

## Redknee Announces Proposed Transaction in Furtherance of its Strategic Plan

TORONTO, May 16, 2017 /CNW/ - Redknee Solutions Inc. ("**Redknee**" or the "**Company**") (TSX: RKN) announces that it has entered into a non-binding letter of intent in respect of a proposed transaction that will accelerate the Company's previously announced Strategic Plan, which is aimed at creating a strong platform for long-term growth, simplified operations, and sustained profitability. The proposed transaction (the "**Proposed Transaction**") will be comprised of:

1. a rights offering by the Company for a subscription price per right of no more than the Canadian dollar equivalent of US\$0.50, subject to any adjustments required under applicable law, and for aggregate gross proceeds of no less than US\$54 million, which rights offering will be backstopped by Wave Systems Corp. ("**Wave**"), an affiliate of ESW Capital LLC ("**ESW**"), for an amount of rights of up to 100% of the rights offering (the "**Rights Offering**"); and
2. contemporaneously with the closing of the Rights Offering, the entering into of (i) a services agreement between the Company and Crossover Markets, Inc. or an affiliate thereof ("**Crossover**") pursuant to which Crossover will provide the Company with access to service providers (the "**Crossover Services Agreement**"), and (ii) a technology services agreement between the Company and DevFactory FZ-LLC or an affiliate thereof ("**DevFactory**") pursuant to which DevFactory will provide certain technology services to the Company (the "**DevFactory Services Agreement**" and, together with the Crossover Service Agreement, the "**Services Agreements**"). Each of Crossover and DevFactory is an affiliate of ESW.

In connection with the Proposed Transaction, Wave will be granted a warrant to acquire 2,500,000 subordinate voting shares at a price of US\$0.50 per share as a fee for providing the Standby Guarantee (the "**Standby Guarantee Fee**").

The Proposed Transaction is subject to a number of conditions including, the following:

- the negotiation and entering into of a standby purchase agreement between the Company, ESW and Wave pursuant to which Wave will agree to subscribe for all of the rights offered under the Rights Offering that were not otherwise subscribed for and taken up under the Rights Offering;
- negotiation of the proposed Services Agreements;
- the independent directors of the board of directors of the Company (the "**Board**") shall have approved the Proposed Transaction, including the approval of the Rights Offering and the approval of the terms and conditions of the Services Agreements;
- the receipt of all required regulatory approvals in respect of the Proposed Transaction shall have been obtained, including approvals under applicable securities laws and the rules of the Toronto Stock Exchange; and
- shareholder approval of the Rights Offering and Standby Guarantee Fee.

Both the Company and Wave are committed to closing this transaction in the shortest allowable timeframe and, as such, the parties have begun to work on definitive documentation.

### Services Agreements

Implementation of Redknee's strategy of customer success requires an immediate need to respond to the challenges arising from global restructuring of the Company and dedicate resources in areas where there are gaps. As a result, the Company intends to retain the services of Crossover and DevFactory as the go-to service providers with proven skills, efficiencies and quality to meet the requirements of the Company.

The independent directors have engaged KPMG to share leading practices for 3rd party services agreements including but not limited to contract terms and conditions, governance, service levels, and retained organizational roles. Additionally, the independent directors have requested KPMG to provide observations on the two proposed Services Agreements.

The Services Agreements previously announced on May 8, 2017 have been amended and form part of the conditions necessary to closing the Proposed Transaction. Amendments are as follows:

1. The Short-Term Crossover Services Agreement shall not have expired or been terminated in accordance with its terms, and: (i) its term shall have been extended from six (6) weeks to twelve (12) weeks; and (ii) the hiring cap of 125 shall be amended to 250.
2. The Short-Term DevFactory Services Agreement shall not have expired or been terminated in accordance with its terms, and its term shall have been extended from six (6) weeks to twelve (12) weeks.

### Shareholder Approval of Rights Offering and Standby Guarantee Fee

As the Rights Offering is conditional on the entering into of the Services Agreements to which affiliates of ESW are parties, the Rights Offering is considered to be a related party transaction for purposes of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). As such, the Rights Offering will be subject to receipt of approval of a majority of the minority of the shareholders of the Company, excluding ESW and its associates. The Rights Offering will be exempt from the formal valuation requirements of MI 61-101 as the consideration to Wave in connection with the Rights Offering is the subordinate voting shares of the Company and the Standby Guarantee Fee. The Standby Guarantee Fee is also subject to receipt of required shareholder approval under applicable securities law.

ESW's direct and indirect ownership of the subordinate voting shares of the Company will increase from 13% to 56% if Wave subscribes for all of the rights offered under the Rights Offering that were not otherwise subscribed for and taken up pursuant to the proposed standby purchase agreement.

In addition, pursuant to the terms of the subscription agreement entered into between ESW, Wave and the Company dated December 18, 2016, Wave has the right, but not the obligation, to subscribe for additional subordinate voting shares of the Company at the rights offering subscription price, to ensure that following the Rights Offering, the fully-diluted ownership of Wave and ESW, excluding the shares underlying the Standby Guarantee Fee, remains at 39% of the outstanding subordinate voting shares. The issuance of additional subordinate voting shares to Wave pursuant to this right is subject to receipt of all necessary regulatory and shareholder approvals.

After a rigorous review of potential financing options, the Independent Directors, Board and Management have agreed that this transaction is the best course of action for shareholders and will allow them to participate in the long-term upside of the company. The Board firmly believes that this transaction will create significant value for shareholders and will enable Redknee to effectively execute on its strategic plan.

Upon entering into of definitive documentation, Redknee intends to call and hold a special meeting of the shareholders of the Company to obtain shareholder approval in respect of the Proposed Transaction (the "**Meeting**"). Additional information regarding the Proposed Transaction will be outlined in the Company's Information Circular to be delivered to shareholders in connection with the Meeting and the rights offering circular to be filed in connection with the Rights Offering.

"This transaction is a crucial milestone in our journey to create the One Redknee Way. We have to refocus our efforts and ensure that we make our customers successful, in turn, making Redknee successful," said Danielle Royston, CEO, Redknee. "The capital we raise from this offering will enable us to invest in key areas of the business such as: delivering success to our customers, reskilling critical teams, hiring top talent, and removing inefficiencies. We look forward to rebuilding Redknee."

### **About Redknee**

Redknee monetizes today's digital world. We provide a complete portfolio of mission-critical monetization and subscriber management solutions and services that allow communications service providers to charge for things in new and innovative ways. Redknee's real-time billing, charging, policy and customer care offerings provide the agility and scalability to drive a unique user experience, increase profitability and support any new product or business model. Available on premise,

cloud-based, or as a Software-as-a-Service, Redknee's low-risk, flexible solutions power more than 250 communication service providers across the globe. Established in 1999, Redknee Solutions Inc. (TSX: RKN) is the parent of the wholly-owned operating subsidiary Redknee Inc. and its various subsidiaries.

References to Redknee refer to the combined operations of those entities. For more information about Redknee and its solutions, please go to [www.redknee.com](http://www.redknee.com).

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