The Caldwell Partners International Inc.

Management Discussion and Analysis

Second Quarter Ended February 28, 2017

Management Discussion and Analysis

(Expressed in CAD $000s, except per share amounts)

Company Description

The Caldwell Partners International Inc. ("Caldwell Partners®" or "the Company" or "We") is a premier international provider of executive search and has been for over 40 years. As one of the most trusted advisors in executive search, the Company has a sterling reputation built on successful searches for boards, chief and senior executives, and selected functional experts.

We take pride in delivering an unmatched level of service and expertise to its clients through our client teams from 22 locations throughout the world including Atlanta, Calgary, Charleston, Dallas, London, Los Angeles, Nashville, New York, Philadelphia, San Francisco, Stamford, Toronto and Vancouver, and through our licensee locations in Auckland, Bogota, Buenos Aires, Caracas, Lima, Mexico City, Miami, Santiago and São Paulo.

The Caldwell Partners' common shares are listed on the Toronto Stock Exchange (TSX: CWL). Please visit our website at www.caldwellpartners.com for further information.

Forward-Looking Statements

Forward-looking statements in this document are based on current expectations that are subject to the significant risks and uncertainties cited. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "may," "will," "likely," "estimates," "potential," "continue" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. The Company is subject to many factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statement including, but not limited to, the Company's ability to attract and retain key personnel; economic conditions; competition from other companies; the possibility of a significant shareholder impacting shareholder votes; foreign currency exchange rates affecting financial results; marketable securities whose valuations fluctuate; the Company's ability to generate sufficient cash flow from operations to support our strategic growth plan and maintain our dividend without utilizing funds invested in marketable securities; potential volatility of the market price and volume of common shares; and legal matters. For more information on the factors that could affect the outcome of forward-looking statements, refer to the "Risk Factors" section of our Annual Information Form and other public filings (copies of which may be obtained at www.sedar.com). These factors should be considered carefully and the reader should not place undue reliance on the forward-looking statements. Although any forward-looking statements are based on what management currently believes to be reasonable assumptions, we cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. Except as required by Canadian securities laws, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

Presentation

The following discussion and analysis, prepared on April 13, 2017, should be read in conjunction with the consolidated interim financial statements and related notes for the quarter ended February 28, 2017. Unless otherwise noted, all currency amounts are provided in thousands of Canadian dollars (except percentages and per share amounts). All references to quarters or years are for the fiscal periods unless otherwise noted. Unless otherwise noted as a non-GAAP financial measure and other operating measure, financial results are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Our presentation currency is the Canadian dollar. We manage our business in three geographic segments: Canada, United States (US) and Europe whose functional currencies are the Canadian dollar, US dollar and British pound, respectively. Segment discussions within are in Canadian dollars, with references made to the impact of changes in exchange rates from period to period.

The Company's Canadian parent legal entity holds the right to the Company's brand and intellectual property. During 2015 the Company's Canadian parent legal entity began the process of registering its brand, Caldwell Partners, in select global markets it anticipated entering during the near future including most countries in Latin America. As discussed in note 17 to the interim financial statements, on July 13, 2015, the Company entered into an affiliation licensing agreement with CPGroup LATAM Ltd. and its subsidiaries ("CPGroup"). As of February 28, 2017 CPGroup had 20 revenue producing partners operating out of eight offices including Bogota, Buenos Aires, Caracas, Lima, Mexico City, Miami, Santiago and São Paulo. The licensing agreement has an initial term of five years and provides for CPGroup to pay the Company 2.25% of Latin American revenue for the first two years of the agreement and 4.25% in subsequent years. Effective November 8, 2015 the Company entered into a similar licensing agreement with Simon Monks and Partners Limited, a New Zealand corporation, which subsequently changed its name to The Caldwell Partners International New Zealand Limited ("Caldwell NZ"). Caldwell NZ had 3 revenue producing partners operating out of Auckland as of February 28, 2017. In exchange for the license fee payments, CPGroup and Caldwell NZ each have the right to use the Caldwell Partners brand, search processes, methodologies and related intellectual property.

The Canadian entity also receives license fees from its US subsidiary. These fees are shown as license fee revenue in the Canadian segment and license fee expense within general and administrative expenses in the US segment. Such expenses are eliminated in consolidation.

Non-GAAP Financial Measures and Other Operating Measures

Certain non-GAAP financial measures and other operating measures are used by Company management to manage the business and explain the results of its operations. Such measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures and other operating measures used herein are calculated on a consistent basis for the periods presented and include the following defined terms:

- Average Number of Partners: Excluding affiliation partners, the number of partners at the beginning of a period plus the number of partners at the end of each month during a period, divided by the related number of months. The Average Number of Partners is indicative of our capacity to generate professional fees.
- Annualized Professional Fees per Partner: Professional fees divided by the Average Number of Partners; and if a quarterly period, multiplied by four to reflect an annualized number. The Annualized Revenue per Partner is indicative of how highly our Partners are performing taken as

a whole. This performance is driven by the Number of Assignments performed and the Average Fee per Assignment.

- Number of Assignments: the number of new executive search assignments contracted for during a period. This metric shows the search volume and is one of the drivers of professional fees.
- Number of Assignments per Partner: the Number of Assignments divided by the Average Number of Partners. This metric analyses our partner productivity and utilization and is a measure used to identify and track volume trends as one of the key drivers of our professional fees.
- Average Fee per Assignment: Professional fees for a given period divided by the related Number of Assignments. This metric is used to identify and track price trends as a key driver of our professional fees. It is impacted by both economic and competitive conditions as well as the seniority level of searches undertaken.
- Unencumbered Cash: a measure used to identify cash available beyond that required to fund short-term obligations, calculated as the net of i) cash and cash equivalents, restricted cash, short-term marketable securities, accounts receivable and net deferred tax assets to be recovered within 12 months less ii) total current liabilities excluding deferred revenue and deferred compensation expense related specifically to the deferred revenue.

Operating Results

Revenue

	2015		2016				2017	
	Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
Professional fees	$ 14,813	$ 15,365	$ 13,945	**$ 14,281**	$ 13,680	$ 15,712	$ 13,629	**$ 13,665**
Investment income	$ -	$ -	$ -	**$ 787**	$ 90	$ -	$ -	**$ -**
Professional revenue	$ 14,813	$ 15,365	$ 13,945	**$ 15,068**	$ 13,770	$ 15,712	$ 13,629	**$ 13,665**
License fees	$ -	$ 39	$ 65	**$ 67**	$ 57	$ 64	$ 75	**$ 62**
Revenue	$ 14,813	$ 15,404	$ 14,010	**$ 15,135**	$ 13,827	$ 15,776	$ 13,704	**$ 13,727**
Period end number of partners[1]	35	37	38	**38**	38	38	37	**35**
Average Number of Partners[1]	34.8	36.0	37.5	**38.0**	38.0	38.5	37.8	**36.0**
Annualized Professional Fees per Partner[1]	$ 1,703	$ 1,707	$ 1,487	**$ 1,503**	$ 1,440	$ 1,632	$ 1,442	**$ 1,518**
Number of Assignments[1]	123	95	105	**77**	107	94	116	**88**
Number of Assignments per Partner[1]	3.5	2.6	2.8	**2.0**	2.8	2.4	3.1	**2.4**
Average Fee per Assignment[1]	$ 120	$ 162	$ 133	**$ 185**	$ 128	$ 167	$ 117	**$ 155**

[1] Please refer to the section on Non-GAAP Financial Measures and Other Operating Measures on page 2 of this document.

Revenue and operating income are difficult to predict and have historically varied significantly from quarter to quarter. There is no discernible seasonality in our business on a quarterly basis. We track our revenue by professional fees, investment income and license fee revenue as described in the revenue section of note 3 to the consolidated annual audited financial statements for the year ended August 31, 2016.

Our capacity to generate revenue increases with the number of partners we employ and affiliate with, and is dependent on the fees we can charge and our partners' productivity that is, in turn, influenced significantly by competition and general economic hiring conditions. Additionally, given our relatively small partner base, we have limited diversification, and consequently, results will fluctuate significantly from quarter to quarter. The preceding chart sets forth select revenue and operating measures. We believe these measures help explain our revenue and its variation from period to period.

Professional Fees

Second Quarter Consolidated Professional Fees
Professional fees for the second quarter of 2017 decreased 4.3% (a decline of 0.2% excluding a 4.1% variance from exchange rate fluctuations) over the comparable period last year to $13,665 (2016: $14,281). An increase in the Number of Assignments per Partner was more than offset by the combination of a lower Average Number of Partners and a lower Average Fee per Assignment.

The higher the Number of Assignments in the quarter of 88 (2016: 77) was caused by an increase in the Number of Assignments per Partner on stronger business activity, partially offset by a decline in the Average Number of Partners. The Number of Assignments per Partner increased to 2.4 (2016: 2.0). The Average Number of Partners during the quarter was 36.0 compared to 38.0 in the prior year.

The Average Fee per Assignment decreased to $155 (2016: $185). The decline was from the 4.1% variance in exchange rates, lower executive compensation for the pool of New Assignments contracted and lower final placement fees recognized during the quarter from searches conducted in prior periods.

Year-to-Date Consolidated Professional Fees
Professional fees for the first six months of 2017 decreased 3.3% (1.0% excluding a 2.3% variance from exchange rate fluctuations) over the comparable period last year to $27,294 (2016: $28,226). As with the quarter, increases in the Number of Assignments per Partner were more than offset by the combination of a lower Average Number of Partners and a lower Average Fee per Assignment.

The higher Number of Assignments year-to-date of 204 (2016: 182) was caused by an increase in the Number of Assignments per Partner on stronger business activity, partially offset by a decline in the Average Number of Partners. The Number of Assignments per Partner increased to 5.5 (2016: 4.8). The Average Number of Partners year-to-date was 36.9 compared to 37.8 in the prior year.

The Average Fee per Assignment decreased to $134 (2016: $155). The decline was from the 2.3% variance in exchange rates, lower executive compensation for the pool of New Assignments contracted and lower final placement fees recognized during the quarter from searches conducted in prior periods.

Second Quarter and Year-to-Date Professional Fees by Geography

United States:

Second quarter professional fees in the US were down 1.9% (up 3.3% excluding a 5.2% variance from exchange rate fluctuations) to $10,621 (2016: $10,828). Increases in the Number of Assignments per Partner were more than offset by a lower Average Fee per Assignment and a lower Average Number of Partners.

Year to date professional fees in the US were down 3.0% (0.4% excluding a 2.6% variance from exchange rate fluctuations) to $20,178 (2016: $20,801). Increases in the Number of Assignments per Partner were more than offset by a lower Average Fee per Assignment and a lower Average Number of Partners.

Canada:

Second quarter professional fees in Canada were up 9.0% to $2,979 (2016: $2,732). A higher Average Number of Partners and higher Number of Assignments per Partner were partially offset by a lower Average Fee per Assignment.

Year to date professional fees in Canada were up 7.7% to $6,568 (2016: $6,102), with a higher Average Number of Partners and higher Number of Assignments per Partner being partially offset by a lower Average Fee per Assignment.

Europe:

Second quarter professional fees in Europe were down 91.0% (down 89.5% excluding a 1.5% variance from exchange rate fluctuations) to $65 (2016: $721). During the fourth quarter of fiscal 2016 and first quarter of fiscal 2017, two partners, whose aggregate related costs were significantly higher than the revenue produced, left the firm and corresponding reductions were made to the support staff. As a result, there was a significant decrease during the quarter in the Average Number of Partners, exacerbated by decreases in Average Fee per Assignment and Number of Assignments per Partner.

Year to date professional fees in Europe were down 58.5% (down 49.6% excluding an 8.9% variance from exchange rate fluctuations) to $548 (2016: $1,323), with the lower Number of Assignments per Partner and Average Number of Partners being only slightly offset by a higher Average Fee per Assignment, for the reasons noted above.

Investment income

During fiscal 2016, the firm monetized an equity position obtained as a portion of professional fee consideration in the US from a prior period. This monetization resulted in the recognition of $877 of investment income recorded during the second quarter ($787) and third quarter ($90) of fiscal 2016. The investment was settled in a combination of cash ($491) and shares of a publicly traded company restricted by a mandatory hold period of six months ($386). These shares are shown within marketable securities in the Consolidated Statement of Financial Position as of February 28, 2017. Accounting for investment income and the related equity interests is described in note 3 to the annual consolidated financial statements.

License Fees

License fees from our licensees in Latin America and New Zealand for the use of the Caldwell Partners brand and intellectual property for the 2017 second quarter were $62 (2016: $67).

Year to date license fees for the six-month period ended February 28, 2017 were $137 (2016: $132).

Cost of Sales

	2015		2016				2017	
	Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
Cost of sales	$ 10,801	$ 11,433	$ 10,868	**$ 11,693**	$ 10,596	$ 11,447	$ 10,221	**$ 9,725**
Cost of sales as a % of professional revenue	72.9%	74.4%	77.9%	**77.6%**	76.9%	72.9%	75.0%	**71.2%**

Cost of sales pertains to professional revenue (including professional fees and investment income) and comprises partner compensation, related search delivery personnel compensation and the direct costs of providing our search services. Compensation costs include fixed salaries, variable incentive compensation and related employee benefits and payroll taxes. In aggregate and over time, these costs are largely variable to professional revenue, with fluctuations arising from changes in incentive compensation based on Average Professional Fee per Partner and the leverage impact of certain fixed support costs during periods of growth or decline. Variable incentive compensation for our partners is based on a percentage of the amount of collected professional revenue attributed to each respective partner; the higher the collected professional revenue in a fiscal year, the higher the percentage the partner is eligible to earn. Significant fluctuations can be seen by geography from quarter to quarter based on the relatively small number of partners in each region and how those individuals' estimated compensation changes based on annualising their quarterly results in recording compensation accruals. Costs associated with license fee revenue such as legal and professional fees are included in general and administrative expenses.

Second Quarter Consolidated Cost of Sales

Second quarter cost of sales decreased 16.8% (13.7% excluding a 3.1% variance from exchange rate fluctuations), or $1,968 to $9,725 (2016: $11,693). On a segment basis, the year-over-year cost of sales decrease came from decreases in the US ($1,365) and Europe ($631), partially offset by an increase in Canada ($28).

As a percentage of professional revenue, cost of sales fell 6.4% to 71.2%, down from 77.6% in the same period last year. The decrease as a percentage of professional revenue was due to lower fixed partner compensation due to staffing changes discussed in the Europe Cost of Sales commentary and changes made to the variable compensation rates in the partner compensation plan for fiscal 2017 (together down 4.0% of professional revenue). Decreases were also achieved in partner support personnel compensation costs on reduced staffing (2.2%) and lower search delivery materials costs (0.2%).

Year-to-Date Consolidated Cost of Sales

Year to date cost of sales decreased 11.6% to $19,946 (9.7% excluding the 1.9% variance from exchange rate fluctuations) from $22,561. As a percentage of Professional Revenue, cost of sales decreased to 73.1% as a percentage of Professional Revenue, down $2,615 or 4.7% of Professional Revenue from 77.8% in the same period last year. The decrease as a percentage of professional revenue was due to lower fixed partner compensation due to staffing changes in Europe and changes made to the variable compensation rates in the partner compensation plan for fiscal 2017 (together down 3.0% of professional revenue). Decreases were also achieved in partner support personnel compensation costs on reduced staffing (1.5%) and search delivery materials costs (0.2%).

Second Quarter Cost of Sales by Geography

United States:

Second quarter cost of sales in the US decreased $1,366 or 15.6%, relative to the US professional revenue decrease of 1.9%, to $7,380 (2016: $8,746). Cost of sales also declined as a percentage of professional revenue, and represented 69.5% of professional revenue compared to 75.3% in the prior year. Decreases in partner compensation came from lower fixed draw amounts and changes made to the variable compensation rates in the partner compensation plan for fiscal 2017 (together 3.9% as a percentage of professional revenue), fixed cost partner support personnel compensation on reduced staffing (down 1.6% as a percentage of professional revenue) and lower costs of search delivery materials (down 0.3% as a percentage of professional revenue).

Year to date cost of sales in the US decreased 11.6% relative to the US Professional Revenue decrease of 3.0% to $14,600 (2016: $16,519). As a percentage of professional revenue, cost of sales represented 72.3% of professional revenue compared to 76.5% in the prior year. Decreases were seen in partner compensation from lower fixed draw amounts and changes made to the variable compensation rates in the partner compensation plan for fiscal 2017 (2.4% as a percentage of professional revenue), fixed cost partner support personnel compensation on reduced staffing (down 1.5% as a percentage of professional revenue) and lower costs of search delivery materials (down 0.3% as a percentage of professional revenue).

Canada:

Second quarter cost of sales in Canada increased $28 or 1.3% relative to the Canada professional revenue increase of 9.0% to $2,261 (2016: $2,233). As a percentage of professional revenue, these costs represented 75.9% of professional revenue compared to 81.7% in the prior year with decreases in partner compensation from changes made to the variable compensation rates in the partner compensation plan for fiscal 2017 (1.5% of professional revenue) and lower partner support personnel compensation on reduced staffing (4.4% of professional revenue) partially offset by an increase in search delivery materials (0.1% of professional revenue).

Year to date cost of sales in Canada increased $266 or 5.8% relative to the Canada Professional Revenue increase of 7.7% to $4,890 (2016: $4,624). As a percentage of Professional Revenue these costs represented 74.5% compared to 75.8% in the prior year with decreases in partner compensation from changes made to the variable compensation rates in the partner compensation plan for fiscal 2017 (0.6% of professional revenue) and lower partner support personnel compensation on reduced staffing (1.0% of professional revenue) partially offset by an increase in search delivery materials (0.3% of professional revenue).

Europe:

Second quarter cost of sales in Europe decreased $631 or 88.4% relative to the Europe Professional Revenue decrease of 91.0% to $83 (2016: $714). Europe's quarterly revenues are volatile from period to period due to the low Number of Partners and lack of industry diversification. Cost of sales are generally variable with revenue. However, there is a fixed cost component that, in a quarter with very low revenue, such as the current quarter, may cause cost of sales to exceed revenue. As a percentage of Professional Revenue, these costs represented 127.7% of Professional Revenue compared to 99.0% in the prior year with decreases in partner compensation (30.1%) which are relatively variable more than offset by increases in partner support personnel compensation (54.0%) and search delivery materials (4.8%) which are largely fixed.

Year to date cost of sales in Europe decreased $962 to $456 from $1,418 in the comparable period a year ago. As a percentage of Professional Revenue, these costs represented 83.2% compared to 107.2% in the same period last year with decreases in partner compensation from the reduction in staff discussed above (26.6%) and search delivery materials (2.2%) offset by increases in partner support personnel compensation (5.0%), as the decrease in revenue outpaced the decrease in this expense.

Gross Profit and Margin

2015		2016				2017	
Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
$ 4,012	$ 3,972	$ 3,142	**$ 3,442**	$ 3,231	$ 4,329	$ 3,483	**$ 4,002**
27.1%	25.8%	22.4%	**22.7%**	23.4%	27.4%	25.4%	**29.2%**

Gross profit in the second quarter increased 16.3% (22.3% excluding a 6.0% variance from exchange rate fluctuations) to $4,002 or 29.2% of revenue (2016: $3,442 or 22.7% of revenue). As described above, the revenue decrease of 9.3% (5.5% excluding a 3.8% variance from exchange rate fluctuations) was more than offset by the decrease in cost of sales of 16.8%, or down 6.4% as a percentage of revenue over a year ago. On a segment basis, gross profit was $3,240 from the US, $780 from Canada ($1,019 less $239 in intercompany license fee revenue), and a loss of $18 from Europe from the variances discussed in revenue and cost of sales. The year over year increase in gross profit of $560 came from increases in the US of $371 and Canada of $214 a decrease in Europe of $25.

Year to date gross profit increased 13.7% (17.2% excluding a 3.5% variance from exchange rate fluctuations) to $7,485 or 27.3% of revenue (2016: $6,584 or 22.6% of revenue). The revenue decrease of 5.9% (3.6% excluding a 2.3% variance from exchange rate fluctuations) was more than offset by the decrease in cost of sales of 11.6%, or down 4.7% as a percentage of revenue over a year ago. On a segment basis, gross profit was $5,578 from the US, $1,815 from Canada ($2,270 less $455 in intercompany license fee revenue) and $92 from Europe. The year over year increase in gross profit of $901 came from increases in the US of $510, Canada of $205 and Europe of $186.

Expenses

2015		2016				2017	
Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
$ 3,107	$ 3,518	$ 3,290	**$ 2,733**	$ 2,551	$ 4,292	$ 2,384	**$ 3,396**

Expenses in the second quarter increased 24.3% or $663 over the same period in the prior year to $3,396 (2016: $2,733). Excluding exchange rate variances, expenses increased $797 or 29.2% over the same period last year. This constant currency increase was the result of increases in share-based compensation expense caused by increases in the share price in the current year compared with share price declines in the previous year ($318), partner conference expenses in the current quarter versus the first quarter in the prior year ($318), and general increases across other categories ($161). On a segment basis, expenses were $2,544 from the US ($2,783 less the $239 in intercompany license fees), $684 from Canada and $168 from Europe.

Year to date expenses decreased $243 over the same period in the prior year to $5,780 (2016: $6,023). Excluding exchange rate variances, expenses decreased $79 or 1.3% over the same period last year. Constant currency increases were seen in management operating performance bonus accruals based on achievement of performance targets in the current year versus non-attainment in the prior year ($215) and legal fees on general matters ($101). These increases were more than offset by a decrease in share-based compensation expense caused by a lower share price in the current year ($182), a reduction in the contingent consideration payable related to the Hawksmoor acquisition based on final earn-out achievement calculations ($115), and general decreases across other categories ($19). On a segment basis, expenses were $3,939 from the US ($4,394 net of $455 in intercompany license fees), $1,497 from Canada and $344 from Europe.

Operating Profit (Loss)

2015		2016				2017	
Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
$ 905	$ 453	$ (148)	**$ 709**	$ 680	$ 37	$ 1,099	**$ 606**
6.1%	2.9%	(1.1%)	**4.7%**	4.9%	0.2%	8.0%	**4.4%**

For the second quarter of 2017, lower revenue ($1,408), lower cost of sales ($1,968) and higher expenses ($664) from the variances discussed decreased operating profit by $103 to $606 over the comparable period in the prior year (2016: $709). Excluding exchange rate variances, operating profit decreased $27 to $682. On a segment basis, $457 of operating profit was from the US ($696 net of intercompany license fees), $335 ($96 net of intercompany license fees) of operating profit was from Canada and Europe's operating loss was $186 from the variances discussed in revenue, cost of sales and expenses.

Year to date, lower revenue ($1,714) lower cost of sales ($2,615) and lower expenses ($242) from the variances discussed above increased operating profit by $1,143 to $1,705 over the comparable period in the prior year (2016: $562). Excluding exchange rate variances, operating profit increased $1,212 to $1,773. On a segment basis, $1,184 of operating profit was from the US ($1,639 net of intercompany license fees), $773 of operating profit was from Canada ($318 net of intercompany license fee revenue) and Europe's operating loss was $252 from the variances discussed in revenue, cost of sales and expenses.

Investment Income from Marketable Securities

2015		2016				2017	
Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
$ 34	$ 5	$ 1	**$ 403**	$ -	$ -	$ -	**$ -**

We invest excess cash balances and manages market risk by using a third party investment manager to follow the specific investment criteria established and approved by the Board of Directors and designed to reduce exposure to market risk. We also hold an equity security with a short-term trade restriction in a publicly traded company. This security was obtained when a client company was acquired in which the we held an equity position previously obtained through the settlement of search fees being paid partially in equity of the client company. As at February 28, 2017, managed funds and client equity investments classified as short-term were $4,964 (August 31, 2016: $4,784) and $112 (August 31, 2016: $272), respectively. Additionally, we have a portfolio of illiquid equity investments obtained through search fees that are classified as long-term with a balance of $289 at February 28, 2017 (August 31, 2016; $573).

Regarding investments generated from search services with clients, compensation equal to 50% of the investment is paid to the respective partners involved with the search upon monetization of the investment. As of August 31, 2016, a partner's entitlement to any amounts upon liquidation was contingent upon being employed at the time of liquidation and we recorded the investment at 100% of the fair market value with a related 50% compensation payable liability. Effective in fiscal 2017, the continuing employment requirement was lifted, and all rights to the partners' 50% of the equity instruments were transferred and assigned beneficially to the respective partners. As a result of this change, the gross asset value and compensation payable have been offset, with the investment now recorded at the net amount the Company has economic rights to. Estimated changes in the fair value of this carrying amount are recorded in other comprehensive income. When the investments are ultimately settled, any accumulated gains or losses would transferred from accumulated other comprehensive income and realized as investment income in the consolidated statement of earnings during such settlement period.

For the second quarter of 2017, we reported no investment income from marketable securities compared to $403 from the comparable period last year. The income in the previous year includes capital gains on the disposition of managed funds.

We reported no investment income from marketable securities for the six months ended February 28, 2017 compared to $404 in the comparable period last year. The previous year's income included primarily capital gains as well as interest earned on excess cash balances.

During the second quarter of 2017 we recorded an unrealized gain of $115 (2016: loss of $52). For the six months ended February 28, 2017, we recorded an unrealized gain of $153 (2016: loss of $28) as part of other comprehensive income in the consolidated interim statements of comprehensive earnings

Earnings

Earnings (Loss) Before Income Taxes

2015		2016				2017	
Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
$ 939	$ 459	$ (147)	**$ 1,112**	$ 680	$ 37	$ 1,099	**$ 606**

Net Earnings (Loss)

2015		2016				2017	
Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
$ 767	$ 650	$ (165)	**$ 764**	$ 339	$ (57)	$ 762	**$ 267**

Basic Earnings (Loss) Per Share

2015		2016				2017	
Q3	Q4	Q1	**Q2**	Q3	Q4	Q1	**Q2**
$ 0.036	$ 0.031	$ (0.008)	**$ 0.038**	$ 0.017	$ (0.003)	$ 0.038	**$ 0.013**

There was net income tax expense of $339 in the second quarter of 2017 (2016: $348). On a segment basis Canada had income tax expense of $20 (2016: $38) and the US $319 ($310). No income tax recovery was recognized in the UK (2016: nil). For the six months ended February 28, 2017 income tax expense was $676 (2016: $366). On a segment basis Canada had income tax expense of $201 (2016: $139) and the US $475 (2016: $227). No income tax recovery was recognized in the UK (2016: nil). The effective rate for the three months ended February 28, 2017 was 55.9% (2016: 31.3%). The effective tax rate for the six months ended February 28, 2017 was 39.6% (2016: 37.9%). The consolidated effective tax rate of the Company is higher than the individual statutory rates of the our subsidiaries as most of our taxable income is being generated in the US with the highest statutory rate and we have not recognized the benefit of tax losses in our UK subsidiary.

Second quarter net income was $267 ($0.013 per share), as compared to $764 ($0.038 per share) in the comparable period a year earlier. Year-to-date net income was $1,029 ($0.051 per share), as compared to $600 ($0.030 per share) in the comparable period a year earlier.

Dividends

The Board of Directors continues to believe that the payment of regular dividends is in the best interests of the Company and its shareholders. In determining quarterly dividend payments, the Board of Directors considers many factors including current earnings results, future earnings projections, cash needs for operational growth and balances of Unencumbered Cash (as defined in Non-GAAP Financial Measures on page 3 and discussed below in Liquidity and Capital Resources) which can act as a buffer against short-term earnings volatility.

Subsequent to shareholder approval of the restatement of capital on May 1, 2012, the Company has now declared twenty quarterly dividends through February 28, 2017 with total dividends declared of 36.0 cents per share or $7,055 in total.

On April 13, 2017, the Board of Directors declared a dividend of 2.0 cents per share, payable to holders of common shares of record on April 25, 2017 and to be paid on June 20, 2017.

Liquidity and Capital Resources

The Company maintains cash balances at various financial institutions and in various geographies through its subsidiaries. While the Company has the ability to move funds between geographies and legal entities, certain dividend taxes may be applicable, including a five percent tax on dividends paid from the United States to Canada. Additionally, in order to lend or dividend funds between the Company's legal entities, each entity must maintain certain statutory liquidity levels at its subsidiaries in order to ensure their liquidity. As at February 28, 2017, the Company had $5,076 of current marketable securities with $4,964 held by the Company's Canadian parent legal entity and the remaining $112 is held by the US subsidiary. As at February 28, 2017 the Company also had cash and cash equivalents, including restricted cash, of $4,607, for a total cash and current marketable securities balance of $9,683, down $3,982 from $13,665 at year-end 2016. The decrease is primarily due to the net decrease in compensation payable resulting from the timing of bonus and commission payments as well as the payment of contingent consideration, income tax installments and the quarterly dividend.

The Company's cash and compensation payable balances fluctuate significantly from period to period based on the timing of payments per the Company's compensation plans. Compensation payable is generally at its lowest after the largest deferred compensation payments are made at the end of each February, and generally grows during subsequent periods. The compensation payable is funded by the company's cash, marketable security balances and accounts receivable, which tend to build during the same cycle as the compensation liability and are similarly reduced as cash is used to satisfy the compensation liability. As a result, the cash balances and compensation payable typically move together. At February 28, 2017, current compensation payable was $9,898 (August 31, 2016: $16,125), and total cash and current marketable securities were $9,683 (August 31, 2016: $13,665) and Accounts Receivable were $8,801 (August 31, 2016: $10,031). As a result of these trends, the Company uses the non-GAAP measure of Unencumbered Cash as a more consistent measure for the excess cash the company has available beyond that needed for short-term obligations. Unencumbered Cash is defined in the section on Non-GAAP Financial Measures and Other Operating Measures beginning on page 2 of this document.

The following chart sets forth the calculation of Unencumbered Cash and provides reconciliation to cash and cash-equivalents:

	as at	
	February 28 2017	***August 31 2016***
Cash and cash equivalents	$4,467	$8,422
Restricted cash	140	187
Marketable securities - current	5,076	5,056
Accounts receivable	8,801	10,031
Net current deferred tax assets	2,919	2,891
	21,403	26,587
Total current liabilities	(13,811)	(20,901)
Excluding		
Deferred revenue	180	1,187
Deferred compensation	(90)	(576)
Total Unencumbered Cash	$7,682	$6,297

Accounts receivable were $8,801 at February 28, 2017, down $1,230 from $10,031 at the end of fiscal 2016. Days outstanding based on quarterly revenue were 58 days at February 28, 2017 which is up slightly from 54 as at August 31, 2016. At February 28, 2017, a reserve of $495 or approximately 28% of accounts over 90 days old has been taken compared to at August 31, 2016, a reserve of $598 or approximately 42% of accounts over 90 days old. The decrease to the reserve was primarily attributable to a payment received on one large account.

Total liabilities were $14,588 at February 28, 2017, down $7,184 from $21,772 at the end of fiscal 2016 reflecting the payment of bonuses and commissions, taxes, contingent consideration and previously noted treatment of offsetting client equity investments and the related compensation payable.

The Company's investment in property and equipment at February 28, 2017 was $1,909 up $71 from $1,838 at the end of 2016. This reflects capital expenditures of $326, depreciation expense of $265 and positive exchange rate fluctuations of $10. Capital expenditures included computer hardware and software, and office furniture.

Shareholders' equity at February 28, 2017 was $13,462, up $535 from $12,927 at the end of 2016. The increase reflects employee option plan share issuance of $187, the year-to-date net earnings of $1,029, less dividends declared of $806, translation losses on consolidation of $28 and an unrealized gains on marketable securities of $153.

Outstanding Shares

As at February 28, 2017, the authorized share capital of the Company consists of an unlimited number of Common Shares of which 20,404,555 are issued and outstanding (August 31, 2016: 20,129,155). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

On September 23, 2015 the Company completed its previously announced purchase of shares of the Company from DHR International, Inc. The 1,145,600 shares were purchased at $1.40 per share for $1,604 plus associated legal fees. The shares were then cancelled, reducing the Company's outstanding shares from 21,275,155 to 20,129,555.

On February, 3, 2017 an employee of the Company exercised 275,000 options increasing the number of outstanding shares from 20, 129,555 to 20,404,555.

Business Outlook

Fiscal 2016 was a challenging year for the Company. Falling oil prices in Canada dampened economic activity resulting in declining search volumes. In the US, we had increased staffing levels to accommodate the continuation of historically high per partner search volumes achieved during the previous year, which did not sustain. And in the UK we attempted to assimilate two new partners into the firm whose compensation and related costs ended up being significantly higher than the revenue produced.

As a result, in the second half of 2016 we moved to lower costs, reducing select non-partner search delivery and management personnel. We also subleased and relocated our New York office to a smaller size footprint with the goal of reducing costs and improving net cash flow while providing an enhanced office experience for clients, candidates and employees. Additionally, during the fourth quarter of fiscal 2016 and first quarter of fiscal 2017, the two UK partners referenced above left the firm, and corresponding reductions were made to the support staff in the UK.

We believe our compensation cost structure is now streamlined for our current revenue levels. We held our global partner conference during the second quarter which caused additional expenses of $318 during the second quarter ($339 when held during the first quarter of fiscal 2016), but we anticipate achieving the type of growing annual profitability that we obtained over the prior years. We remain committed to being in the United Kingdom as important to our strategy of delivering services to our clients and growing a long-term globally profitable business. This may result in additional modest operating losses in the UK region during fiscal 2017, but as a result of our recent actions, not of the magnitude we saw in fiscal 2016.

Revenue and earnings growth remains a priority for the Company, but at a measured pace that will not otherwise impede the long term profitability and continuation of regular dividend payments. We expect future growth to be driven by targeted partner hires as we seek to continue to build our practice and functional offerings across geographies in United States, Canada and Europe. As appropriate, we will consider acquisition opportunities. We were pleased to announce the addition of three new partners subsequent to the second quarter and look forward to their contributions to our future.

Related Party Transactions

Pursuant to its lease agreements, the Company paid rent for its Toronto office to an affiliated company owned by a shareholder, C. Douglas Caldwell, registered as owning more than 10% of the Company. The amount of consideration agreed to by the parties was determined to be fair market rental rates at the inception of the lease by an independent commercial real estate counselor and was approved by the independent members of the Board of Directors. Occupancy costs within general and administrative expenses in the consolidated statements of earnings have been recognized for the six months ended February 28, 2017 in the amount of $112 (2016: $112).

Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The following discussion sets forth management's most significant estimates and assumptions in determining the value of assets and liabilities, and the most significant judgments in applying accounting policies.

Revenue recognition
The Company's method of revenue recognition requires it to estimate the expected average performance period and the percentage of completion, based on the proportion of the estimated effort to fulfill the Company's obligations throughout the expected average performance period for its executive searches. Differences between the estimated percentage of completion and the amounts billed will give rise to a deferral of revenue to a future period. Changes in the average performance period or the proportion of effort expended throughout the performance period for its executive searches could lead to an under or overvaluation of revenue. Further information on deferred revenue is included in note 9. Subsequent changes in fair value of the equity interests are recorded as unrealized gains or losses in other comprehensive income and are recognized to investment income within revenue when realized.

Allowance for doubtful accounts
Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance. An allowance is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect the results of operations in future periods.

Valuation of equity interests in clients
Equity interests held in clients can be difficult to obtain valuation information on. Equity instruments are most often in privately held companies without a specific obligation to share ongoing business performance and valuation information. The Company values such interests in accordance with its financial instruments policy with available information. As a result, the current and future valuation of these interests could differ materially from current estimates.

Impairment of goodwill
The Company tests at least annually whether goodwill is subject to any impairment. Various assumptions are made in performing this test, including estimates of future revenue streams, operating costs and discount rates. Future results that differ from management's current estimates would affect the results of operation in future periods.

Risks and Uncertainties

Below are the material risks facing our Company. Other risks not currently known or deemed to be material may also impact our business. Our business and financial results could be materially adversely affected by any of these risks.

The ability to attract and retain experienced search professionals is critical to our business

We compete with other executive recruitment firms for experienced consultants. Attracting and retaining consultants in our industry is important because consultants have primary responsibility for client relationships, and the loss of consultants often leads to the loss of client relationships. While we believe we offer one of the most competitive compensation plans in the industry and offer freedom for our partners to operate in the marketplace, the ability to continue to generate revenue and profits will depend on our ability to attract and retain key professionals.

Our business is impacted by economic conditions

Our revenue is affected by global economic conditions and economic activity in the regions where we operate. During economic slowdowns, companies may hire fewer employees which may have a negative impact on our financial condition.

Competition

The executive search business is highly competitive in terms of both winning and pricing new engagements. The level of future profits of the Company will depend on its ability to retain its established client base, attracting new clients and maintaining fee levels. One key area in which we mitigate competitive risk with our larger competitors is by having fewer client non-solicitation arrangements. It is standard practice in the industry to provide clients with a non-solicitation right ranging in scope from the placed executive to the entire client organization; this is known as "off-limits" protection. If too many off-limit arrangements are created, the ability to broadly and effectively source candidates for prospective client engagements becomes impeded.

Significant Shareholder

C. Douglas Caldwell, the former Chief Executive Officer of The Caldwell Partners International, Inc., is reported to own, directly or indirectly approximately 21% of the Company's outstanding Common shares. Mr. Caldwell's shares could have a material impact on any matters brought forth to the shareholders for a vote.

Foreign currency exchange rate risks may affect our financial results

With operations in Canada, the United States and the United Kingdom, we do business in multiple currencies. In the second quarter, 76% (2016: 80%) of our revenue was generated outside of Canada and transacted in a currency other than the Canadian dollar. Year to date, 74% (2016: 77%) of our revenue was generated outside of Canada. Our profitability is impacted by the translation of foreign currency financial statements into Canadian dollars. Fluctuations in relative currency values, particularly the strengthening of the Canadian dollar, could have an adverse effect on our profitability and financial condition. When management believes it has a significant short term net cash or intercompany loan balance, it will on occasion hedge its currency exposure by buying or selling the exposed currency on a forward basis.

We invest in marketable securities whose valuations fluctuate

Marketable securities consist of investments in professionally managed fixed income funds and certain equity securities obtained through search fees being paid partially in equity of the client. The securities are subject to market risk, and should they decline in value, the unrealized losses and potential realized losses could negatively impact the Company's financial position and aggregate results of operations. We mitigate the risk in managed funds by investing in relatively conservative investments and by engaging professional investment fund advisors independent from the company with added oversight from the Investment Committee of the Board of Directors. We mitigate the risk in equity securities by liquidating our positions as soon as reasonably able and reviewing for the potential use of hedging derivatives if applicable.

We may not generate sufficient cash flow from operations to support our strategic growth plan and maintain our dividend without utilizing funds invested in marketable securities

The Company currently has investments in marketable securities and short-term money market instruments. However, if additional cash is required to grow the business and pay dividends in excess of cash generated, marketable securities and money market instruments may be liquidated and the returns on those instruments could be negatively impacted.

Potential Volatility of the Market Price and Volume of Common Shares

From time to time, the TSX has experienced significant price and volume volatility unrelated to the performance of specific companies, which could impact the market price of the Common Shares. Moreover, the market price of the Common Shares may also be adversely affected by factors such as the concentration of Common Shares held by a small number of shareholders and the low number of Common Shares that trade on average on a daily basis, the combination of which has the potential to increase the volatility of the volume of Common Shares offered to be purchased or sold at any particular time. Certain management compensation components are based on the share price change in the company and could fluctuate with significant movement up or down in the Company's share price. The Company has mitigated the negative impact of share price movements on compensation by also linking the payments to profitability of the Company after accounting for such fluctuations.

Legal Matters

In the normal course of our operations, we become involved in various legal actions, either as plaintiff or defendant, relating to our commercial relationships, employment matters and services delivered, in addition to other things. Such matters include both actual as well as threatened claims. We generally believe that the resolution of these claims will not have a material effect on the Company based, in part, on protective language in our standard client contracts as well as the availability of insurance. However, the final outcome with respect to actions outstanding, pending or with respect to future claims cannot be predicted with certainty. Furthermore, even if any action is settled within insurance limits, this can result in increases to our insurance premiums. Therefore there can be no assurance that their resolution will not have a material adverse effect on the Company's financial condition or results of operations.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Chief Executive Officer and Chief Financial Officer, in conjunction with the Board of Directors, review any material information affecting the Company to evaluate and determine the appropriateness and timing of public release.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure procedures as at February 28, 2017, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

Internal Control Over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Management has also evaluated whether there were changes in the Company's internal controls over financial reporting during the reporting period ended February 28, 2017 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting. Management has determined that no changes occurred during the quarter ended February 28, 2017 that would have a material impact.

Other Information

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.