

Raycom to Convert US\$7 million of its Promissory Note into Frankly Common Shares

Frankly Enters into Securities Purchase Agreement and Amends Existing Credit Agreement with Raycom

SAN FRANCISCO, June 27, 2017 /CNW/ -- [Frankly Inc. \(TSX VENTURE: TLK\)](#), a leader in transforming local TV broadcasters and media companies by enabling them to publish and monetize their digital content across multiple platforms, has entered into a securities purchase agreement with Raycom Media, Inc. (the "Raycom Exchange Agreement").

Under the terms of the Raycom Exchange Agreement, Frankly has approved the sale of common shares and warrants to Raycom in exchange for the cancellation of US\$7 million of the outstanding US\$14.5 million in debt due to Raycom according to the terms of their previous credit agreement (the "Raycom Exchange Transaction"). The number of common shares issuable to Raycom will be equal to the Canadian dollar equivalent of US\$7 million as of the date of the Raycom Exchange Agreement, divided by the greater of: (i) CAD\$4.16, being 85% of the last closing price of the Company's common shares on the TSX Venture Exchange (the "TSX-V") before issuance of this press release; and (ii) 85% of the public offering price of the units sold in the Company's initial public offering (the "U.S. Offering") on the NASDAQ Capital Market Exchange.

"We're pleased to announce Raycom's further substantial commitment to Frankly," said Frankly CEO Steve Chung. "This agreement allows us to strengthen our balance sheet while also enhancing our ties to our biggest customer and shareholder. This agreement reaffirms Raycom's continued confidence in our business and long-term commitment to Frankly's future."

In addition to the common shares, Frankly will issue to Raycom warrants to purchase 675,900 common shares with an exercise price equal to the greater of: (i) US\$3.69, being U.S. dollar equivalent of the last closing price of the Company's common shares on the TSX-V prior to the issuance of this news release; and (ii) the exercise price of the warrants issuable as part of the US Offering. The warrants issuable to Raycom as part of the Raycom Exchange Transaction will expire on August 31, 2021.

Pursuant to TSX-V rules, if the Raycom Exchange Transaction is completed, the expiration date for warrants to purchase 420,560 common shares previously issued to Raycom in connection with the credit agreement will be reduced from August 31, 2021 to August 31, 2017. All other terms of the warrants will remain unchanged. The remaining warrants to purchase 450,600 common shares will continue to be exercisable until August 31, 2021.

Frankly and Raycom have also agreed to amend the existing credit agreement between the parties dated as of August 31, 2016 to provide for the following:

- Commencing as of the closing of the Raycom Exchange Transaction, the interest rate payable by Frankly under the credit agreement will be increased from 10% per annum to 15.75% per annum, provided that the additional interest represented by the 5.75% increase will accrue and be calculated daily and shall be payable quarterly. Such amount will be payable, in Frankly's discretion, either in cash or an equivalent amount of Frankly's common shares, based on the last closing price of Frankly's common shares on the TSX-V on the last trading day before the end of the applicable quarter.
- Commencing as of the closing of the Raycom Exchange Transaction, the amount of each of the mandatory repayments due under the credit agreement will be reduced from US\$687,500 to US\$355,600, reflecting the proportional reduction in the Principal Amount from US\$14,500,000 to US\$7,500,000.

The completion of the Raycom Exchange Transaction and the amendments to the existing credit agreement are subject to the closing of Frankly's U.S. Offering with gross proceeds raised of at least US\$11 million and the approval of Nasdaq, the TSX-V and the shareholders of the Company (other than Raycom and its related parties, which will not be permitted to vote on the matter).

The Company has agreed to seek such shareholder approval as promptly as may be practicable. Pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"), the transactions with Raycom will be "related-party transactions." Unless there is an exemption available under applicable securities law, the Company will need to obtain a formal valuation of the Raycom Exchange Transaction.

Raycom currently holds 547,325 common shares of Frankly, representing approximately 25.7% of the issued and outstanding voting shares, as well as warrants to purchase 871,160 common shares. Upon conclusion of the Raycom Exchange Transaction, assuming a conversion price of CAD\$4.16 and that 2,400,000 common shares and warrants to purchase 2,400,000 common shares were issued pursuant to the US Offering, Raycom would hold 2,776,624 common shares of Frankly and warrants to purchase 1,547,060 common shares, which would collectively represent approximately 41.1% of the issued and outstanding common shares of Frankly on a non-diluted basis.

About Frankly

Frankly (TSX VENTURE: TLK) builds an integrated software platform for brands and media companies to create, distribute, analyze and monetize their content across all of their digital properties on web, mobile and TV. Its customers include NBC, ABC, CBS and FOX affiliates, as well as top fashion brands, professional sports franchises and global organizations. Collectively, Frankly reaches nearly 80 million monthly users in the United States. The company is headquartered in San Francisco with major offices in New York. To learn more, visit www.franklyinc.com

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Notice Regarding Forward-Looking Statements

This release includes forward-looking statements regarding Frankly and their respective businesses. Forward-looking events and circumstances discussed in this release, may not occur by certain specified dates or at all and could differ materially as a result of known and unknown risk factors and uncertainties affecting the parties, including as a result of lack of shareholder and/or regulatory approval for the proposed transaction or US Offering does not raise at least US\$11 million. No forward-looking statement can be guaranteed. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Frankly undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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