that we deal in a market segment where our clients often go through structural changes. As result, it is not uncommon for our clients to need or desire changes through the original deal with Callidus. When such changes, known as accommodations, are requested or needed, Callidus may accommodate to borrow and exchange for a change in the economic relationship.

To this end, this quarter, we significantly advanced what we call yield enhancement options, in our loan portfolio, although such will not be seen in our financial performance metrics until we report Q2 2016. National Bank Financial's valuation included in the SIB put a value of $0.50 to a $1 per share on these yield enhancement options. It is management's belief that this is a conservative estimate.

Yield enhancement auctions often take many forms. The most commonly understood would include revenue royalty streams, periodic fee arrangements, warrants, equity options and limited equity participations to name just a few. We've already agreed to terms for the "yield enhancement options" pertaining to seven of the loans in our portfolio and expect to finalize agreements on an additional three loans next quarter.

We provided a description and a summary in our MD&A to help people further understand this yield enhancing issue. Next quarter, we'll expand the reporting to include more detailed information including, we hope, valuation regarding these participations, which we have undertaken.

Page 6

We are going to wait and see how the stock performs after the SIB. If the SIB is not successful in closing the gap between the National Bank financial valuation, which we think is actually quite conservative, because it does not reflect the yield enhancement stuff to the full extent, and we've said that in our comments and for a bunch of other reasons. We'll evaluate the best use of that cash.

Growth is not the number one goal. Return on equity and value for the shareholders is the number one goal. We can restart growth at any time. And our duty is to the ongoing shareholders. So, I remain committed to the view that those that actually remain shareholders in this company will reap the greatest rewards, and we will get them the best returns by using our cash in the highest and best use on their behalf.

...in a very material way in Q2. So, the seven that we've closed essentially post Q1 will have a dramatic impact on earnings within this year and will start having a significant impact in Q2.
One of the reasons that I say that National Bank's valuation was conservative was because we've now incorporated in the business model a highly structured and disciplined way of approaching any borrower that comes to us for an accommodation. Our view is that the deal is the deal. It's inside the four corners of the document that we've singed with the company. Should the company want to change that deal, then we got to the change the deal. Anytime somebody now comes to us for an accommodation, we will evaluate that accommodation, and if we agree to it, we will be requesting something from them.
As a result, we will have a lot of borrowers because of their own positive or negative change in circumstance. They come to us, but they also come to us primarily because of the change in circumstance in the market. So for example, just to give you an example, let's say, a very good and very well-performing borrower is up for renewal. Auto loans are 364-day loans. They are required to repay us typically in 364 days. In this environment, getting refinanced with the Sched I banks is very, very, very difficult.

We feel badly for our borrowers. Should they not be able to refinance as contracted and agreed, notwithstanding their very good performance and improving credit metrics, we will be asking for them of something. We believe our job is to help rehabilitate businesses and get them back into the conventional business market – borrowing market.

If they are not capable of doing that, even if it's for a market related condition or issue, we believe that our shareholders are entitled to be compensated for that. So, that's a good example of notwithstanding no fault to the borrower, they are actually going to have to actually talk to us about an accommodation. That accommodation could be as simple as needing an extension.

We therefore see the yield enhancement as something that's been massively overlooked by the market, and in fact, probably accounts for virtually all of the difference in ROE between David's view and my view. My view is that ultimately, we are required to actually maximize the value for our own shareholders, while helping our borrowers. And we have to actually balance those two competing responsibilities.

But at the end of the day, our shareholders come first. And as a result, given how many and how quickly of these accommodations we're now seeing, seven in Q2, three more in process. That's 10 out of our portfolio of 40-odd loans. A quarter of our portfolio is getting yield enhancement above and beyond what's in our normal term sheets. You already saw the gross yield for the quarter is normalizing and our normal product right at around 20%, 19.9%, unlevered. And you see in Callidus Lite, it's normalizing right over 14%, which is exactly where we told people. It's a little bit higher than 14%. That means that the yield enhancement is going to take both of these over time significantly above the 20% and 14% targets.

MDA Q2 1016
For the current quarter, the Company recognized a gain on derivative assets associated with loans of $32.0 million as a result of the recognition of a warrant to acquire a portion of the equity in one of our borrowers. The Company receives warrants/options as yield enhancements from some of its borrowers. Under IFRS these warrants/options are required to be fair valued on the balance sheet, with changes in fair value recorded through the income statement. There is significant judgment required in the determination of the fair value and the Corporation uses all available information from its borrowers and at each reporting period re-estimates the cash flows used in the determination of fair values. Therefore, the values from such yield enhancements may significantly change from period to period causing volatility in our results. In addition, a total of $2.8 million of additional fees have been recognized in the statement of income during the quarter related to other yield enhancement features. These yield enhancements are further summarized in "Yield-Enhancement Agreements".

Yield-Enhancement Agreements
Where borrowers seek accommodations from Callidus in relation to their credit facilities, Callidus in the normal course negotiates yield enhancements (including but not limited to by way of equity and equity like interests) as compensation. Management expects that recoveries from such yield enhancements will be achieved on an irregular basis but may be substantial in amount. Significant estimation and critical judgment is involved in the measurement of separated embedded derivatives including options and, therefore, the values from such yield enhancements may significantly change from period to period causing volatility in our results.
In the National Bank Financial valuation that accompanied our substantial issuer bid circular, National Bank Financial considered the value that may accrue to Callidus from equity and equity like interests currently owned by Callidus as a result of credit bid processes or through normal course negotiations with borrowers. National Bank Financial noted that as at March 29, 2016, the Company has agreed to terms pertaining to "yield enhancement options" related to seven of the loans in the portfolio, and expected to finalize the agreements on three additional loans during the next quarter. In arriving at its opinion as to the fair market value of the Callidus shares, National Bank Financial selected a fair market value for the equity and equity-like interests of between $0.50 and $1.00 per share. Management views this valuation range as conservative.
The following table summarizes the yield enhancements as of June 30, 2016:

Yield Enhancement	**Method of Accounting**	**Value Recognized in Q2-16 Statement of Income (in $ millions)**	**Unrecognized Value at June 30, 2016 (in $ millions)**
Fee charged to 3 borrowers	Fee recognized over estimated contract life.	2.8	0.6
Profit participation above certain threshold and royalty stream on 2 borrowers	Interest yield adjustment over life of the loan.	-	1.9
Options to purchase equity interests in 3 borrowers	Embedded derivative - fair value movement recorded through statement of income.	32.0	-

Equity interests in 2 borrowers	Equity interest - fair value movement recorded through statement of other comprehensive income.	-	< 0.1
Controlling interest in 3 borrowers	Consolidation - fair value disclosure only. Recognize into income upon disposition.	-	19.7
Total		**$ 34.8**	**$ 22.2**

Q2 2016 Conference Call

Last but certainly not least, we are able to update you on the yield enhancements we have spoken off in previous quarters and especially last quarter, which also positively influenced our results in this particular quarter. For the benefit of those who are unfamiliar with yield enhancements, they are required under IFRS accounting rules and are generally no-risk or low-risk financial [ph] instruments (07:57) we receive when we make an accommodation to a borrower.

Yield enhancements are unequivocally and undeniably a fundamental, ongoing, repeating part of the business for a company such as Callidus. It is therefore a key part of normal operations, albeit they can be lumpy.

Please note that the form of yield enhancements determines the impact that is reported on the profit and loss statements or the balance sheet with essentially no discretion to management under the IFRS rules.

On our last call, we estimated that we would have yield enhancements on seven loans to report in Q2 with three following in Q3. In terms of value, we reported that National Bank had valued the yield enhancements between $0.50 and $1 per share in their valuation prepared in April, in conjunction with the substantial issuer bid. We also stated at that time that we thought that it was unduly conservative and incorrect. As you will see in our MD&A, we have exceeded all of those estimates. We have indicated that there are yield enhancements in place on 13 loans, which is almost 40% of our total portfolio.

Our earnings for this quarter, for the first time, include the impact of the yield enhancements that Newton has discussed, these are options, and therefore, there will be some variability or volatility in their valuations from quarter-to-quarter. To make it easier for investors to compare our results historically, our reporting, beginning in this quarter and going forward, will present the key financial performance metrics with and without the impact of yield enhancements.

Okay. Great. Fair enough. Shifting gears to the yield enhancements and the CAD 32 million gain, can you just sort of elaborate on the size of the [ph] potential can, (24:52) the size of the original loan that those warrants are associated with? What's the value of shareholders' equity or percentage that that CAD 32 million would represent of the company? And then, maybe just some commentary on the industry or sector that those warrants are attached to.

Some of that, I could answer. Some of it, we're not legally allowed to answer for a bunch of reasons. We will not tell you the size of the original loan. It is a loan that originally was troubled. We helped the company review their operations. They entered an additional and extra line of business, [ph] which makes their credit basically found. (25:46) They came to us and asked us if we would amend and help them with our facility to help them go in that business. It is a huge incremental increase in their business. They seemed to be executing well to extremely well.
We are very supportive of them. They are a poster child of how we can help and why we would want to help a company that first was in trouble and then figures out a way to get out of trouble. Without our help, it would not have been able to go into this additional business, which is, in terms of revenue, billions of dollars for them potentially. At least, the first part of it is a couple of billion dollars or more.

The value is not determined by us. The value is actually determined in conjunction with third-parties outside of the firm and then reviewed with the auditors. The IFRS rules are incredibly specific and esoteric. The form of the yield enhancement itself will determine when it hits your financial statement and where. So, for example, under the IFRS rules, there is zero discretion in dealing with this issue. So, if you are receiving work or options as we did in this particular case, one is required to value those options or warrant and put them through the P&L.

For the current quarter, the Company recognized a gain on derivative assets associated with loans of $32.0
million as a result of the recognition of a warrant to acquire a portion of the equity in one of our borrowers. The
Company receives warrants/options as yield enhancements from some of its borrowers. Under IFRS these
warrants/options are required to be fair valued on the balance sheet, with changes in fair value recorded through
the income statement. There is significant judgment required in the determination of the fair value and the
Corporation uses all available information from its borrowers and at each reporting period re-estimates the cash
flows used in the determination of fair values. Therefore, the values from such yield enhancements may
significantly change from period to period causing volatility in our results. In addition, a total of $2.8 million of
additional fees have been recognized in the statement of income during the quarter related to other yield
enhancement features. These yield enhancements are further summarized in "Yield-Enhancement Agreements".

Yield-Enhancement Agreements

Where borrowers seek accommodations from Callidus in relation to their credit facilities, Callidus in the normal course negotiates yield enhancements (including but not limited to by way of equity and equity like interests) as compensation. Management expects that recoveries from such yield enhancements will be achieved on an irregular basis but may be substantial in amount. Significant estimation and critical judgment is involved in the measurement of separated embedded derivatives including options and, therefore, the values from such yield enhancements may significantly change from period to period causing volatility in our results.

In the National Bank Financial valuation that accompanied our substantial issuer bid circular, National Bank Financial considered the value that may accrue to Callidus from equity and equity like interests currently owned by Callidus as a result of credit bid processes or through normal course negotiations with borrowers. National Bank Financial noted that as at March 29, 2016, the Company has agreed to terms pertaining to "yield enhancement options" related to seven of the loans in the portfolio, and expected to finalize the agreements on three additional loans during the next quarter. In arriving at its opinion as to the fair market value of the Callidus shares, National Bank Financial selected a fair market value for the equity and equity-like interests of between $0.50 and $1.00 per share. Management views this valuation range as conservative.

The following table summarizes the yield enhancements as of June 30, 2016:

Yield Enhancement	Method of Accounting	Value Recognized in Q2-16 Statement of Income (in $ millions)	Unrecognized Value at June 30, 2016 (in $ millions)
Fee charged to 3 borrowers	Fee recognized over estimated contract life.	2.8	0.6
Profit participation above certain threshold and royalty stream on 2 borrowers	Interest yield adjustment over life of the loan.	-	1.9
Options to purchase equity interests in 3 borrowers	Embedded derivative - fair value movement recorded through statement of income.	32.0	-
Equity interests in 2 borrowers	Equity interest - fair value movement recorded through statement of other comprehensive income.	-	< 0.1
Controlling interest in 3 borrowers	Consolidation - fair value disclosure only. Recognize into income upon disposition.	-	19.7
Total		**$ 34.8**	**$ 22.2**

Q3 Conference Call

While these measures have helped unlock some of the value, the shares continue to trade at a significant discount to their fundamental value, as evidenced by the fact that yield enhancement a whopping CAD 80-plus million to-date or over CAD 1.60 per share continues to be essentially valued at zero or at most a one-time multiple, notwithstanding its fundamental nature and contribution to the business. Therefore, we've once again done what we said we would do, and we've engaged Goldman as the company's financial advisor to run the privatization process for the company.

While the shares are now trading based on the potential value range of our corporate initiatives, we've not diverted our attention from managing and strengthening the underlying business. We've restarted growth in our loan portfolio evidenced by the approximately CAD 340 million in signed-back term sheets and increased funding on our Resolve facility as of yesterday.

Generally, we've always said that we expect 60% to 80% of signed-back term sheets to result in advances or in growth in gross loans receivable. We're also days away from closing a new securitization facility that will become a low-cost source of funding for that growth, and result in increased interest margin, net income, and therefore, return on equity. The investment grade ratings attached to the leverage in the facility evidence the quality of our underlying business.

We've also introduced a robust ongoing program of what we call yield enhancements that are still not being recognized in the current valuations, despite being almost double the level of initial expectations and growing far faster than the market clearly understands or understood. Admittedly, these are quite difficult to predict and subject to complicated IFRS rules, which is why we believe they are not being incorporated in Street estimates, but they are a very important part of our business model and simply cannot be overlooked. Over half of the loans in the portfolio are generating yield enhancements, clearly demonstrating that such is the fundamental part of the business.

Total yield enhancement to-date is internally valued at CAD 80.6 million and reviewed by both the auditors and the audit committee. Recognition of yield enhancement, however, to income is strictly dictated by IFRS rules and can therefore result in significant timing issues, but the key word here is timing, not value. Yield enhancements will flow through our income statements and are dictated by the characteristics of each loan and the underlying business thereof. Furthermore, for example, owning straight out equity would technically result in zero dollars of initial net income, but [ph] were (07:06) structured at CAD 0.0001 per share would require immediate inclusion into net income, all other things being equal.

These expected gains are shown in the yield enhancement table in the MD&A. When they are through this, their CCAA process, these gains will be brought into income. Over half of the loans in the portfolio are generating yield enhancements, clearly demonstrating such is a fundamental part of the business.

Q3 MD&A

For the current quarter, a total of $2.8 million of additional fees have been recognized in the statement of income during the quarter related to yield enhancement features. These yield enhancement features will continue to be part of the loan restructuring process on our borrowers and will genereate repeated incremental income to the overall portfolio. In addition, during the quarter, the fair value of the Company's controlling interests in 3 borrowers increased by $20.0 million. Under IFRS, the value of these yield enhancements related to these controlling interests ($39.7 million as at September 30, 2016) does not get recognized into income until disposition of the consolidated entities. These yield enhancements are further summarized in "Yield-Enhancement Agreements".

Yield-Enhancement Agreements

Where borrowers seek accommodations from Callidus in relation to their credit facilities, Callidus in the normal course negotiates yield enhancements (including but not limited to by way of equity and equity like interests) as compensation. Management expects that recoveries from such yield enhancements will be achieved on an irregular basis but may be substantial in amount. Significant estimation and critical judgment are involved in the measurement of separated embedded derivatives including options and, therefore, the values from such yield enhancements may significantly change from period to period causing volatility in our results.

In the National Bank Financial valuation that accompanied our substantial issuer bid circular, National Bank Financial considered the value that may accrue to Callidus from equity and equity like interests currently owned by Callidus as a result of credit bid processes or through normal course negotiations with borrowers. National Bank Financial noted that as at March 29, 2016, the Company has agreed to terms pertaining to "yield enhancement options" related to seven of the loans in the portfolio, and expected to finalize the agreements on three additional loans during the next quarter. In arriving at its opinion as to the fair market value of the Callidus shares, National Bank Financial selected a fair market value for the equity and equity-like interests of between $0.50 and $1.00 per share. Management views this valuation range as conservative.

The following table summarizes the yield enhancements as of September 30, 2016.

Yield Enhancement	Method of Accounting	Value Recognized in YTD Q3-16 Statement of Income (in $ millions) (1)	Unrecognized Value at September 30, 2016 (in $ millions)
Fee charged to 7 borrowers	Fee recognized over estimated contract life.	$ 5.8	$ 2.0
Profit participation above certain threshold and royalty stream on 2 borrowers	Interest yield adjustment over life of the loan.	0.3	0.8
Options to purchase equity interests in 3 borrowers	Embedded derivative - fair value movement recorded through statement of income.	32.0	-
Equity interests in 2 borrowers	Equity interest - fair value movement recorded through statement of other comprehensive income.	-	< 0.1
Current/expected controlling interest in 3 borrowers	Consolidation - fair value disclosure only. Recognize into income upon disposition.	-	39.7
Total		**$ 38.1**	**$ 42.5**

(1) Value recognized per quarter was as follows: Q3-2016: $2.8 million; Q2-2016: $35.3 million.

2016 q4 Conference Call

Yield enhancements and provisions. This brings me to the final element of our 2016 results upon which I would like to comment. The loan loss provisions and the non-IFRS unrecognized yield enhancements, which for simplicity I will refer to as yield enhancements, every quarter in addition to computing an allowance for loan losses on the overall portfolio, we, along with third parties, engage in a valuation exercise on our loans to assess any potential credit impairments. Our experience has shown that generally, when we have a loan that needs some form of accommodation, such as an extension or restructuring, we try to obtain a yield enhancement, such as a fee or warrant for undertaking the accommodation. David will be discussing the specifics of the 2016 provisions and yield enhancements, but I would like to comment on the rigorous process we have to arrive at these numbers.

The process for determining the yield enhancements is greatly influenced by the complexity of the accounting standards under which the company reports and judgments related to the future performance of the business and the industry of a business to whom we have advanced a loan. To be clear, Callidus takes the unusual approach of engaging in a 2-step external valuation process, both its auditors and another third party review the company's loan loss provisions. As a result, Callidus is confident in the veracity of its processes in determining these 2 estimates. Both provisions and yield enhancements are subject to very significant fluctuation and volatility, sometimes even quarter-over-quarter due to the applicable IFRS rules and thus greatly influence consolidated financial performance.

In 2016, the non-IFRS unrecognized yield enhancements, which are disclosed in the table in the MD&A, were approximately 2.5x the level of initial expectations found in the valuation attached to our SIB circular issued in April 2016. Loan loss provisions and yield enhancements, more specifically how yield enhancements must be recorded under technical accounting rules, can be extremely volatile and in both directions. Therefore, it is worth repeating that shareholders need to be cognizant of the aggregate results including the IFRS-driven reporting and the potential longer-term impact of non-IFRS yield enhancements on longer-term results. For example, under the IFRS rules, once Callidus controls or consolidates a borrower, it is required to automatically -- I'm sorry, automatically any related yield enhancement cannot be under IFRS rules recognized until such entity is disposed of. While the timing-related volatility of both the provisions and yield enhancements introduced by technical accounting requirement may have an immediate impact on financial reporting, we have not as yet had any negative impact on value. Our expectation is that these are offsetting measures at a minimum, and if managed correctly, a portion of the provisions may be reversed or recovered as collateral values, like yellow metal, recover.

For the year, a total of $11.3 million of additional fees have been recognized in interest and fees and other in the statement of comprehensive income related to yield enhancement features. These yield enhancement features will continue to be earned as part of the loan restructuring process and will generate repeated incremental income for the overall portfolio. Under IFRS, the value of yield enhancements related to controlling interests ($110.7 million as at December 31, 2016) does not get recognized into income until disposition of the consolidated entities. These yield enhancements are further summarized in "Yield-Enhancement Agreements".

Yield-Enhancement Agreements

Where borrowers seek accommodations from Callidus in relation to their credit facilities, Callidus in the normal course negotiates yield enhancements (including but not limited to by way of equity and equity like interests) as compensation. Management expects that recoveries from such yield enhancements will be achieved on an irregular basis but may be substantial in amount. Significant estimation and critical judgment are involved in the measurement of separated embedded derivatives including options and, therefore, the values from such yield enhancements may significantly change from period to period causing volatility in our results. Such significant estimations and critical judgments used in the determination of recognized and unrecognized yield enhancements include assumptions over and are not limited to future cash flows, interest rates, execution risk and company- specific risks. Inherently, there are risks and uncertainties relating to the valuation of these yield enhancements that may result in significant variation from period to period. Such risks and uncertainties include and are not limited to unforeseen economic and technological changes in a particular industry, inability to meet future cash flows targets and changes in commodity prices.

In the National Bank Financial valuation that accompanied our completed substantial issuer bid, National Bank Financial considered the value that may accrue to Callidus from equity and equity like interests currently owned by Callidus as a result of credit bid processes or through normal course negotiations with borrowers. National Bank Financial noted that as at March 29, 2016, the Company has agreed to terms pertaining to "yield enhancement options" related to seven of the loans in the portfolio, and expected to finalize the agreements on three additional loans during the next quarter. In arriving at its opinion as to the fair market value of the Callidus shares, National Bank Financial selected a fair market value for the equity and equity-like interests of between $0.50 and $1.00 per share. Management views this valuation range as conservative.

The following table summarizes the yield enhancements as of December 31, 2016:

Yield Enhancement	Method of Accounting	Value Recognized in 2016 Statement of Income (in $ millions) (1)	Unrecognized Value at December 31, 2016 (in $ millions) (2)
Fee charged to 9 borrowers	Fee recognized over estimated contract life.	$ 10.6	$ 0.8
Profit participation above certain threshold and royalty stream on 3 borrowers	Interest yield adjustment over life of the loan.	0.7	-
Options to purchase equity interests in 5 borrowers	Seperated embedded derivative - fair value movement recorded through statement of income.	3.1	12.0
Equity interests in 1 borrower	Equity interest - fair value movement recorded through statement of other comprehensive income.	-	-
Current/expected controlling interest in 3 borrowers	Consolidation - fair value disclosure only. Recognize into income upon disposition.	-	110.7
Total		**$ 14.4**	**$ 123.5**

(1) Value recognized in the financial statements before derecognition per quarter was as follows: Q4-2016: ($23.8) million; Q3-2016: $2.8 million; Q2-2016: $35.3 million. It should also be noted that the recognized yield enhancement on options to purchase equity interests in 5 borrowers does not relate to the same entities as the unrecognized non-IFRS yield enhancement on the current/expected controlling interest in 3 borrowers.

(2) The unrecognized value of the yield enhancements is a non-IFRS measure. The current estimated value is attributed to two borrowers and the value ascribed is considered a forward looking statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Q1 2017 conference Call

Only one mention of Yeild enhancements

And we expect what we look at as in the total amount earned which for us includes a non-IFRS measure which is part of yield enhancement. Which is not recognized through the P&L for technical reasons. We care about the total return. We don't care how it's composed. As long as we're making a return that is commensurate or greater than the risk in the book reflected by the collateral in the business we don't really care. We can't really do that currently or we couldn't do it as a public company up until now. We don't think it'll have a major impact on the overall yield. It may have an impact on the composition of the total yield earned. I hope that's helpful, Stephen

Okay, maybe we can take it offline. In terms of disclosures, obviously in the press release there's some commentary around OSC, continuous disclosure review, is that wrapped up? Is there anything else from the OSC? Or are there any other investigations ongoing at this time?

It's a continuous disclosure review. It's nothing extraordinary. If there was a significant issue with the Commission, I'm fairly certain the Commission would force us to disclose it.

Jaeme, if there was something serious going on with the Commission I'm virtually certain the Commission would force us to, and rightly, disclose it. A continuous disclosure review is just a review. Almost every company I've heard of, and this is maybe just my experience, that is using IFRS and non-IFRS measures it's an issue and a justified issue by both the SEC in the US and the OSC in Ontario. And amongst other things, it's an issue that I think is appropriate that people make sure that they're disclosing properly.

MD&A Q1 2017
For the current quarter, a total of $7.0 million of additional fees have been recognized in interest and fees and other in the statement of comprehensive income related to yield enhancements. These yield enhancements will continue to be earned as part of the loan restructuring process and will generate repeated incremental income for the overall portfolio. Under IFRS, the value of yield enhancements related to controlling interests ($110.4 million as at March 31, 2017) does not get recognized into income until disposition of the consolidated entities. These yield enhancements are further summarized in "Yield-Enhancement Agreements".

Yield-Enhancement Agreements

Where borrowers seek accommodations from Callidus in relation to their credit facilities, Callidus in the normal course negotiates yield enhancements (including but not limited to by way of equity and equity like interests) as compensation. Management expects that recoveries from such yield enhancements will be achieved on an irregular basis but may be substantial in amount. Significant estimation and critical judgment is involved in the measurement of separated embedded derivatives including options and, therefore, the values from such yield enhancements may significantly change from period to period causing volatility in our results. Such significant estimations and critical judgments used in the determination of recognized and unrecognized yield enhancements include assumptions over and are not limited to future cash flows, interest rates, execution risk and company-specific risks. Inherently, there are risks and uncertainties relating to the valuation of these yield enhancements that may result in significant variation from period to period. Such risks and uncertainties include and are not limited to unforeseen economic and technological changes in a particular industry, inability to meet future cash flows targets and changes in commodity prices.

In the National Bank Financial valuation that accompanied our completed substantial issuer bid, National Bank Financial considered the value that may accrue to Callidus from equity and equity like interests currently owned by Callidus as a result of credit bid processes or through normal course negotiations with borrowers. National Bank Financial noted that as at March 29, 2016, the Company has agreed to terms pertaining to "yield enhancement options" related to seven of the loans in the portfolio, and expected to finalize the agreements on three additional loans during the next quarter. In arriving at its opinion as to the fair market value of the Callidus shares, National Bank Financial selected a fair market value for the equity and equity-like interests of between $0.50 and $1.00 per share. Management views this valuation range as conservative.

The following table summarizes the yield enhancements as of March 31, 2017:

Yield Enhancement	Method of Accounting	Value Recognized in Q1-2017 Statement of Income (in $ millions) (1)	Unrecognized Value at March 31, 2017 (in $ millions) (2)
Fee charged to 5 borrowers	Fee recognized over estimated contract life.	$ 6.9	$ -
Profit participation above certain threshold and royalty stream on 3 borrowers	Interest yield adjustment over life of the loan.	0.1	-
Options to purchase equity interests in 5 borrowers	Separated embedded derivative - fair value movement recorded through statement of income.	(1.2)	12.6

Equity interests in 1 borrower	Equity interest - fair value movement recorded through statement of other comprehensive income.	-	-
Current/expected controlling interest in 3 borrowers	Consolidation - fair value disclosure only. Recognize into income upon disposition.	-	110.4
Total		**$ 5.8**	**$ 123.0**

(1) Value recognized in the financial statements before derecognition per quarter was as follows: Q1-2017: $5.8 million; Q4- 2016: ($23.8) million; Q3-2016: $2.8 million; Q2-2016: $35.3 million. It should also be noted that the recognized yield enhancement on options to purchase equity interests in 5 borrowers does not relate to the same entities as the unrecognized non-IFRS yield enhancement on the current/expected controlling interest in 3 borrowers.

(2) The unrecognized value of the yield enhancements is a non-IFRS measure. The current estimated value is attributed to two borrowers and the value ascribed is considered a forward-looking statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Q2 2017

No Mention of yield Enhancements

ield-Enhancement Agreements

Where borrowers seek accommodations from Callidus in relation to their credit facilities, Callidus in the normal course negotiates yield enhancements (including but not limited to by way of equity and equity like interests) as compensation. Management expects that recoveries from such yield enhancements will be achieved on an irregular basis but may be substantial in amount. Significant estimation and critical judgment is involved in the measurement of separated embedded derivatives including options and, therefore, the values from such yield enhancements may significantly change from period to period causing volatility in our results. Such significant estimations and critical judgments used in the determination of recognized and unrecognized yield enhancements include assumptions over and are not limited to future cash flows, interest rates, execution risk and company-specific risks. Inherently, there are risks and uncertainties relating to the valuation of these yield enhancements that may result in significant variation from period to period. Such risks and uncertainties include and are not limited to unforeseen economic and technological changes in a particular industry, inability to meet future cash flows targets and changes in commodity prices.

In the National Bank Financial valuation that accompanied our completed substantial issuer bid, National Bank Financial considered the value that may accrue to Callidus from equity and equity like interests currently owned by Callidus as a result of credit bid processes or through normal course negotiations with borrowers. National Bank Financial noted that as at March 29, 2016, the Company has agreed to terms pertaining to “yield enhancement options” related to seven of the loans in the portfolio, and expected to finalize the agreements on three additional loans during the next quarter. In arriving at its opinion as to the fair market value of the Callidus shares, National Bank Financial selected a fair market value for the equity and equity-like interests of between $0.50 and $1.00 per share. Management views this valuation range as conservative.

Total:
$1,089MM

Total:
19 loans

Yield Enhancement	Method of Accounting	Value Recognized in YTD Q2-2017 Statement of Income (in $ millions) (1)	Unrecognized Value at June 30, 2017 (in $ millions) (2)
Fee charged to 7 borrowers	Fee recognized over estimated contract life.	$ 6.9	$ -
Profit participation above certain threshold and royalty stream on 3 borrowers	Interest yield adjustment over life of the loan.	0.1	-
Options to purchase equity interests in 3 borrowers	Separated embedded derivative - fair value movement recorded through statement of income.	(1.2)	-
Equity interests in 1 borrower	Equity interest - fair value movement recorded through statement of other comprehensive income.	-	-
Current/expected controlling interest in 4 borrowers	Consolidation - fair value disclosure only. Recognize into income upon disposition.	-	115.8
Total		**$ 5.8**	**$ 115.8**

The following table summarizes the yield enhancements as of June 30, 2017:

Q3 3017

One mention of Yield Enhancement relating to Bluberri

MD&A Q3

Yield-Enhancement Agreements

Where borrowers seek accommodations from Callidus in relation to their credit facilities, Callidus in the normal course negotiates yield enhancements (including but not limited to by way of equity and equity like interests) as compensation. Management expects that recoveries from such yield enhancements will be achieved on an irregular basis but may be substantial in amount. Significant estimation and critical judgment is involved in the measurement of separated embedded derivatives including options and, therefore, the values from such yield enhancements may significantly change from period to period causing volatility in our results. Such significant estimations and critical judgments used in the determination of recognized and unrecognized yield enhancements include assumptions over and are not limited to future cash flows, interest rates, execution risk and company-specific risks. Inherently, there are risks and uncertainties relating to the valuation of these yield enhancements that may result in significant variation from period to period. Such risks and uncertainties include and are not limited to unforeseen economic and technological changes in a particular industry, inability to meet future cash flows targets and changes in commodity prices.

The following table summarizes the yield enhancements as of September 30, 2017:

Yield Enhancement	Method of Accounting	Value Recognized in YTD Q3-2017 Statement of Income (in $ millions) (1)	Unrecognized Value at September 30, 2017 (in $ millions) (2)
Fee charged to 8 borrowers	Fee recognized over estimated contract life.	$ 9.7	$ -
Profit participation above certain threshold and royalty stream on 3 borrowers	Interest yield adjustment over life of the loan.	0.1	-
Options to purchase equity interests in 3 borrowers	Separated embedded derivative - fair value movement recorded through statement of income.	(3.1)	-

Equity interests in 1 borrower	Equity interest - fair value movement recorded through statement of other comprehensive income.	-	-
Current controlling interest in 4 entities	Consolidation - fair value disclosure only. Recognize into income upon disposition.	-	112.7
Total		**$ 6.7**	**$ 112.7**