

Inflation – The current pricing was set 9 years ago and has never been adjusted. Our proposed pricing reflects higher costs for equipment, wages, fuel, electricity and many other factors affecting the cost of maintaining and operating the network. While we have factored an inflation increase, it is well below the actual rate of inflation over the same period.

Service Level Commitments – Contractual guarantees for coverage, Grade of Service and Availability protect the users but these guarantees have a cost associated with compliance. With the exception of the coverage guarantee Motorola is willing to continue the current service level commitment in any renewal and our proposed pricing reflects the investment required to sustain this level of network performance. We have proposed an alternative coverage commitment (described below) in lieu of the existing contractual requirement that we believe better serves the needs of the users. Our proposed pricing assumes that the State agrees to the revised coverage commitment.

Length of Contract Term – Motorola’s optimum length of contract term for the renewal is seven years. Our pricing reflects that term. We are receptive to other terms with the understanding that the term can affect pricing.

Technology Refresh Requirements – Motorola believes it is in the user’s best interests to keep the network hardware and software current. Our pricing reflects ongoing investments we will make in the network to ensure it provides interoperable leading edge communications.

Commitment to Purchase Motorola Radios – STARCOM21 is a P25 complaint network. As such, numerous manufacturers sell radios that will work on the network infrastructure. However, Motorola’s business case for STARCOM21 was predicated on the sale of primarily Motorola manufactured radios to the State. Our proposed pricing assumes that the State will continue to buy primarily Motorola subscriber equipment.

Any change to the assumptions described above could affect our pricing offer.

Proposed New Contract Pricing - On the basis of a sole economically feasible renewal for the STARCOM21 contract, Motorola can propose the following pricing:

Monthly User Rate	Wide Area Rate	County Rate	Municipal Rate	Specialty User Rate
Current	\$53	\$35	\$30	\$10
Proposed*	\$76	\$45	\$39	\$14

* Subject to Negotiations

This proposed pricing includes:

3 Site Coverage Bank – The current contract stipulates that Motorola must guarantee that any quarter mile grid in the State that passed the initial coverage test must pass for the life of the contract. Motorola proposes to modify this requirement. We would guarantee that we would maintain all sites currently deployed in proper operating condition for the