

STARCOM21 New Contract Valuation Estimate

3/16/10

	# of Units	Unit Fee	Monthly Fee	Annual Fee	Est. 10 Year Contract Term	TOTALS
STATE OF ILLINOIS						
Service Fees						
Existing Subscribers						
Wide Area Units	4,725	\$61	\$288,225	\$3,458,700	\$34,587,000	\$34,587,000
Regional Area Units (25% of total)	1,575	\$40	\$63,000	\$756,000	\$7,560,000	\$7,560,000
Proposed (IDOT, DOC)						
Wide Area Units	2,025	\$61	\$123,525	\$1,482,300	\$14,823,000	\$14,823,000
Regional Area Units (25% of total)	675	\$40	\$27,000	\$324,000	\$3,240,000	\$3,240,000
Sub-Total	9,000		\$501,750	\$6,021,000	\$60,210,000	
Equipment						
Est. New Additional units (IDOT, DOC, etc)	2,700	\$4,600			\$12,420,000	\$12,420,000
Est. Replacement Units (est 50% of existing)	3,150	\$4,600			\$14,490,000	\$14,490,000
Est. Misc Equipment/Accessories				\$100,000	\$1,000,000	\$1,000,000
New Consoles & CEBs (IDOT)					\$1,400,000	\$1,400,000
Vehicular Repeaters						
Additional Site Buildout (if requested)	2	\$150,000			\$300,000	\$300,000
Sub-Total					\$29,610,000	
Misc						
Radio Programming (one/2yr)	9,000	\$10		\$45,000	\$450,000	\$450,000
Warranty (radios, est 50%)	4,500	\$16	\$72,000	\$864,000	\$8,640,000	\$8,640,000
Maintenance (console positions)	89	\$306	\$27,234	\$326,808	\$3,268,080	\$3,268,080
T&M (additional service)				\$200,000	\$2,000,000	\$2,000,000
Backhaul (Microwave & Consoles)				\$968,000	\$9,680,000	\$9,680,000
Software Maintenance (radios, est 50%)	4,500			\$200,000	\$2,000,000	\$2,000,000
Sub-Total				\$2,558,808	\$25,588,080	
Sub-Total						\$115,858,080
LOCAL GOVT & NON GOVT						
Service Fees	# of Units	Unit Fee	Monthly Fee	Avg. Annual Fee	2% Growth per Year over Contract Term	
Existing Subscribers						
Wide Area Units	1,900	\$61	\$115,900	\$1,390,800	\$15,228,872	\$15,228,872
Regional Area Units	4,700	\$40	\$188,000	\$2,256,000	\$24,702,571	\$24,702,571
Municipal Area Units	2,000	\$35	\$70,000	\$840,000	\$9,197,766	\$9,197,766
Specialty Units	3,300	\$12	\$39,600	\$475,200	\$5,203,307	\$5,203,307
Sub-Total	11,900		\$413,500	\$4,962,000	\$54,332,516	
Equipment						
Est. New Additional units (based on 2% annual growth)	2,322	\$3,800			\$8,822,086	\$8,822,086
Est. Replacement Units (est 50% of existing non-specialty units)	4,500	\$3,800			\$17,100,000	\$17,100,000
Est. Misc Equipment/Accessories				\$100,000	\$1,000,000	\$1,000,000
Maintenance/Warranty (est 50% of existing non-specialty units)	5,600	\$16	\$89,600	\$1,075,200	\$10,752,000	\$10,752,000
Sub-Total				\$1,175,200	\$37,674,086	
Sub-Total						\$92,006,602
Total Contract Value						\$207,864,682

Estimated Replacement Cost at Current List Price Levels:

Starcom ROM Summary

	Qty	Ext Equipment Price	Ext SI Price
ASTRO 25 Core	3	\$ 57,951,000	\$ 5,037,743
Simulcast Cells	10 cells x 57 Sites	\$ 45,774,000	\$ 5,959,091
ASTRO 25 Repeater Sites	134	\$ 73,164,000	\$ 11,572,727
Microwave Links	25	\$ 5,889,364	
Site Development	Lot		\$ 69,791,400
Overall System Integration	Lot		\$ 41,771,927
Totals		\$ 182,778,364	\$ 134,132,888
GRAND TOTAL			\$ 316,911,252

Estimated Sales Price to the State at Current List Price Levels:

- Estimated Sale Price of Existing Network Assets: **\$120M** (subject to procedures outlined in section 12 attachment SV)
- Estimated Annual Operating Cost: **\$26,505,754** (on-site infrastructure response and restoration, site maintenance, operating staff, MW support, utilities, software maintenance, site leases). Based on our published pricing for maintaining similar networks.
- Connectivity Inventory: 285 T1's, 25 DS3's, 1 OC3, 13 4-wire circuits (Mutual Aid). Cost is dependant on State contract pricing.

Enter Into a New Contract to Continue Existing Services

Negotiating a new contract for the existing services would ensure continued access to affordable communication at the same or better service levels and similar contract terms. The STARCOM21 approach to Public Safety communications is a unique partnership between State and local government and commercial equipment suppliers that provides exceptional value to the State. The diversity of users and acceptance in the Public Safety community allows the total cost of ownership to be spread across a broad base of user agencies. This keeps the cost manageable and affordable for all users.

Motorola took several factors into consideration in developing proposed pricing should the State elect to enter a new contract:

life of the contract. Any modification to the site count or location would require approval by the Oversight Committee. Additionally, Motorola would commit to build up to three (3) additional sites at the Oversight Committee's discretion to resolve any coverage issue that might develop due to changes in topology, new obstructions, or operational requirements.

Inflation Adjustment – The price includes an adjustment for inflation. As such, Motorola is offering to hold the proposed pricing at a fixed level for up to a 7 year renewal term.

Seven (7) Year Contract Term – We have assumed a seven year renewal term. Any term of less than seven years may affect our price offering.

State Commitments – This proposed pricing assumes the State will continue to commit to a minimum of 6000 State Users at the full Wide Area Rate. It also assumes that the State will buy only Motorola radios (at the State contract price).

Equipment Discount:

As part of this proposal, Motorola is prepared to continue offering a 25% discount on Motorola-manufactured equipment, with the exception of the APX series radios, off the current list price, as published in Motorola's Price Catalog at the time of purchase. This discount applies to equipment manufactured and sold by Motorola and purchased under the STARCOM21 Master Contract. This pricing applies to State Agencies, other Government users (any Governmental entity other than a State agency) and eligible Non-governmental users (as defined in Amendment 5 of the STARCOM21 Master Contract TCVS-1500 to mean an entity that is a legally constituted organization created by private persons or organizations with no participation or representation of any government). This is limited to items that will be purchased by an agency for the exclusive use of integrating their operations and subscribing to the services offered on the STARCOM21 network.

State Radio Loading - The pricing as proposed by Motorola assumes that the State commitment for users will remain at 6000 units. If the level of State participation can be increased above the 6000 threshold Motorola can propose pricing considerations for the wide area rate that would recognize the increased participation. In the original RFP for STARCOM21, the State indicated that it had identified up to 12,000 State users that could potentially use the network.

Loading Partnership – The nature of wide area shared systems allows that the more users on the Network, the lower the cost per user. As such, Motorola's ability to lower unit level pricing is dependent on total system loading. Motorola is interested in discussing ways to encourage local government and other State users that are not currently on STARCOM21 to participate. As an incentive, Motorola would be interested in offering loading incentives to current users in the form of price reductions for achieving certain loading milestones. This would foster improved interoperability and lower costs for the users. These incentives could be in the form of sliding rate scales for adding radios in increments over the current loading baseline.