

**6.05 COST PROPOSAL**

Offerors must submit their proposed cost in a separate sealed envelope marked "Cost Proposal". The total cost on the cost proposal form will be the figure used in the calculation to convert cost to points

The proposed rate on the cost proposal (and to include any revisions established through the negotiation process) will be binding upon the successful offeror for the full term of the contract including any renewals.

**SECURUS Technologies, Inc. through its wholly owned subsidiary, Evercom Systems, Inc., is pleased to present the following proposed systems, including rate and commission offers.**

**RATES**

**As outlined in RFP Section 5.02, local calls from pre-trial booking phones must be free and charges will apply to all other local calls.**

**SECURUS is proposing a flat rate of \$2.00 per local call that will not include a rate per minute. Calls from pre-trial booking phones for calls to attorneys and bail bond firms will continue to be free. Pricing for long distance calls will be charged at same rates as existing contract rates (includes surcharge and per minute rates). See Collect and Prepaid Call Rates chart below.**

**Also included in RFP Section 5.02, the Alaska Department of Corrections is requiring successful contractor to obtain all required approvals (including new local calling tariff) from the Regulatory Commission of Alaska (RCA) within 60 days of contract award. SECURUS is proposing to use GCI as a partner to provide local collect calling services. GCI will be obtaining required regulatory approvals from the RCA for local calling.**

**GCI (NASDAQ: GNCMA) is an Alaska-based company providing voice, video and data communication services to residential, commercial and government customers. Founded in 1979, GCI introduced long-distance competition to Alaska and has since grown to be one of the nation's premier integrated telecommunication providers. The company employs 1,250 Alaskans and has a current run rate of \$440 million.**

**GCI's tariff and regulatory approval process with the RCA may take longer than 60 days from contract award. As a result, SECURUS will begin installation of applicable proposed system, rate and commission package immediately following RCA approval or denial of GCI's tariff request for local calling.**

**SECURUS has been providing turn-key services to the Alaska Department of Corrections for many years and under the current contract has been providing free local collect calling. Without any local collect calling**

revenues, historical gross revenues to SECURUS have averaged \$1,500,000 annually.

As detailed in Attachment 11, historical local call volumes show that over a six month period (Dec 06 to May 07) the volume of free local complete calls have averaged 194,242 monthly or 2,330,904 calls annually.

Using historical annual call volumes for local complete calls (2,330,904) and assuming a RCA approved rate of \$2.00 per local call, gross incremental revenues from local calling could add revenues of \$4,661,808 annually. Assuming the potential new local call revenue (\$4,661,808) is combined with the historical gross revenues to SECURUS (\$1,500,000), the potential gross revenue amount is \$6,161,808 annually.

If the RCA approves a rate of less than \$2.00 per call, the potential gross revenue would naturally be less and a new commission payment schedule would need to be negotiated.

### **PROPOSED SYSTEMS**

As outlined in RFP Section 5.01, Scope of Work, all costs of equipment, installation, optimization, training, and ongoing operation of the systems are the responsibility of the Contractor. This means that SECURUS must install and operate a system at no charge to the Alaska Department of Corrections and pay a commission to the Department of Corrections based upon projected gross revenues.

If the RCA approves a local call collect calling tariff of \$2.00 per call, then gross revenues will justify the capital expenditure of installing the proposed SCP solution.

It is not a certainty that the RCA will approve the local calling tariff, however in the event that the RCA denies a local collect call tariff, SECURUS will be unable to install the SCP solution. Instead, SECURUS will upgrade the existing system with new phones, workstations and hard drives.

SECURUS will begin installation of the new SCP proposed systems immediately following RCA approval of the new local tariff of \$2.00 per call. Alternatively, if the RCA denies a new local collect calling tariff, SECURUS will immediately begin the upgrade of the existing system.

The rate and commission offer below is based upon the RCA approval of a \$2.00 rate for local calling or disapproval of a rate for local calling.

As outlined in RFP Section 5.02, the successful contractor will pay the State of Alaska, Department of Corrections (DOC) a guaranteed yearly dollar payment over the life of the contract. This payment shall be made in quarterly payments over each year on a schedule subject to approval of the Contractor and DOC.

**SECURUS is please to offer a guaranteed yearly payment amount of \$100,000 (paid quarterly) that will be considered as an advance against future annual commission payments.**

**The following commission offer is based upon actual annual gross revenues.**

<u>Annual Revenue</u>	<u>Commission Rate*</u>
\$6,400,000.01 and above	32.1%
\$4,700,000.01 to \$6,400,000	30.8%
\$2,500,000.01 to \$4,700,000	29.0%
\$2,200,000.01 to \$2,500,000	23.0%
\$1,500,000.01 to \$2,200,000	15.0%
\$1,000,000.01 to \$1,500,000	7.0%
\$1,000,000 and below	0.0%
* Local Rate of \$2.00 or No Local Rate	

### **Commission Calculation and Payment Method:**

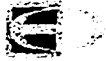
**In the first twelve months, SECURUS will begin paying a commission rate of 15% per month on gross revenues. In month thirteen, the actual gross revenues for the previous twelve months will be identified and the applicable commission percentage in the chart above will apply. The difference between the \$100,000 advance payment and actual monthly commission earnings for the first twelve months will equal the true up or down amount for the first year.**

**For all other annual periods, SECURUS will pay a commission rate equal to the applicable commission rate earned in the previous twelve months (run rate). For example, at the end of the second contract year (in month twenty-five), the actual gross revenues for the previous twelve months will be identified and the applicable commission percentage in the chart above will apply. The difference between the \$100,000 advance payment and actual commission earnings of the previous year will equal the true up or down amount for the second year and all subsequent years.**

Example for year one and two (also applicable to all subsequent years):

<u>Month</u>	<u>Gross Revenue</u>	<u>Commission Percentage</u>	<u>Commission Earnings</u>
1	\$125,000.00	15%	\$18,750.00
2	\$125,000.00	15%	\$18,750.00
3	\$125,000.00	15%	\$18,750.00
4	\$150,000.00	15%	\$22,500.00
5	\$175,000.00	15%	\$26,250.00
6	\$200,000.00	15%	\$30,000.00
7	\$200,000.00	15%	\$30,000.00
8	\$200,000.00	15%	\$30,000.00
9	\$200,000.00	15%	\$30,000.00
10	\$225,000.00	15%	\$33,750.00
11	\$250,000.00	15%	\$37,500.00
12	<u>\$250,000.00</u>	15%	<u>\$37,500.00</u>
<b>Year One</b>	<b>\$2,225,000.00</b>	<b>15%</b>	<b>\$333,750.00</b>
<b>Actual Annual Revenue Commission Rate Attainment is 23%</b>			
<b>Revenue</b>	<b>\$2,225,000.00</b>	<b>23.0%</b>	<b>\$511,750.00</b>
<b>Earned</b>			<b>\$333,750.00</b>
<b>Advance Payment</b>			<b>\$100,000.00</b>
<b>Year One True Up Payment</b>			<b>\$78,000.00</b>
<b>Run Rate Commission for next 12 months</b>			
<b>Based on previous year revenue of \$2,225,000 new monthly commission is 23.0%</b>			

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<u>Month</u>	<u>Gross Revenue</u>	<u>Commission Percentage</u>	<u>Commission Earnings</u>
13	\$240,000.00	23%	\$55,200.00
14	\$245,000.00	23%	\$56,350.00
15	\$250,000.00	23%	\$57,500.00
16	\$250,000.00	23%	\$57,500.00
17	\$250,000.00	23%	\$57,500.00
18	\$250,000.00	23%	\$57,500.00
19	\$275,000.00	23%	\$63,250.00
20	\$280,000.00	23%	\$64,400.00
21	\$290,000.00	23%	\$66,700.00
22	\$300,000.00	23%	\$69,000.00
23	\$300,000.00	23%	\$69,000.00
24	<u>\$325,000.00</u>	23%	<u>\$74,750.00</u>
<b>Year Two</b>	<b>\$3,255,000.00</b>	<b>23%</b>	<b>\$748,650.00</b>
<b>Actual Annual Revenue Commission Rate Attainment is 29%</b>			
<b>Revenue</b>	<b>\$3,255,000.00</b>	<b>29.0%</b>	<b>\$943,950.00</b>
<b>Earned</b>			<b>\$748,650.00</b>
<b>Advance Payment</b>			<b><u>\$100,000.00</u></b>
<b>Year Two True Up Payment</b>			<b>\$95,300.00</b>
<b><u>Run Rate Commission for next 12 months</u></b>			
<b>Based on previous year revenue of \$3,255,000 new monthly commission is 29.0%</b>			

**Collect & Prepaid Call Rates**

LOCAL STATION TO STATION				SURCHARGE			\$2.00 Per Call
DAY			EVENING		NIGHT/WEEKEND		
RATE/MIN							
MILEAGE							
0-9999	\$0.00		\$0.00		\$0.00		
INTRALATA and INTERLATA STATION TO STATION				SURCHARGE			\$1.55
DAY			EVENING		NIGHT/WEEKEND		
RATE	INITIAL	EACH ADD'L	INITIAL	EACH ADD'L	INITIAL	EACH ADD'L	
MILEAGE	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	
0-34	0.3400	0.1300	0.2720	0.1040	0.1700	0.0650	
35-64	0.3800	0.1700	0.3040	0.1360	0.1900	0.0850	
65-94	0.4200	0.2100	0.3360	0.1680	0.2100	0.1050	
95-124	0.4500	0.2400	0.3600	0.1920	0.2250	0.1200	
125-154	0.4800	0.2700	0.3840	0.2160	0.2400	0.1350	
155-184	0.5100	0.3000	0.4080	0.2400	0.2550	0.1500	
185-214	0.5500	0.3400	0.4400	0.2720	0.2750	0.1700	
215-274	0.5800	0.3700	0.4640	0.2960	0.2900	0.1850	
275-99999	0.6000	0.3900	0.4800	0.3120	0.3000	0.1950	
INTERSTATE STATION TO STATION				SURCHARGE			\$ 3.95
DAY			EVENING		NIGHT/WEEKEND		
RATE	INITIAL	EACH ADD'L	INITIAL	EACH ADD'L	INITIAL	EACH ADD'L	
MILEAGE	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	
0-99999	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	