



**KNIGHTS
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Knights of Columbus

Analysis of UKnight Plan Proposals

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Table of Contents

Overview	4
Audience	4
Executive Summary	5
Analysis of the UKnight Plans	9
Detailed Review of each Major Area	10
Universal Network Access	10
# KOFC Councils	10
Participating Councils	10
Participating Councils Subscription Fees	11
Participating General Agents Fees	11
Participating Field Agents Fees	11
Supreme Set-Up Fee	12
Administration	13
Other Administrative and Marketing Costs	13
Administration and Overhead	13
Total Expenses	14
Net Revenues	14
Service Debt	15
Net Operating Profit	15
Detailed Review of each Plan	16
Plan 1: Summary	16
Plan 1: Line 5:	17
Plan 1: Line 12, 15 & 18:	17
Plan 1: Line 20 & 25-33:	17
Plan 1: Line 49:	17
Plan 1: lines 54 – 62:	17
Plan 1: Line 65:	18
Plan 2: Summary	18
Plan 2: Line 5:	18
Plan 2: Lines 12, 15 & 18:	18
Plan 2: Line 33:	19
Plan 2: Line 49:	19
Plan 2: Lines 53 – 62:	19
Plan 3: Summary	19
Plan 3: Line 4:	20



Plan 3: Line 12:	20
Plan 3: Line 20:	20
Plan 3: Lines 53 – 62:	20
Plan 4: Summary	20
Plan 4: Line 5:	21
Plan 4: Line 12:	21
Plan 4: Line 15:	21
Plan 4: Line 18:	21
Plan 4: Line 20:	21
Plan 4: Line 61:	22
Plan 5: Summary	22
Plan 5: Line 5:	23
Plan 5: Line 8:	23
Plan 5: Line 12:	23
Plan 5: Line 15:	23
Plan 5: Line 18:	23
Plan 5: Line 20:	23
Plan 5: Line 61:	23
<i>Review of the Advisory Board Proposal</i>	24
Purpose	24
Structure	24
Schedule	24
Day To Day Business	24

Overview

To meet the growing needs of the KOFC field operations and the needs to grow membership, The Knights of Columbus have requested Ian Kinkade of Information Design, Inc., to prepare an unbiased report that will provide an analysis of the UKnight Plans that propose to include The Knights of Columbus as an investor in the UKnight Business.

There are a total of Five (5) Plan Proposals, UKnight Proposal Narrative and UKnight Advisory Board Commentary to be analyzed.

Audience

This document is focused on those stakeholders that have an interest in knowing the status of the UKnight.org Web Site and the operations of the UKnight Company.

Executive Summary

As a review strategy a detailed analysis of each individually Plan was performed on a line by line basis to enable an analysis of the itemized sales or expenses and tables were created to enable a clear presentation of the information. Many of the line entries are similar between plans with the only differences occurring in the first three years where a marketing campaign is planned and is fully funded by an increase the KOFC investment levels. I then prepared a comparisons of the Plans related to a specific area in order to highlight the differences between the plans.

The only marketing strategy that has been deployed in these plans is to have either one or two free years of UKnight services which is funded entirely by a KOFC investment. In a previous proposal from UKnight they stated that having KOFC approve them as the vendor of choice would cause an immediate increase in adoption. It is then questionable why they would now need to have a one or two year free service to encourage the adoption of the UKnight services and not increase the staffing levels to allow for the increased sign-up rate, provide a high level of service for these new customers and encourage them to stay on after the free period.

The proposals all have a line item for Marketing; in Plan 1 it rises rapidly from \$20,000 in year 2015 to \$300,000 in 2016 and \$574,000 in 2017 and \$588,350 in 2018 and over the 11 years will amount to \$6,033,894. In Plan 5 the expenditure rises from \$20,000 in 2015 to \$560,000 in 2016 to \$574,000 in 2017 to \$588,380 in 2018 and an overall expenditure of \$6,293,894 for the 11 years. This is very strange since there seems to be very little need for marketing on this scale in Plan 5 (an increase of \$260,000 over Plan 1) since KOFC will approve UKnight as the vendor of choice and the marketing effort should then be minimized.

Assuming that there is a very rapid rise in adoption, it seems likely that there would need to be a detailed training program and additional support staff available during this high adoption period. The Help Desk is staffed by two (2) plus a Bi-Lingual call center. This staff level may be suitable for normal operation but when UKnight is offering a free service, the demand for support would be expected to peak well above the normal level. The plan does not detail funding for these activities.

All of the plans have provisional funding for Immediate External Technology Development but no ongoing internal development activities after 2015. This service will obviously require staff to provide updates to the applications, enhancements and new features to the services and ongoing improvements. The Plans call for additional staff over that detailed in the June 2015 proposal, but they appear to be Microsoft Certified or simply web skilled personnel and not the strong JAVA Framework personnel required for a modern Web based Application service. At least a strong JAVA developer will be required which should cost around \$150,000/year including benefits.

The plans call for moving from their existing hosting service provider to Rackspace for Hosting services but there is only a small provision (an average of 12% increase year over year) in these plans for ongoing expenditure for Infrastructure and operations. A Web Site is not a static operation but one that requires changes as technologies, services, service levels and the number of customer's change. There is no provision for such a change and could easily add \$400,000 to \$500,000 to the overall operations cost over the 11 years.

It seems that UKnight does not intend to update the service from the Microsoft Application support software to a modern JAVA based Application Framework since the Infrastructure cost is the same for Plan 1 and Plan 5. In addition UKnight has not allowed for an increase in customer adoption in Plan 4

and Plan 5 since the Infrastructure is the same in Plan 1 and it would be expected that the Infrastructure would also have to be expanded to accommodate the increased demand/storage, etc.

All of the plans seem to be focused on just obtaining funding from KOFC and the narrative does not show a high level of management ability to run or provide planning for the operations of UKnight as a long term successful company. The UKnight narrative states that their goal is to provide for their children but all of the plans indicate a static operation with no growth potential into other areas. They show a sales growth up to the maximum available that can be obtained from the Council's, General Agents and Fields Agents but do not show any potential for utilizing the services into other market verticals such as associations similar to KOFC. The question is; what happens when most or all of the KOFC Council's, etc., are fully utilized by UKnight? This shows a lack of leadership and does not encourage investment since all of the growth will be attributed to the KOFC endorsement and will reply entirely on increasing the number of customers within the Council structure.

In previous proposals this year by UKnight, they had a marketing focus on selling advertising space on the sites as a source of revenue to both the Council's and UKnight, but it seems to be completely missing from these plans. In the June 2015 Financials presented by UKnight they were very committed and planning on enhancing the Advertising potential of the site by adding and staffing a Marketing Center with anticipated Sales of:

UKnight June 2015 Financials	2016	2017	2018
Market Center Sales	\$76,425.00	\$289,106.00	\$822,277.00

UKnight seems to have abandoned the Marketing Center plans or did not wish to add them to this set of proposals since they would obviously show a greater income level and therefore might not require KOFC to invest in UKnight so heavily.

Plan 1 is the most confusing plan since the narrative clearly states that the Set-up costs will be approximately \$500,000 and yet Plan 1 expects the KOFC to only invest half. The other half of the Set-up is obviously required and will due to its omission cause the bottom line shown in Plan 1 to be completely erroneous.

Supreme Set-Up Fee	Current	2016	2017	2018	2025	Total
Plan 1	\$250,000	\$0	\$0	\$0	\$0	\$250,000
Plan 2	\$250,000	\$250,000	\$0	\$0	\$0	\$500,000
Plan 3	\$250,000	\$1,250,000	\$0	\$0	\$0	\$1,500,000
Plan 4	\$500,000	\$2,000,000	\$0	\$0	\$0	\$2,500,000
Plan 5	\$500,000	\$2,000,000	\$2,000,000	\$0	\$0	\$4,500,000

Plan 2 does require the KOFC to make the full \$500,000 investment over two years with a 3% Non-Revenue Participating Equity position. There is a very low financial provision for ongoing technology changes and this would not encourage an investor to continue to invest in a company that does not plan for changes over a period of eleven (11) years. UKnight has provision for an increase in Marketing Costs from \$20,000 in 2015 for \$350,000 in 2016 but they do not detail how they would spend these marketing funds. Thus this plan is also flawed.

Plan 3 calls for an investment by KOFC for \$250,000 in 2015 and then another \$250,000 plus \$1,000,000 in 2016. Plan 2 has a \$500,000 investment and so does Plan 3, but Plan 3 provides an additional 9% (giving a total of 12.5%) Non-Revenue Participating Equity position for an additional cost to KOFC of

\$1,000,000. This does not seem to represent good value, since the total Income for the (11) eleven years of Plan 1 is \$32,951,586 while the total income for the same (11) years in Plan 3 is \$32,704,086 which is a decrease of \$247,500 after a cash infusion of \$1,500,000 from KOFC. This represents a high risk for no financial return since the 12.5% Equity is non-revenue producing for KOFC.

Plans 4 requires KOFC to invest the full amount of \$500,000 for external set-up plus an additional \$2,000,000 to cover the loss of income from the free services that UKnight plan for 2016. They are offering a 22.5% which is another 10% for the additional \$1,000,000 difference in Plan3 and Plan 4. Please be aware that the cost of Universal Network Access should also be included in the investment strategy and will be another \$2,466,832. This is even a high risk position than Plan 3 with no return to KOFC.

Plan 5 is the most ridiculous plan since it requires KOFC to invest a total of \$4,500,000 plus another \$2,225,857 for Universal Network Access giving a total unsecured investment of \$6,725,857 and only a 22.5% Non-Revenue Equity Position. UKnight has made provision to pay the second \$2,000,000 back to KOFC but at a rate of \$250,000 per year starting on 2018. This is the highest risk Plan since it assumes that almost all of the Councils, General Agents and Field Agents will adopt the UKnight program and continue to utilize the program for the full eleven (11) years. This is just not realistic since none of the UKnight plans has provision for improvements in the service or expanding the service to other areas to reduce the risk of placing all of the plans around a single customer base.

It seems that all of the plan projections are based upon KOFC endorsing UKnight as the vendor of choice since the sales increase very rapidly from \$240,000 in year 2015 to \$1,485,600 in year 2016 and rising to \$3,933,548 in year 2025, giving total sales projection for Plan1 of \$30,462,586 (excluding the KOFC Set-up fee and the Universal Network Access fee). If these projections are accurate then it is not clear why UKnight would need funding from KOFC other than the endorsement.

All of these Plans assume that KOFC will provide all of the investment for only a small Equity position that does not offer a financial return on the investment and even worse does not offer KOFC a seat on the Board or an equity position that would enable KOFC to have any control of the company.

This is probably the worst set of financial plans that could be created since in summary, UKnight:

- Does not offer KOFC a return on its investment, although it is understood that the KOFC is not interested in an ROI in terms of a revenue stream but focused on providing additional meaningful services to its constituents in the field.
- Requires KOFC to continue to pay for Universal Network Access for the total eleven (11) years based on Plan 1 and would generate a total of \$2,489,332 over the eleven (11) years. Basically, KOFC is funding the operations for all eleven (11) years.
- Expects KOFC to provide unsecured funding in excess of \$4,500,000 which is derived from the \$500,000 for Set-up during 2015, \$2,000,000 investment in 2016 and another \$2,000,000 in 2017 based on Plan 5.
- Offers to pay back the \$2,000,000 of the \$4,500,000 unsecured loan over eight (8) years with no interest payable based on Plan 5.
- Does not expect to improve the services or expand into other market areas in order to reduce the risk of a single market source of income. This is particularly bad for a company to have a single source of income.

- Does not make allowances in Plans 3, 4 & 5 to include expansion of the staffing during the Free Service periods and therefore they could cause dissatisfied customers by not enabling them to establish their own UKnight site, they might not signing up for the free service or stay with the service after the free period.
- Expects KOFC to be the only investor and therefore KOFC will be have all of the risk.
- Does not offer KOFC any real control over the direction of the company with only a minor equity position. The Advisory Board is by definition, Advisory and therefore will only work if both parties are on board and working together. There is no guarantee that UKnight will agree to anything that the advisory board states and after the first three or four years they really don't need KOFC and therefore don't have to agree with the advisory board. A possible solution would be to have two seats on the board of UKnight and replace the UKnight management with a team that KOFC have recruited and can trust.
- Is offering to establish an Advisory Board consists of the seven (7) members with two from UKnight and five (5) members of KOFC. This board could make recommendations but UKnight does not have to agree or implement them since they are still in the control position.
- Has withdrawn the Market Center from these Plans even although it was an integral part of their plans in June 2015. This is a major loss in potential income to UKnight and seems strange that they would just remove such a strategic marketing strategy from all of their latest plans. It may have been dropped in error but if it were included it would show that UKnight would show a larger profit.
- Is expecting KOFC to essentially pay for the operations of UKnight, make all of the investment, pay for upgrading their systems and services, take all of the financial risk, have very little management input into the operations and planning of the company and receive no financial compensation for the investment risk. The lack financial compensation is not of primary concern to KOFC but having this as a pressure point on a company usually provides the ability to exert additional control over what and where the company if heading.

After a detailed review of the Plans, it is evident that UKnight do not provide for a good partnership or working relationship between UKnight and KOFC since all for the plans assumes that KOFC will pay the Set-up costs, pay 10% for Universal Network Access based on the number of participating Council's and provide all of the funding (at various levels depending upon the Plan).

If UKnight were offering KOFC a control position partnership then the funding levels might be acceptable but without a control position for this level of funding and the track record of the existing partners it is not showing good business sense and KOFC should give serious consideration to moving forward with any of these plans.

At this level of funding, KOFC could establish a new company to provide these services and have them create new software to provide the Councils, General and Fields Agents a modern web site that integrates seamlessly with KOFC's Web Site and technology. The new company could be a joint venture between KOFC and a company that has experience with social networks and is utilizing the most modern technologies available including the highest security for all parties.

As an alternative to the creation of new software, there are products available that could be customized to meet the requirements of the Councils, General and Field Agents and enable them to be operating securely and very quickly with the minimum of upset to their existing operations.

It is the author's opinion that both the cost and the functionality for these alternatives would be comparable and that, at the very least, these options should be explored.

UKnight has had a unique set of opportunities but they have continued to reduce their opportunities by not wishing to operate as a partner and not showing real management skill to encourage the investor.

KOFC is by virtue of its depth of field presence, coverage and the fact that the success of UKnight singularly hinges on KOFC involvement places KOFC in an extremely strong position for negotiating a much more equitable contract with UKnight. The basis for any lasting deal is having the clear understanding that the deal has mutual trust, equality and fairness to both parties. The following are the key items that need to be addressed and clarified as the basis for a deal with UKnight:

- It is agreed that the existing software and supporting technology needs to be upgraded to enable sustainability and provide communications capability with the KOFC Site and its management. The estimated cost of the upgrade and conversion to a JAVA Platform would be around \$500,000 but should be monitored and managed by an assigned KOFC manager (could be a contractor).
- KOFC would be willing to provide funding for the aforementioned upgrades but only under the management and control of KOFC assigned personnel (these personnel could be contractors).
- KOFC will not be funding the free marketing as proposed in Plans 3, 4 & 5 and all marketing will need to be approved by the Advisory Board and may be jointly funded at the discretion of KOFC.
- Clearly there are two main issues with UKnight: Cost as proposed in the five Plans, the technical ability of the current UKnight team and the ability of the current management to move UKnight forward. Based on these observations, KOFC should place at least two management personnel (could be contractors) on the UKnight board and they should replace the current UKnight management team. One of the KOFC Team would be highly technical and the other should have real world business experience. The KOFC Team would report directly to KOFC Supreme, they would be paid by KOFC and would be responsible for all of the daily operations of UKnight. The current UKnight management could remain active members of the corporation but they would not be directly managing the operations.
- KOFC understands that the supporting technology will need to change over the years and is willing to provide financial support at a level of \$15.00/Participating Council (not the \$30/Participating Council suggested in all of the UKnight Plans) to ensure that there is sufficient infrastructure available to support the performance needs of the customers.

Analysis of the UKnight Plans

Based upon the content of the Proposal Narrative from UKnight that provided some explanation of the five (5) plans and the spread sheets the following analysis has been prepared.

The analysis is split into four main areas:

- Detailed Review of each major area – To highlight specific information that may be questionable or just errors
- Detailed Review of each Plan – To provide a detailed review and comments on each plan
- Review of the Advisory Board proposal

There are a very number of plans (5) to be reviewed and they all have slight differences but mostly requiring KOFC to increase their investment level.

Detailed Review of each Major Area

UKnight presented five (5) Financial Plans and due to the item detail and number of years projected they are very difficult to compare. In order to make it a little easier to compare the plans I have created sections where all of the Plans are detailed but I have also reduced the number of years shown to just the first four plus the last year and a total for the whole eleven (11) years.

Universal Network Access

The concept behind this line item is to have KOFC participate in supporting the operation that communicates between the KOFC Data Services and the UKnight Data Services. In fact the data services will need to be created with the majority of the work on the KOFC side. This is a 10% charge based on the number of participating Council's and could be construed as a marketing charge for KODC access to the Council sites.

Plans 3, 4 and 5 all have provision to have this service free to KOFC for the years highlighted in red, but in reality, KOFC is paying for this by virtue of its investment during these periods.

The \$300,000 values are not real since they are based upon all 10,000 Council's signing up for the free UKnight Service offering in one year and only losing a few Council's after the free period. This is neither realistic or attainable since the Councils are not all ready to accept such a change in their operation and do not have anyone assigned to be responsible for the UKnight Site.

	Current	2016	2017	2018	2025	Total
Universal Network Access						
Plan 1	\$15,000	\$105,000	\$157,500	\$232,500	\$325,779	\$2,489,332
Plan 2	\$15,000	\$105,000	\$165,000	\$232,500	\$325,779	\$2,496,832
Plan 3	\$15,000	(\$300,000)	\$225,000	\$247,500	\$325,779	\$2,466,832
Plan 4	\$15,000	(\$300,000)	\$225,000	\$247,500	\$325,779	\$2,466,832
Plan 5	\$15,000	(\$300,000)	(\$315,000)	\$231,525	\$325,779	\$2,225,857

KOFC Councils

This table just shows the distribution of Council growth over the years and will be the basis for other calculations that utilize the number of available Council's for each year.

# KOFC Councils	Current	2016	2017	2018	2025	Total
Plan 1 - Same for all Plans	10,000	10,000	10,500	11,025	15,513	

Participating Councils

This table shows the expected number of Council's participating in the UKnight Service for each year and each Plan. It is clear that Plans 3 & 4 for year 2016 and Plan 5 for 2016 & 2017, will be offering the UKnight Service free to the various Council, General and Field Agents as indicated by the yellow background.

Participating Councils	Current	2016	2017	2018	2025
Plan 1	1,000	3,500	5,250	7,750	10,859
Plan 2	1,000	3,500	5,500	7,750	10,859
Plan 3	1,000	10,000	7,500	8,250	10,859
Plan 4	1,000	10,000	7,500	8,250	10,859
Plan 5	1,000	10,000	10,500	7,718	10,859

Participating Councils Subscription Fees

The first observation is the enormous jump anticipated between years 2015 and 2016 due entirely to the KOFC endorsement of UKnight as a preferred Vendor.

The free subscription services being offered in Plans 3, 4 & 5 can be seen in red in the table below. The numbers in red are real losses in revenue due to the offer of a free service during that period. It is not clear that the various bodies will remain loyal to UKnight after the free period. This is basically a risky marketing scheme that is not guaranteed to return a value and it is KOFC's funds that are at risk with a management team that does not have a proven track record of sale closure or forward planning.

Participating Councils Subscription Fees	Current	2016	2017	2018	2025	Total
Plan 1	\$150,000	\$1,050,000	\$1,575,000	\$2,325,000	\$3,257,789	\$24,893,324
Plan 2	\$150,000	\$1,050,000	\$1,650,000	\$2,325,000	\$3,257,789	\$24,968,324
Plan 3	\$150,000	(\$3,000,000)	\$2,250,000	\$2,475,000	\$3,257,789	\$24,668,324
Plan 4	\$150,000	(\$3,000,000)	\$2,250,000	\$2,475,000	\$3,257,789	\$24,668,324
Plan 5	\$150,000	(\$3,000,000)	(\$3,150,000)	\$2,315,250	\$3,257,789	\$22,258,574

Participating General Agents Fees

This table depicts the deployment of the free subscription model to the General Agents. Based on the Plan 1 adoption numbers the free subscriptions will not improve the overall participation level and the biggest boost in participation will be attributed to the KOFC endorsement of UKnight. We are basically giving the General Agents a free ride with no discernable return.

Participating General Agents Fees	Current	2016	2017	2018	2025	Total
# General Agents	100	132	139	146	205	
Plan 1	\$15,000	\$39,600	\$41,580	\$43,659	\$61,433	\$513,085
Plan 2	\$15,000	\$39,600	\$41,580	\$43,659	\$61,433	\$513,085
Plan 3	\$15,000	\$39,600	\$41,580	\$43,659	\$61,433	\$473,485
Plan 4	\$15,000	(\$39,600)	\$41,580	\$43,659	\$61,433	\$473,485
Plan 5	\$15,000	(\$39,600)	(\$41,580)	\$43,659	\$61,433	\$431,905

Participating Field Agents Fees

This table depicts the deployment of the free subscription model to the Field Agents and it seems to follow the same model as the General Agents growth. Based on the Plan 1 adoption numbers the free subscriptions will not improve the overall participation level and the biggest boost in participation will be attributed to the KOFC endorsement of UKnight. We are basically giving the Field Agents a free ride with no discernable return.

Participating Field Agents Fees	Current	2016	2017	2018	2025	Total
# Field Agents	500	1,320	1,386	1,455	2,048	
Plan 1	\$75,000	\$396,000	\$415,800	\$436,590	\$614,326	\$5,055,845
Plan 2	\$75,000	\$396,000	\$415,800	\$436,590	\$614,326	\$5,055,845
Plan 3	\$75,000	\$396,000	\$415,800	\$436,590	\$614,326	\$5,055,845
Plan 4	\$75,000	(\$396,000)	\$415,800	\$436,590	\$614,326	\$4,659,845
Plan 5	\$75,000	(\$396,000)	(\$415,800)	\$436,590	\$614,326	\$4,244,045

Supreme Set-Up Fee

This is the most confusing table since the narrative clearly states that the Set-up costs will be approximately \$500,000 and yet Plan 1 expects the KOFC to only invest half. The other half of this is obviously required and will due to its omission cause the bottom line to be erroneous.

Plan 2 does require the KOFC to make the full \$500,000 investment over two years with a 3% Non-Revenue Participating Equity position. There is very little financial provision for ongoing technology changes and this would not encourage an investor to continue to invest in a company that does not plan for changes over a period of eleven (11) years. Thus this plan is also flawed.

Plan 3 calls for an investment by KOFC for \$250,000 in 2015 and then another \$250,000 plus \$1,000,000 in 2016. Plan 2 has a \$500,000 investment and so does Plan 3, but Plan 3 provides an additional 9% (giving a total of 12.5%) Non-Revenue Participating Equity position for an additional cost to KOFC of \$1,000,000. This does not seem to represent good value, since the total Income for the (11) eleven years of Plan 1 is \$32,951,586 while the total income for the same (11) years in Plan 3 is \$32,704,086 or a \$247,500 drop in income. This represents a high risk for no financial return since the 12.5% Equity is non-revenue producing for KOFC.

Plans 4 requires KOFC to invest the full amount of \$500,000 for external set-up plus an additional \$2,000,000 to cover the loss of income from the free services that UKnight plan for 2016. They are offering a 22.5% which is another 10% for the additional \$1,000,000 difference in Plan3 and Plan 4. This is even a high risk position than Plan 3 with no return to KOFC.

Plan 5 is the most ridiculous plan since it requires KOFC to invest a total of \$4,500,000 plus another \$2,225,857 for Universal Network Access giving a total unsecured investment of \$6,725,857 and only a 22.5% Non-Revenue Equity Position. UKnight has made provision to pay the second \$2,000,000 back to KOFC but at a rate of \$25,000 per year starting on 2018. This is the highest risk Plan since it assumes that almost all of the Councils, General Agents and Field Agents will adopt the UKnight program and continue to utilize the program for the balance of the eleven (11) years. This is just not realistic since none of the UKnight plans have provision for improvements in the service or expanding the service to other areas to reduce the risk of placing all of the plans around a single customer base.

Supreme Set-Up Fee	Current	2016	2017	2018	2025	Total
Plan 1	\$250,000	\$0	\$0	\$0	\$0	\$250,000
Plan 2	\$250,000	\$250,000	\$0	\$0	\$0	\$500,000
Plan 3	\$250,000	\$1,250,000	\$0	\$0	\$0	\$1,500,000
Plan 4	\$500,000	\$2,000,000	\$0	\$0	\$0	\$2,500,000
Plan 5	\$500,000	\$2,000,000	\$2,000,000	\$0	\$0	\$4,500,000

Administration

This line entry does not clearly define its purpose but it may be executive compensation. It is just alarming that the values increase in Plan 1 from \$100,000 to \$325,000 as soon as KOFC invests in UKnight. The \$100,000 figure in Plan 1, 2, 3 & 5 for the current year seems odd that it would change to \$150,000 for Plan 4, so I am assuming a typo. If this is indeed executive compensation, then it is not out of the range for the three (3) owners, but the owners will also be taking compensation from the corporate profit while KOFC will not be receiving any return for its investment.

Administration	Current	2016	2017	2018	2025	Total
Plan 1	\$100,000	\$325,000	\$384,375	\$543,984	\$646,626	\$5,561,686
Plan 2	\$100,000	\$375,000	\$384,375	\$543,984	\$646,626	\$5,611,686
Plan 3	\$100,000	\$375,000	\$384,375	\$543,984	\$646,626	\$5,611,686
Plan 4	\$150,000	\$375,000	\$384,375	\$543,984	\$646,626	\$5,661,686
Plan 5	\$100,000	\$375,000	\$384,375	\$543,984	\$646,626	\$5,611,686

Other Administrative and Marketing Costs

This table does not encourage confidence in the projections since it seems that no Marketing programs have ever been executed based upon the \$20,000 allocation in 2015 and the sudden increase to \$300,000 in 2016 for Plan1. It also seems that as more money is invested in UKnight then more will be spent on this line item as witnessed by the steep increase for Plans 4 & 5.

All of the sales projections in Plan 1 seem to point to high reliance on the endorsement of UKnight by KOFC, so why then would the Marketing budget need to be so high?

It is not a confidence builder in the management of this company that they recognize the value of the endorsement as shown in Plan 1 but still expect to have to spend a large sum on marketing.

Other Administrative and Marketing Costs	Current	2016	2017	2018	2025	Total
Plan 1	\$20,000	\$300,000	\$574,000	\$588,350	\$699,363	\$6,033,894
Plan 2	\$20,000	\$350,000	\$574,000	\$588,350	\$699,363	\$6,083,894
Plan 3	\$20,000	\$400,000	\$574,000	\$588,350	\$699,363	\$6,133,894
Plan 4	\$20,000	\$560,000	\$574,000	\$588,350	\$699,363	\$6,293,894
Plan 5	\$20,000	\$560,000	\$574,000	\$588,350	\$699,363	\$6,293,894

Administration and Overhead

This line item adds to a lack of confidence in the operation and validity of these Plans since this line item is taking approximately one third of the total income and its purpose is not detailed. In addition, the jump from \$141,500 in 2015 to \$712,000 in 2016 for Plan 1 and then a continuous growth throughout the years must generate a very big RED FLAG.

It is also very alarming that Plans 4 & 5 have even larger increases in this line item since KOFC is investing \$2,500,000 in Plan 4 and \$4,500,000 in Plan 5 but UKnight intends to use these funds for Administration & Overhead?

Administration and Overhead	Current	2016	2017	2018	2025	Total
Plan 1	\$141,500	\$712,000	\$1,047,550	\$1,223,739	\$1,454,641	\$12,591,774
Plan 2	\$141,500	\$812,000	\$1,047,550	\$1,223,739	\$1,454,641	\$12,691,774
Plan 3	\$141,500	\$862,000	\$1,047,550	\$1,223,739	\$1,454,641	\$12,741,774
Plan 4	\$203,500	\$1,022,000	\$1,047,550	\$1,223,739	\$1,454,641	\$12,963,774
Plan 5	\$141,500	\$1,022,000	\$1,047,550	\$1,223,739	\$1,454,641	\$12,901,774

Total Expenses

In order to validate some of the numbers for consistency, the Total Expense Projections were extracted from the UKnight June 2015 Financials as shown below.

Using this for comparison to the October 2015 Plans, the \$647,319 value for 2016 is approximately a third higher than the October value. Why would the UKnight have less confidence in their income in October 2015 than in June 2015 unless they are not closing business at the rate they previously expected? It is also perplexing that the June projections for 2017 are \$679,429 while the October projection is \$1,410,250 (over 2 times the increase). This is not a confidence builder in the management of UKnight.

Total Expenses - UKnight Financials June 2015	2016	2017	2018
	\$647,319	\$679,429	\$1,162,669

The Total Expenses projected in the UKnight Financials October 2015 Plans:

Total Expenses	Current	2016	2017	2018	2025	Total
Plan 1	\$405,250	\$1,410,250	\$1,664,495	\$1,796,832	\$2,182,516	\$19,356,833
Plan 2	\$405,250	\$1,542,750	\$1,637,970	\$1,763,712	\$2,108,768	\$19,040,277
Plan 3	\$405,250	\$1,592,750	\$1,637,970	\$1,763,712	\$2,108,768	\$19,090,277
Plan 4	\$716,000	\$1,504,000	\$1,637,970	\$1,763,712	\$2,108,768	\$19,312,277
Plan 5	\$654,000	\$1,504,000	\$1,637,970	\$2,013,712	\$2,358,768	\$21,250,277

Net Revenues

The same picture seems to be true for Net Revenue as Total Expenses since we have the same basic pattern. The June projection for 2016 is \$760,940 while the October 2106 is \$1,590,600 for Plan 1 (over 2 times the increase). The projection for 2017 is closer (at 1.6 time increase) and the 2018 is close at a 1.4 time increase.

Net Revenues - UKnight Financials June 2015	2016	2017	2018
	\$760,940	\$1,381,796	\$2,163,967

The Total Revenue projected in the UKnight October 2015 Financials Plans:

Net Revenues	Current	2016	2017	2018	2025	Total
Plan 1	\$505,000	\$1,590,600	\$2,189,880	\$3,037,749	\$4,259,327	\$33,201,587
Plan 2	\$505,000	\$1,840,600	\$2,272,380	\$3,037,749	\$4,259,327	\$33,534,087
Plan 3	\$505,000	\$1,685,600	\$2,932,380	\$3,202,749	\$4,259,327	\$34,204,087
Plan 4	\$755,000	\$2,000,000	\$2,932,380	\$3,202,749	\$4,259,327	\$34,768,487
Plan 5	\$755,000	\$2,000,000	\$2,000,000	\$3,027,024	\$4,259,327	\$33,607,314

Service Debt

This is just not rational for a company that is asking for funding to expect a funding source to not receive a financial return (usually a high interest rate due to the high level of risk) for the loan of the unsecured funds. This does not make any rational sense and should not be a consideration.

Service Debt	Current	2016	2017	2018	2025	Total
Service Debt to Supreme 8-Year No Interest Payments on \$2.0 million Applies to Plan 5 Only	\$0	\$0	\$0	\$250,000	\$250,000	\$2,000,000

Net Operating Profit

What can I say about the Net Operating Profit Projections since they are based on very poor judgement and playing with numbers rather than producing a serious Financial Plan based upon good business practices with substantiation for each line item and changes in growth values?

There are so many items that are in question that it is extremely difficult to draw any firm conclusion other than do not invest in this company or get rid of the current management and position new management selected by KOFC to operate the company as a real company.

Net Operating Profit - UKnight Financials June 2015	2016	2017	2018
	\$113,496	\$702,367	\$1,001,298

Net Operating Profit projected in the UKnight October 2015 Financials Plans:

Net Operating Profit	Current	2016	2017	2018	2025	Total
Plan 1	\$99,750	\$180,350	\$525,385	\$1,240,917	\$2,076,810	\$13,844,754
Plan 2	\$99,750	\$297,850	\$634,410	\$1,274,037	\$2,150,559	\$14,493,810
Plan 3	\$99,750	\$92,850	\$1,294,410	\$1,439,037	\$2,150,559	\$15,113,810
Plan 4	\$39,000	\$496,000	\$1,294,410	\$1,439,037	\$2,150,559	\$15,456,210
Plan 5	\$101,000	\$496,000	\$362,030	\$1,013,312	\$1,900,559	\$12,357,037

Detailed Review of each Plan

Plan 1: Summary

Plan 1 does not provide a good partnership or working relationship between UKnight and KOFC since this plan assumes that KOFC will pay a large portion of the Set-up costs and in addition pay 10% of the number of participating Council's. The total investment for KOFC is \$265,000 in year 2015 and an ongoing contribution of 10% of the participating Council's fee, which is projected at \$2,474,332 over the following ten (10) year period.

It seems the plan projections are based upon KOFC endorsing UKnight as the vendor of choice since the sales increase very rapidly from \$240,000 in year 2015 to \$1,485,600 in year 2016 and rising to \$3,933,548 in year 2015. If these projections are accurate then it is not clear why UKnight would need any funding from KOFC other than the endorsement.

After a detailed review of this and every plan the cost of infrastructure operations is completely omitted and this could easily be in the estimated range of \$100,000/year to \$250,000/year depending upon the level of services that are to be offered and promoted.

There are two other items of concern that do not make the UKnight operation seem viable:

An increase in administration cost from \$100,000 in 2015 to \$325,000 in year 2016. This is not justified by any increase in staffing levels that has not already been presented, so it is difficult to understand this huge increase. To make it even more strange, it continues to increase to \$646,626 in year 2015 without any justification.

There are other areas where the values under the category of Administration and Overhead do not seem to be proportional to the plan. There is a category of Other Administrative and Marketing Costs that increase from \$20,000 in year 2015 to \$300,000 in year 2016 and continues to escalate to \$699,363 in year 2015. There is no justification for this expenditure and it is difficult to understand if it truly related to the Marketing Costs since the sales projections are solely based on an endorsement from KOFC and therefore the marketing costs should if anything be reduced.

KOFC will have to assign staff to assist in the management of the UKnight operations since the general plan as outlined in the Proposal Narrative from UKnight, clearly requires an advisory board and probably daily interactions. However, KOFC will not have any equity position or seats on the UKnight Board and therefore the UKnight organization could easily ignore the recommendation of the Advisory Board by voting or veto over rides.

KOFC will have additional cost related to the need for direct communications or data transfer between KOFC and the UKnight Site, plus the need to improve the UKnight User Security (Single Sign-On) and other related services. This is another area of investment by KOFC that is not rewarded by any financial or equity position.

The Proposal Narrative from UKnight indicates that KOFC is expected to obtain the cost of services for the KOFC General Agents and Field Agents and provide these funds to UKnight. It is not clear why KOFC should be required to take on this responsibility since this is an integral part of the Income Source for UKnight and they are currently collecting these fees.

This plan does not provide KOFC with any equity in UKnight or any return on the KOFC investments. The While the UKnight plan clearly indicates a huge Income increase related directly to the endorsement of KOFC, the UKnight management do not recognize the contribution in this plan. It should be clearly stated that the UKnight operation would not grow and they would not be able to increase their staff levels or pay for the Infrastructure Operations without the rapid increase in revenue generated by the KOFC endorsement.

Plan 1: Line 5:

KOFC is expected to pay 10% of Participating Councils Subscription Revenue. This is a total of \$2,489,322.43 over the 10 year period for which KOFC will obtain access to some content on the standard UKnight Home Page and perhaps a link back to the KOFC pages. This is a very large investment for very little return and indicates that KOFC could invest this amount in branding their own Council site(s) and receive operating income that would make it a going concern ever at half the Council Fee.

What is the real KOFC expected return from these 10% payments?

Plan 1: Line 12, 15 & 18:

Why is KOFC paying (Line 5) amount for the whole eleven year period, since the acceptance by KOFC of UKnight and the resultant increase in Councils acceptance enables the UKnight group to increase their income by \$2,772.7k over years 2016 thru' 2018.

There is a note on lines 15 & 18 that states "Collected by Supreme". The UKnight Proposal Narrative states that KOFC will be expected to collect these fees from the Agencies and pay UKnight. Why would KOFC wish to take on this responsibility and act as a collection agency for UKnight?

Plan 1: Line 20 & 25-33:

The sum of \$250k on (Line 20) is a set-up fee which relates to a breakdown of cost on (Line 25 – 33). The Immediate External Technology Development costs appear to be a total of approximately \$500k with the expectation that KOFC will pay half or \$250k. It seems that the additional \$250k will come out of the total operating expenses for year 2016.

The plan shows a cost of \$37.5k for year 2015 and \$37.5k for year 2016 for French translation. The same figures are reflected in the Spanish Translation giving a total of \$150k for the translation. However this is currently October 2015 and it would be hard to spend \$75k in the remainder of 2015 on translations. It is difficult to understand why the subsequent years (2017-2025) are approximately \$10k for French and \$10k for Spanish when the first and second year is \$75k/Year.

Plan 1: Line 49:

This relates to Bi-Lingual Customer Support where the calculation clearly indicates \$65k but the estimated 2016 value is \$32.5k. All other Plans have this value at \$65k, so I assume this is an error?

Plan 1: lines 54 – 62:

The values contained in Lines 54-62 are very difficult to understand since there is no justification contained in the Letter to Matt or the Plan Sheets.

The Administrative cost for year 2015 is \$100k but just to \$325k in year 2016.

The values contained in lines 55-60 may indeed be realistic estimates but justification is required.

The Other Administrative & Marketing Costs (line 61) which shows \$20k for year 2015 and \$300k for year 2016 is very difficult to understand since it would be expected not to increase by very much since the effect of KOFC approving UKnight should reduce the need for UKnight to pursue any marketing to Councils. It is even more troublesome that subsequent years this value increase to \$574k and continues to rise to \$699k in 2025.

Plan 1: Line 65:

The total expenses does not include the ongoing Infrastructure costs which could easily be \$100k to \$250k per year depending upon the level of service, number of Users and promoted services. This is a major omission and will affect the Net Profit.

Plan 2: Summary

This plan has most of the same conditions, expectations and sales projections of Plan 1 but there is an additional cost to KOFC of \$250,000 for On-Going Technology Development, bringing the total invested by KOFC in this area to \$500,000. UKnight is willing to give up a 3% Non-Revenue participating Equity position for the additional \$250,000. Since the 3% Equity is a Non-Revenue position there is no value to KOFC and it does not include a UKnight Board Seat.

There is another \$100k increase in the area of Administration and Overhead although there is no explanation.

Plan 2: Line 5:

KOFC is expected to pay 10% of Participating Councils Subscription Revenue. This is a total of \$2,496,832 over the 11 year period for which KOFC will obtain access to some content on the standard UKnight Home Page and perhaps a link back to the KOFC pages. This is a very large investment for very little return.

Plan 2: Lines 12, 15 & 18:

The table below shows the total increase in revenue from the KOFC approval of UKnight to the KOFC Councils and is the same as Plan 1. UKnight would not have this rapid growth based on UKnight's prior projections:

Line #	Description of Revenue Source	# of participants for year 2016, 2017 & 2018	2016	2017	2018	Total
5	Supreme Universal Network Access (10% of Council Fee or \$30/Participating Councils)	3,500	\$90k	\$52.5k	\$75k	\$217.5k

Line #	Description of Revenue Source	# of participants for year 2016, 2017 & 2018	2016	2017	2018	Total
12	Council Subscription Fee (\$300/Council)	3,500	\$900k	\$535k	\$750k	\$2,175k
15	KOFC General Agents Subscription Fee (\$300/GA/YR)	132	\$24.6k	\$2k	\$2.1k	\$28.6k
18	KOFC Field Agents (\$300/FA/Yr) for 2015 and then (\$150/FA/Yr) for subsequent Yrs	1,320	\$321k	\$19.8k	\$20.8K	\$351.6k
Total			\$1,335.6k	\$589.2k	\$847.9k	\$2,772.7k

Plan 2: Line 33:

In this plan the full cost for technology Set-up of \$500k is part of the KOFC Investment and will yield a 3% Equity position in UKnight.

Plan 2: Line 49:

The Overflow 24/7 Bi-Lingual Call Center cost for year 2016 is now \$65k instead of the \$32.5k for the same year in Plan1. There is no justification for this change.

Plan 2: Lines 53 – 62:

The Administrative Cost on Line 54 was \$100k in year 2015 and has increased to \$375k in year 2016. This is an increase of \$50k over Plan 1 and this increase is not explained in any of the accompanying documents.

Other Administrative and Marketing Costs on Line 61 were \$20k in year 2015 and have increased to \$350k in year 2016. This is an increase of \$50k over Plan 1 and this increase is not explained in any of the accompanying documents.

Plan 3: Summary

This plan has similar projections for costs but a minor change in Sale Projected Income due to a change in the UKnight Marketing Strategy by including the total population of the Council's (10,000) that will be able to utilize the UKnight Site without any cost. This plan has year 2016 free of Fees to the total population of the Council's but has increased the sales projections giving a total Fee Revenue for the eleven (11) years as \$24,668,324 while Plan 2 has the eleven year Fee Revenue as \$24,968,324 giving a drop in revenue of \$300,000.

This plan requires KOFC to invest a total of \$1,500,000 for a 12.5% Non-Revenue Participating Equity Position, plus another \$2,466,832 over an 11 year period.

In addition, the \$50k unaccounted loss from the UKnight Marketing Strategy of giving a free year of service to the total Council population (paid for by KOFC with \$1,250k where \$250k is assigned to

Technology Set-up leaving on \$50k loss against the \$1,050k projected sales for the period in Plan 2) can be accounted for in the increases in Line 61 of \$50k. This is a legitimate place to pay for the loss but it is not stated in any document.

The total investment by KOFC of \$3,966,832 over the 11 year period will not provide KOFC with any Revenue or a seat on the UKnight Board but only a 12.5% Non-Revenue Participating Equity Position. Basically a large investment in three (3) people that have not made significant market penetration in six (6) years and therefore presents a high risk of failure and this is not a good basis for this level of investment.

Plan 3: Line 4:

Due to a change in the UKnight Marketing Strategy the total of all of the Council's (10,000) will be able to utilize the UKnight Site without any cost. This is reflected in the year 2016 since the \$300k cost is not included and is really not realistic since the true cost is \$105k as shown in Plan 2.

Plan 3: Line 12:

The UKnight Marketing Strategy to provide free access to the UKnight Site is reflected in a potential (but not realistic) loss on income valued at \$3,000,000. The projected fees from the participating Council's in Plan 1 & 2 for year 2016 is \$1,050k giving a total of \$24,968k for all years including 2015. Plan 3 assumes giving the Council's a free year (2016) and still reaching \$24,668k for all years including 2025. There is only a difference of \$300k between the two plans.

Plan 3: Line 20:

This plan assumes that KOFC will now invest \$250k in year 2015 and \$1,250k in year 2016 in order to obtain a 12.5% Non-Revenue Participating Equity Position. The increase from \$250k to \$1,250k in year 2016 is there to almost replace the loss of \$1,050k for year 2016 projected in Plan 1 & 2 by requiring KOFC to fund this loss.

Plan 3: Lines 53 – 62:

The same inflated numbers for lines 54 – 60 are present from Plan 2 but there is an additional \$50k increase in the Other Administrative and Marketing Costs to fund the \$50k difference between the \$1,250k invested by KOFC and the projected sales of \$1,050k in Plan 2 for the Participating Councils Fees (which would have been \$1,300k of which KOFC is funding \$1,250k of the loss).

Plan 4: Summary

Basically this plan just extends the UKnight Marketing Strategy in Plan 4 to offer the General Agents and Field Agents free Subscriptions for year 2016. In addition, it requires KOFC to pay a \$500k for Set-up in year 2015 plus an additional \$2,000k in year 2016 but does remove the 10% Universal Network Access Fee for year 2016, giving a total investment for KOFC of \$2,145k when compared to Plan 1. It does include a 22.5% Non-Revenue Participation Equity Position but does not provide KOFC a seat on the Board of Directors or a revenue stream.

The cost of Infrastructure is not included in any of the expense categories and could easily be in the range of \$100k to \$200k per year depending upon the level of service to be provided.

The UKnight's Marketing Strategy in this plan provides all sources of Income for year 2016 to be waived which represents \$3,735,600 in this plan. The total projected Council, General Agents and Field agents Subscription Fees for the 10 years (ignoring year 2016) amount to \$32,268,487 for Plan 4 while the same fees in Plan 1 are projected at \$32,951,587 or a loss in Plan 4 of \$683,100 while costing KOFC an investment of \$2,145,000.

This plan also increased the Other Administrative & Marketing Cost and additional \$250k over Plan 1. There is no disclosure or justification provided by UKnight for this increase.

This is a very risky program since the assumptions used for the projections are based upon a very high rate of adoption and all of the risk being taken by KOFC but none of the management of the Corporation.

Plan 4: Line 5:

Due to a change in the UKnight Marketing Strategy the total of all of the Council's (10,000) will be able to utilize the UKnight Site without any cost. This is reflected in the year 2016 since the \$300k cost is not included and is really not realistic since the true cost is \$105k as shown in Plan 2.

Plan 4: Line 12:

The UKnight Marketing Strategy to provide free access to the UKnight Site is reflected in a potential (but not realistic) loss on income valued at \$3,000,000. The projected fees from the participating Council's in Plan 1 & 2 for year 2016 is \$1,050k giving a total of \$24,968k for all years including 2015. Plan 3 & 4 assumes giving the Council's a free year (2016) and still reaching \$24,668k for all years including 2025. There is only a difference of \$300k between the Plans 2 & 4.

Plan 4: Line 15:

The Proposal Narrative from UKnight outlining the plan details to include "the subscription is universal which includes all Councils, GAs, and FAs so that all Councils can fully experience the system for one year". In other word it seems to indicate that all Fees will be waived for year 2016 to enable all parties to experience the benefits of UKnight Services. This means that \$39.6k of General Agent Fees will not be collected.

Plan 4: Line 18:

The same Marketing Strategy applies for the Field Agents and will result in a \$396k loss of Fees.

Plan 4: Line 20:

This plan requires KOFC to invest \$500k in year 2015 and \$2,000k in year 2016 totaling \$2,500k to allow for the total lost income from Council's, General Agent's and Field Agent Subscriptions Fees plus KOFC's Universal Network Access Fee totaling \$1,590.6k as shown in Plan 1 for year 2016. The values shown in Plan 4 for year 2016 total \$3,735.6k which is inflated by using the total Council population for



participating Council Fees. Comparing Plans 1 and 4 indicates that UKnight are charging KOFC \$2,145k for a 22.5% Non-Revenue Participating Equity position.

Plan 4: Line 61:

The Other Administrative & Marketing Costs has risen from \$300k in Plan 1 to \$560k in Plan 4 which represents an undisclosed increase of \$260k.

Plan 5: Summary

This Plan is similar to Plan 3 & 4 since it has a Marketing Strategy that offers all of the Income Streams free UKnight Services for years 2016 and 2017 and does not change KOFC the 10% Universal Network Access for the two years.

The expected participating Council's start at 1,000 in year 2015 then increase to 10,000 in year 2016 and 2017 but drop off to 7,718 in year 2018 and then continue to increase at a rate of 5% thereafter.

The UKnight Marketing Strategy is to offer the UKnight Services free for years 2016 and 2017 which based of their projections of having all Council's participate (because its free) will result in a perceived loss of \$6,150,000 Council Subscription Fees or a loss in all subscriptions of \$7,042,980 in Plan 5 . This is not realistic since all of the Council's will not participate because it's free for two years. Many do not wish to participate and they know that if they do participate in the free round then they have some commitment to continue in year 2018 with actual fees. Even if the perceived loss based on Plan 1 is ignored the loss in actual growth revenue is \$1,485,600 in year 2016 and \$2,032,380 in year 2017 giving a total perceived loss of \$3,517,980 which is partially funded by a \$2,000,000 investment by KOFC, then an explanation of why we need to invest \$2,000,000 to incur an extra loss in the market.

The same strategy is applied to the General & Field Agents but this shows a continued increase in participation. This might be a likely scenario for this population since they are very marketing oriented and could work. It will cost UKnight \$81,180 for the General Agents and \$811,800 for the Field Agents or a total of \$892,980 to perform this test.

The UKnight plan also increases the KOFC investment from \$250,000 for Set-up plus \$277,500 for the 10% Universal Network Access in years 2015, 2016 and 2017 giving a total of \$527,500 in Plan 1 to \$4,515,000 in Plan 5 for the same period. This is an increase in KOFC Investment of \$3,987,500 between Plan 1 and Plan 5. This plan does provide for a 25% Non-Revenue Participating Equity Position and will pay the second \$2,000,000 back to KOFC over the remaining eight (8) years. This of course assumes that UKnight will actually attain the projections and KOFC will not be able to control the running of the UKnight Corporation since they will not have a majority position. This is a very high risk investment and relying on the abilities of the three UKnight principals to operate the Corporation to strict guidelines that have never been evident in the past six (6) years of operations.

This plan does not have any expenses for increasing the Infrastructure that will be required to provide the services and marketing needs of the Council's and Agents as it grows over the eleven (11) years. This could easily be approximately \$100,000 to \$200,000 per year depending upon the level of service to be provided.

Plan 5: Line 5:

In this Plan, UKnight is changing its Marketing Strategy to include the total of all of the Total Population of Council's (10,000) in year 2016 and (10500) in year 2017 will be able to utilize the UKnight Site without any cost. This means KOFC will not have to pay the 10% Universal Network Access fee for 2016 and 2017, but will for the remaining nine years, which amounts to \$2,225,857.

Plan 5: Line 8:

In this Plan, the Total population of Councils is set at 10,000 for years 2015, 2016 and 2017. Thereafter it increases at a 5% rate. This is a huge assumption since it assumes that all Councils will adopt (pay the Subscription Fee) the UKnight Service and continue to do so after the free period. This is very unlikely and places the validity of this projection in doubt.

Plan 5: Line 12:

The Plan 5 UKnight Marketing Strategy now includes the Total Population of Council's to receive a free service for the years 2016 and 2017 which amounts to \$6,150k reduction in Subscription Fee Income.

Plan 5: Line 15:

The General Agent Subscription Fees will also be waived for years 2016 & 2017 which amounts to a reduction in Income of \$81.18k.

Plan 5: Line 18:

The Field Agents Subscription Fees will be waived for years 2016 and 2017 which amounts to a reduction in Income of \$811.8k. This represents a \$7,657.98k total loss of Income for the two years (2015 & 2017).

Plan 5: Line 20:

In this Plan, the KOFC is expected to invest \$500k in year 2015, \$2,000k in year 2016 and \$2,000k in year 2017 providing a total investment by KOFC of \$4,500k for Set-up Universal Adoption. This plan represents an increased investment by KOFC of \$4,250k when compared to Plan 1 but it does increase the Non-Revenue Participating Equity to 25%. The second \$2,000,000 will be paid back to KOFC over the remaining eight (8) years starting in year 2018.

Plan 5: Line 61:

The Other Administrative & Marketing Costs has risen from \$300k in Plan 1 to \$560k in Plan 5 which represents an undisclosed increase of \$260k.

Review of the Advisory Board Proposal

The following is an analysis of the proposed UKnight Advisory Board guidelines.

Purpose

The three goals that are defined are in essence quite satisfactory but it is missing specific proposed changes to the Infrastructure, Security and operations. They mention changes to any KOFC system that will impact the UKnight systems but that is very general and should be changed to reflect the specific areas of change. These are primary areas of concern to KOFC and need to be added to this document since they will dramatically affect the ability of KOFC to communicate with the Council's, General and Field Agents.

Structure

An advisory board consisting of seven (7) personnel with two from UKnight and five (5) from KOFC seems acceptable but KOFC may have a control position on the Advisor Board but KOFC does not have a control position in the company and therefore UKnight does not have to implement any suggestions or requirements that KOFC needs.

Schedule

It is understandable to utilize video conferencing for economic purposes but KOFC is being required to invest heavily in UKnight and would therefore require more frequent meetings since KOFC is not a majority shareholder and does not have the control over the company operations. Physical meeting are even more important since at this point the UKnight management team has not demonstrated high management skills, effective marketing programs and detailed planning ability.

Day To Day Business

The concept of a point of contact person on both sides is very acceptable and could provide an efficient method of communications.

However, KOFC should have the authority to come on site at UKnight to audit the UKnight financial papers at any time, since KOFC is the only investor and has the largest stake in the company.