

UKNIGHT INTERACTIVE

In Service to the Knights of Columbus

September 4, 2015

Knights of Columbus Supreme Council Office
1 Columbus Plaza
New Haven, CT 06510-3326

Hello Matt,

First of all, thank you for your patience. As I said in one of my voice mails, without having a specific scope of work we got bogged down for quite a while trying to anticipate exactly what you expect from this proposal. Over the years it seems we've pretty much agreed on the functionality Supreme expects from UKnight, and when changes or adjustments were requested we usually agreed and quickly complied. So I found myself at a loss with respect to the expectations you had for this proposal.

It wasn't until we stepped back and took a broader view that was less focused on functionality and system performance that we began to understand, hopefully, what it is you are looking for this proposal to address. So the following plans have been developed based upon what UKnight believes are the four fundamental criteria you expect, in no particular order:

1. Financial Stability
2. Robust Internal Tech and Support Capacity
3. Accelerated Adoption
4. Ownership participation we will call "Equity"

We know that "control" is among your top considerations. But as I think we discussed, control issues can be addressed contractually, and UKnight is fully prepared to make sure Supreme is comfortable in that regard.

We also know there is a whole team of executives involved with the process on your end, and each has their own perspective. So with the options we have provided we hope that you will be able to find one that satisfies each of those viewpoints. And if not, I hope at the very least these plans demonstrate our flexibility. From a plan that offers zero "Equity" but set-up fees that are less than our actual costs, to our willingness to actually discuss the sale of UKnight Interactive to Supreme complete with a perpetual license of our proprietary technology, I do not think there could be a broader range of options.

With respect to the sale discussion, I think you know that for us UKnight is a ministry as well as a business. Our goal has been to continue to provide state of the art technology solutions, continue to grow and expand our services in order to accommodate the needs of the Order, continue to price our subscriptions far below the market rate for comparable services, and conduct ourselves always and in every way with honor and integrity, so that we could eventually hand the business down to our children. But, given the mentions made with respect to "Equity" and control, in order to demonstrate our willingness to fully cooperate and comply with whatever you and your board may have in mind, we knew we had to at least put it on the table.

OK, moving forward to the actual plans. Each of the plans has as its primary goal to enable the following within the framework set out above, a framework that is financially secure with solid internal support characteristics that will bring councils on board as rapidly as possible so that every council will have the tools proven over the last several years to:

1. Increase membership
2. Increase member participation
3. Increase fundraising
4. Increase sales of financial products
5. Increase administrative efficiencies

With respect to the four criteria we anticipated for this proposal, beginning with financial stability, up to this point there has been little need for additional capital. Now, moving forward, in order to cover the costs associated with your specific parameters, we have included those as part of this proposal.

Considering your requirement for a more robust internal tech team, our current team really has served our needs well up to this point. Moving forward however, we have built a very solid bench ready to come on-board full time, and as you will see we are fully prepared to staff-up even further in order to exceed the requirements you have expressed.

This left two criteria which we discovered to be related as you will see. Depending upon the level at which Supreme desires to participate financially, we have the ability to both accelerate Council adoption of UKnight, and offer "Equity" participation. With respect to both, the following plans have been prepared to demonstrate our commitment to deliver all that you expect without compromise, and flexibility with respect to how we get there.

Plan # 1

We start with a plan that includes a \$250,000 Set-Up fee. This actually represents approximately 50% of the anticipated set-up costs that UKnight will incur to comply with Supreme's requirements. We start here just in case there is an issue with Supreme's financial participation. If this is the maximum that Supreme is prepared to contribute, and if in the unlikely event additional capital is required, UKnight does have access to resources that can fill the gap. But, for the record, this does represent a 50% discount from the lowest end of what the industry standard charge would be.

In addition to initial Set-Up fees, with all plans there is an on-going access / service fee equal to 10% of Council Subscriptions. This fee covers the many services UKnight will continue to provide to the Supreme Council for the Fraternal side of the Order, services associated with State Councils, Chapters, Councils, Assemblies, and District Deputies. These services will include but not be limited to:

1. All content related changes to the system directed through the Advisory Board,
2. All enhancements to the system requested through the Advisory Board,
3. If requested, operation of the Council Control Center at Supreme's direction,
4. Pushing Down Content by designated area (e.g., country, region, state, zip code),
5. Providing Universal Admin Center Access for the various sites,
6. Maintaining a Real Time Monitoring Reporting System, and more

In addition, the UKnight Interactive system is not now nor will it ever be “finished.” These fees will also cover the constant adoption of new technologies as they are developed, and the design and implementation of new UKnight services that take advantage of these advances.

With respect to fees associated with these same kinds of services that will be provided for the Insurance side, there will be no set-up or on-going fees provided subscription payments for all General Agents and Field Agents are collected by Supreme and paid to UKnight in a manner to be determined. Agent counts will be adjusted quarterly.

Plan # 2

The full Set-Up fee is paid entirely over two years, 2015 and 2016. UKnight is also offering a 3% “Equity” piece with Plan #2.

With respect to offers of “Equity” in this proposal, these offers are very general and will of course comply with all appropriate regulations. And there are many questions such as, will this offer take the form of direct “Equity” or options? What will the vesting period be? Will 100% of the payments associated with a chosen plan will be booked as payment for services, or will these early payments be apportioned in some way between payments for services and purchase of the “Equity”/options. These questions all require further discussion.

With respect to the listed value associated with the “Equity”, while we envision this proposed “Equity” as a kind of hybrid with qualities perhaps more resembling a preferred stock, the intrinsic value has been determined by discounting future cash flows (the model and the assumptions are included with the attached Excel workbook), even though participation in current earnings is not contemplated.

The reason we included an “Equity” component is because we received a sense that there is a desire to have some claim of ownership in UKnight Interactive. We discussed this at length and came up with several very good reasons why this would be. So we decided to figure out a way to make this happen while avoiding the opportunity for conflict in the actual internal operations of UKnight Interactive. A kind of hybrid-preferred concept is what we came up with that includes a claim on future discounted cash flows, but not on current earnings. All of these details obviously require much more discussion, but hopefully this demonstrates our desire to accommodate.

Plan # 3

The full set-up fee is split between two years, and included with this plan is a drastically reduced subscription rate so as to allow all Councils to experience the system for one year. Supreme would only pay 1/3 of the cost to activate all councils and receive a 12.5% “Equity” piece.

The reason for this is two-fold. First, it demonstrates to Councils a commitment on the part of Supreme to the system, and it enables them to use the system with limited pushback. As discussed earlier, on multiple occasions we have been told that Councils are skittish because of

several false starts in the past. Demonstrating a willingness on the part of Supreme to fund the initial roll-out will go a long way towards allaying these concerns.

The value of these subscriptions is \$3m compared to the \$1m being charged, and the network access fee is waived. So this plan delivers \$2.3m of additional value, the benefits associated with full participation, plus a 12.5% "Equity" piece.

Plan #4

In Plan #4 the set-up fee is paid in the first year, and the subscription is universal which includes all Councils, GAs, and FAs so that all Councils can fully experience the system for one year. Also, the annual Network Access Fee is waived for one year.

The cost for this universal subscription is \$2m. This includes the GA and FA subscription payments which reduces the actual cost to \$1.56m for a plan that delivers \$3.75m of actual value. This includes Council subscriptions, Agent subscriptions, and the Network Access Fee.

In addition, this plan almost doubles the "Equity" component to 22.5%.

Plan #5

Three major differences in Plan #5 are that the universal subscription is for two years, the payment for the second year is structured as a loan to be repaid by UKnight over eight years beginning in year three, and it adds 2.5% to the "Equity" piece. This accomplishes three important goals as set out in what we considered to be your core criteria:

1. It accelerates and establishes adoption
2. It fully establishes financial stability
3. It further increases the ownership component

Plan Five is clearly the most robust and requires the greatest commitment, but, without a doubt, it also carries the absolute best value and deliver the best long term results. After using the system for two years, we believe it is reasonable to expect that most every Council will be very comfortable with its features and will have grown to appreciate how UKnight is helping them achieve their goals and ease their administrative burden.

Here is the final cost breakdown:

<u>Paid to UKnight</u>		
Universal Subscriptions & Fees		\$4m
Agent Subscriptions Collected - Yr1	less	\$450k
Agent Subscriptions Collected - Yr2	less	\$450k
Loan Repaid	less	\$2m
Net Cost		\$1.1m

<u>Value Received</u>	
2 Years Universal Subscriptions Councils	\$6.15m
2 Years Universal Subscriptions Agents	\$900k
2 Years Access / Service Fee	\$600k
Total Subscriptions Value	\$7.65m
Plus UKnight "Equity"	25%

Supreme Acquires UKnight

We are fully prepared to discuss the details if asked. The Discounted Cash Flow valuation model included in the Excel workbook represents the entire UKnight Interactive system with a perpetual license. If requested, current technical and administrative personnel will contract with Supreme on an individual basis and will commit to remain involved for up to three years to aid in the transition. As part of this transaction if consummated, List Interactive will be allowed to continue operating and managing the UKnight Market Center as it is currently structured, managed, and monitored.

Please review the attached Excel workbook that tells the story in detail, and we will look forward to visiting with you about it.

Regards,
Leonard Labriola
UKnight Interactive
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