

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

September 20, 2011

THE STATE OF TEXAS §
COUNTY OF HARRIS §
BRIDGESTONE MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Bridgestone Municipal Utility District (the "District") met in regular session, open to the public, at the Jerry Thomas Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, September 20, 2011, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President
Jim Marks	Vice President
Linda D. Theiss	Secretary
Ronald W. Schkade	Assistant Secretary
Skip Warren	Treasurer

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mr. Gene Conner, General Manager for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Pat Hall of Equi-Tax, Inc., tax assessor/collector for the District; Mr. Greg East of Perdue, Brandon, Fielder, Collins & Mott, L.L.P., delinquent tax attorneys for the District; Mr. L. Carlin Short, financial advisor for the District; Messrs. Erich Peterson, P.E. and Joshua Lee of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Messrs. David Rowe and Danny Staab of Water District Management Company, Inc. ("WDM"), operators for the District; Lieutenant Ronnie Glaze of the Harris County Precinct 4 Constable's Office; Mr. Tim Early of K. Hovnanian Homes, an investor in the Bridgestone Lakes, Section 4 subdivision and a developer in the Gosling Pines subdivision; Mr. Bob Hudson of Texas Investment & Development Company, Inc., developer of the Bridgestone Lakes, Senterra Lakes, LP and Villages of Senterra Lakes subdivisions within the District; Mr. Robert Daigle of D.R. Horton-Texas, Ltd., developer of The Sanctuary Veritas subdivision; Mr. Jeff Haneline, a resident of the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Johnson Radcliffe"), attorneys for the District. A copy of the sign-in sheet for those in attendance at the meeting is attached hereto.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Lieutenant Glaze then presented the monthly Constable's Report that had previously been distributed to the Board, a copy of which is attached hereto.

Lieutenant Glaze then exited the meeting at 6:05 p.m.

PUBLIC COMMENT

Ms. Bobbitt reported that the Bella Sera Homeowners Association (the "Bella Sera HOA") had requested an item on the agenda to discuss questions regarding the operation of the Bella Sera detention pond during extreme weather events. Mr. Conner stated that he had spoken with Ms. Mindy Dent, the management company representative for the Bella Sera HOA, prior to the meeting and offered to speak with the HOA president, but had heard nothing further about the matter.

Mr. Haneline then asked if Mr. Fred Grundmeyer, owner of the golf driving range tract of land located on FM 2920 (the "Grundmeyer Tract"), receives water from the District. Mr. Rowe responded that the District does not serve the Grundmeyer Tract. Mr. Conner noted that the Grundmeyer Tract has a small water well located thereon, but noted that the property is not located within the District's boundaries. Mr. Haneline expressed concern about the taco van parked on the Grundmeyer Tract. Director Marks stated that the owner of the taco van hauls water onto the property each day. Director Warren recommended that Mr. Haneline contact the Harris County Health Department regarding the taco van.

CONSENT AGENDA

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda.

Upon motion by Director Schkade, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approval of the minutes of the regular meeting of August 16, 2011, as written, and the minutes of the special meetings of July 26, 2011 and August 9, 2011, as written; 2) review bid tabulations and award contracts for the construction of the following projects: a) the water and sanitary sewer extension project for the Castlewood Development tract and the KM-TS Partners tract to AR Turnkey Construction Company, Inc. in the amount of \$53,894.50; b) the water and sanitary sewer extension to serve the T-37 2920-Roth, L. P. to Statewide Services, Inc. in the amount of \$84,267.50; c) the water, sanitary sewer and drainage improvements for Villages of Senterra Lakes, Section 4 to Clearwater Utilities, Inc. in the amount of \$318,5843.00; and d) the regional detention facility to serve The Sanctuary Veritas to Lindsey Construction, Inc. in the amount of \$1,386,657.00; and 3) approval of the following pay estimates: a) Pay Estimate No. 7 and Final from SLC Construction, L.P. in the amount of \$28,368.13 in connection with the construction of water, sanitary sewer and drainage facilities to serve The Sanctuary Veritas; and b) Pay Estimate No. 5 and Final from Lonnie Lischka

Company, LP in the amount of \$2,000.00 in connection with the construction of the Upper Seals Gully detention system improvements.

REGULAR AGENDA

DISCUSS 2011 TAX RATE

Mr. Short next distributed copies of his 2011 tax rate recommendation, a copy of which is attached hereto. Mr. Short noted that the District's 2011 assessed valuation had increased by approximately \$4 million. Mr. Short went on to explain that his tax rate recommendation assumes that the District continues the strategy adopted in previous years of "under levying" its debt service tax rate and maintaining the option to transfer funds from its Operating Fund to the Debt Service Fund, if it becomes necessary. Mr. Short noted that his preference is to levy the same tax rate as that which was levied in 2010, which includes a debt service rate of \$0.50 per \$100 of assessed valuation and a maintenance tax rate of \$0.25 per \$100 of assessed valuation, for a total tax rate of \$0.75 per \$100 of assessed valuation. The Board concurred with Mr. Short's tax rate recommendation.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Ms. Hall to publish the effective tax calculation and notice of the public hearing on October 18, 2011, in the FM 1960 Sun, and to maintain the District's debt tax rate of \$0.50 per \$100 of assessed valuation and a maintenance tax rate of \$0.25 per \$100 of assessed valuation, for a total 2011 tax rate of \$0.75 per \$100 of assessed valuation. Ms. Bobbitt noted that approval of the 2011 tax rate will be on the October meeting agenda.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of August, a copy of which is attached hereto. Ms. Hall reported that 99.1% of the District's 2010 taxes have been collected to date.

Upon motion by Director Theiss, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Mr. East next reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Mr. East reported that Section III of the Report reflects nine (9) accounts that failed to respond to the District's water service termination letter. Mr. East stated that the taxpayer on Account No. 2 under Section III has promised to pay in October. Mr. East further reported that the taxpayer associated with Account No. 8 under Section II of the Report responded, but did not commit to an installment payment plan. Concerning Account No. 1 under Section VI of the report, Mr. East stated that the taxpayer has made two (2) of six (6) installment payments.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the Delinquent Tax Attorney coordinate with the operator to tag and terminate water service to Account No. 8 under Section II and Account Nos. 1, 3, 4, 5, 6, 7, 8 and 9 under Section III.

Mr. East then exited the meeting.

REVIEW AND APPROVE FEASIBILITY STUDY FOR SERVICE TO THE STRIPES GAS STATION/CONVENIENCE STORE

Mr. Lee next reviewed the feasibility study for service to the proposed Stripes Gas Station/Convenience Store to be located on a 1.8932-acre tract (the "Stripes Tract") on the northwest corner of Kuykendahl Road and Boudreaux Road within the boundaries of the District, a copy of which is attached hereto. Mr. Lee reported that the Stripes Tract is planned to be developed into a 4,833 square-foot gas station with a convenience store and a car wash.

Mr. Lee explained that there is an existing 12-inch waterline that is plugged at the southeast corner of the Stripes Tract that can be extended to serve the Stripes Tract. Mr. Lee further explained that there is an existing eight-inch (8") sanitary sewer line terminating in a manhole located at the southwest corner of the Stripes Tract across from Tyler Trace Lane that will not require further extension in order to serve the Stripes Tract. Mr. Lee added that the Stripes Tract was included in the drainage study for the Spring Terrace development and adequate capacity was included in the existing Spring Terrace detention pond for the Stripes Tract. Mr. Lee estimated that the assessed value of the Stripes Tract is approximately \$2.1 million and is estimated to generate tax revenues of approximately \$15,000.00 per year.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the feasibility study for the proposed Stripes Gas Station/Convenience Store.

BOOKKEEPER'S REPORT

Ms. Jarmon next reviewed the Bookkeeper's Report with the Board, including the revenues and expenses of the District, the budget comparison, the investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon noted that monthly invoices had been sent to the various developers in the District for construction management services and to those developers with outstanding balances for annexations, feasibility studies, easement acquisitions and/or other services provided by the District.

Ms. Jarmon further reported that she had received a check in the amount of \$80,130.00 from the City of Houston (the "City") for the District's share of June sales tax revenue in connection with the District's Strategic Partnership Agreement with the City. Ms. Jarmon also reported receipt of \$14,790.00 in tap fees during the prior month.

Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, the investment report and the payment of the checks reflected therein.

ADOPT ORDER REGARDING ANNUAL REVIEW OF RULES, POLICIES, CODE OF ETHICS AND LIST OF AUTHORIZED BROKERS FOR THE INVESTMENT OF DISTRICT FUNDS

Ms. Bobbitt then explained that the Public Funds Investment Act, as amended, requires the Board to review the District's investment policy on an annual basis and presented an Order Regarding Annual Review of Rules, Policies, Code of Ethics and List of Authorized Brokers for the Investment of District Funds (the "Order") for the Board's consideration and adoption. Ms. Bobbitt noted that the list of approved financial institutions/brokers had been updated by Ms. Jarmon. Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to adopt such Order, a copy of which is attached hereto.

GENERAL MANAGER'S REPORT

Mr. Conner then reviewed the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto. Mr. Conner stated that he had nothing more to add to his Report and noted that Mr. Peterson will report on the recent Water Well No. 4 issues later in the meeting.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's Report.

DIRECTOR'S INSPECTION REPORT

Director Marks then presented the District's Inspection Report, a copy of which is attached hereto. Director Marks first reported that he had inspected the District's facilities with Mr. Staab on September 14, 2011. Director Marks reported that all of the lift stations appeared to be in good working condition but some, especially Lift Station No. 3, had odor problems. Director Marks reported that the hydro-pneumatic tanks and building at Water Plant No. 1 need to be painted, and that he found the gate at Water Plant No. 2 open one morning on his way to work. Director Marks further stated that Mr. Staab has been watering the slabs at the water plants, and that he had authorized Mr. Staab to purchase additional sprinklers to help with the watering activity.

Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Inspection Report.

Ms. Hall and Mr. Short then exited the meeting at 6:50 p.m.

OPERATOR'S REPORT

Mr. Staab then presented the Operator's Report for the month of August to the Board, a copy of which is attached hereto. Mr. Staab reported that the water accountability for the month was 94.3%, with a four (4) month average of 93.5%, and that the District currently has 5,546 active connections.

Mr. Staab further reported that Lift Station No. 3 appears to have a settling problem and explained that a missing seal has caused the surrounding land to sink. Mr. Staab stated that the lift station will be sealed and mud-jacked to stop the settling problem.

Director Theiss then reported that water has been pooling near the intersection of Center Rock and Rosedale and asked Mr. Staab to look into the matter.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and to authorize termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order.

ENGINEER'S REPORT

Mr. Lee stated that no changes had been made to the Engineer's Report since it was distributed last week, a copy of which is attached hereto.

Mr. Lee reported that copies of the bid tabulations for the four (4) projects discussed under the Consent Agenda are attached to the Engineer's Report.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report.

APPROVE REVISED STORM WATER POLLUTION PREVENTION PLAN (THE "SWPPP") FOR THE DISTRICT'S WASTEWATER TREATMENT PLANT (THE "WWTP") AND AUTHORIZE EXECUTION OF NOTICE OF INTENT ASSOCIATED WITH THE SWPPP AND AUTHORIZE FILING OF SAME

Mr. Lee then explained that Jones & Carter has revised the SWPPP for the District's WWTP to comply with the Multi-Sector General Permit that was adopted by the Texas Commission on Environmental Quality (the "TCEQ") on August 14, 2011. Mr. Lee presented a Notice of Intent regarding the SWPPP for Director Steffes' execution.

Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the Notice of Intent and authorize Jones & Carter to file the revised SWPPP with the TCEQ. A copy of the revised SWPPP will be retained in the District's files.

DISCUSS OPTIONS TO PREVENT SULFURIC ACID IN THE WASTEWATER COLLECTION SYSTEM

Mr. Conner reminded the Board that at the August 13, 2011 special Board meeting, Mr. Steve Gryscka with Water Utility Services, Inc., discussed the benefits of using Thioguard treatments to help with hydrogen sulfide gas that causes odors, and help limit sulfuric acid build-up that causes corrosion of the sanitary sewer lines. Mr. Conner stated that the Board had asked him, engineers and operators to present a recommendation concerning the use of Thioguard at tonight's meeting.

Mr. Peterson next reviewed an Odor Mitigation Options handout with the Board, a copy of which is attached hereto. Mr. Peterson stated that the consultants had come up with seven (7) options for the Board's consideration and noted that the Board must decide how they want to pursue the abatement of odor problems in the District. Mr. Peterson noted that different odor abatement processes may need to be used in different areas of the District. A lengthy discussion ensued.

Director Schkade then stated that he felt strongly that the Board had to do something about the odor. Director Steffes stated that the Board will need to authorize Jones & Carter to work on an overall odor attack plan. Mr. Peterson then explained that Thioguard is a chemical treatment, not a bacterial treatment, that has proven to control the odor in the District's wastewater collection system. Director Warren noted that, in his opinion, the Thioguard treatment controlled the odor problem, cut down on the corrosive properties, and was less expensive than a bacterial treatment. Director Warren asked then if any of the other 60 utility districts that had converted to surface water are experiencing similar difficulties. Director Steffes responded that Mr. Gryscka had indicated that six (6) of the 60 districts have reported odor problems. Mr. Conner noted that several of those districts have received permit violation notices from the TCEQ. A brief discussion ensued. Mr. Conner further explained that the District's surface water comes from the City of Houston's Northeast Purification Plant at Lake Houston, while most of the districts in Galveston County receive their surface water from the Trinity River, which has significantly different water properties.

Director Steffes then reminded the Board that the Thioguard treatment is estimated to cost between \$58,000.00 and \$73,000.00 per year, depending on the amount of the product that is used. Director Steffes noted that Jones & Carter will need to develop an odor attack plan that includes a variety of processes to deal with the odor issues. Director Steffes added that because it will take Jones & Carter several months to design the odor attack plan, he believes the Thioguard treatment should be resumed. Director Theiss asked if the District's sales tax from the Strategic Partnership with the City of Houston can be used to fund the odor abatement plan. Ms. Jarmon responded that the District has only approximately \$100,000 in sales tax proceeds over and above the cost the District expends on an annual basis for law enforcement services that are currently being funded with the sales tax proceeds.

Upon motion by Director Schkade, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to arrange for the Thioguard treatments to resume in the District on a temporary basis

and to authorize Jones & Carter to prepare an odor attack plan that contemplates the use of a variety of techniques and procedures to deal with and/or resolve the odor issues in the District.

STATUS OF INFRASTRUCTURE MAINTENANCE AGREEMENT BETWEEN THE DISTRICT AND THE SANCTUARY COMMUNITY ASSOCIATION (THE "MAINTENANCE AGREEMENT")

Ms. Bobbitt then reported that Mr. Tim Green of Coats Rose, P.C., attorneys for D.R. Horton-Texas Ltd., had provided a proposed draft of the Maintenance Agreement and that Mr. Polley in her office is working on finalizing the proposed Maintenance Agreement with Mr. Green. Ms. Bobbitt noted that the matter will be included on the Board's October agenda.

ADOPT AMENDED DROUGHT CONTINGENCY PLAN (THE "DCP") TO INCLUDE VARIANCE LANGUAGE REQUESTED BY THE TCEQ

Ms. Bobbitt then reported that Mr. Trent Jennings of the TCEQ had recently contacted both Johnson Radcliffe and Jones & Carter following his review of the District's DCP implemented and adopted by the District on April 21, 2009. Ms. Bobbitt explained that Mr. Jennings has requested that the District include language in the DCP that provides procedures for the Board to grant variances to the DCP provisions, when necessary and/or appropriate. Ms. Bobbitt added that she and Mr. Lee had prepared the necessary variances language for inclusion in the DCP. Ms. Bobbitt then presented a Resolution Adopting an Amended DCP (the "Resolution") for the Board's review and adoption.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto.

WATER WELL NO. 4 PROBLEMS AND CONSIDER IMPLEMENTING WATER CONSERVATION MEASURES IN THE DISTRICT

Mr. Conner reported that the District's Water Wells Nos. 1, 2 and 3 have been performing well during the drought conditions, but that the water level in the Jasper Aquifer appears to be dropping at an alarming rate. Mr. Conner stated that the District's Water Well No. 4 produces water from the Jasper Aquifer and it has recently been found that while Well No. 4 had an approximate submergence of 27 feet in August, on September 15th the submergence level of Water Well No. 4 was found to have dropped to nine (9) feet. Mr. Conner further reported that Water Well No. 4 has been taken out of service and that he has asked Jones & Carter to provide options/estimates to improve Water Well No. 4's water production capability.

Mr. Peterson then explained that there are three (3) options for the Board to consider regarding Water Well No. 4, including: Option 1) continue using the same motor and pump and lower the well 50 feet, which would cost between \$20,000 and \$25,000 and will likely serve the District for at least two (2) more years; Option 2) continue to use the same motor and install a new pump at approximately 250 feet with a new column assembly, which would cost approximately \$150,000 and will likely be in use for 10 more years; and Option 3) install a new

larger motor, new pump and new column assembly, which would cost between \$300,000 and \$350,000.

Director Marks then asked what would happen if the Board decided to shut off Water Well No. 4 and do nothing. Mr. Peterson responded that the Board could consider that option, but warned that if Water Well No. 2 failed, something would need to be done immediately with regard to Water Well No. 4. Director Warren then asked how long it will take to make repairs to Water Well No. 4. Mr. Peterson responded that Options 2 and 3 would take at least three (3) months to complete. Mr. Peterson added that the water well contractors are currently very busy and may not be able to start work on the District's well right away. Director Steffes then recommended that Water Well No. 4 be shut off and that Jones & Carter closely monitor the level of the Jasper Aquifer. Mr. Peterson added that water well rehabilitation work is typically performed in winter/low usage months, but in the case of this District, the project could be done in the summer months if need be since the District is receiving surface water.

Mr. Conner then stated that water conservation awareness has become a statewide concern and recommended that even though the drought conditions have not triggered the District to implement the Stage 1 level of the DCP, it would be advisable to proceed with implementing Stage 1 of the DCP to encourage residents to conserve water on a voluntary basis. Extensive discussion ensued.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote opposed, with Director Marks voting in opposition, to implement the DCP Stage 1 water conservation measures within the District.

Mr. Conner stated that he would work with WDM to post water conservation signs within the District. The Board asked Mr. Conner to also post a notice on the District's website concerning the implementation of water conservation measures. Director Warren stated that he would be glad to also have the notice published in the Bridgestone Bugle newsletter.

ATTORNEY'S REPORT

Ms. Bobbitt first reported on the status of the acquisition of the three (3) drainage tracts needed for the Lower Bonds Gully. Ms. Bobbitt explained that the acquisition of the Schindewolf, et.al. tract and the Jurischk, et.al. tract have been completed. Ms. Bobbitt added that Mr. Polley and Ms. Jolie Lenz of Johnson Radcliffe are still working with Mr. Tom Manis and his attorney regarding the acquisition of his tract, and that Mr. Manis has been given until October 4th to respond.

ELECTION AGENDA

ADOPT ORDER ESTABLISHING POLICY REGARDING CANCELLATION OF GENERAL ELECTIONS UPON DECLARATION OF UNOPPOSED CANDIDATES ELECTED TO OFFICE (THE "CANCELLATION ORDER")

Ms. Bobbitt then explained to the Board that the Department of Justice (the "DOJ") has implemented a new policy requiring that governmental entities subject to Section 5 of the Voting Rights Act of 1965 request preclearance of cancellations of all general elections as a result of the DOJ's determination that an election cancellation is now deemed to be a change that affects voting. Ms. Bobbitt further explained that the DOJ has recommended that governmental entities adopt a policy regarding cancellation of general elections for preclearance submission to avoid having to redundantly make cancellation submissions for each election. Ms. Bobbitt then presented the Cancellation Order, a copy of which is attached hereto, for the Board's review and noted that the policy generally states that the District will follow the provisions of the Texas Election Code regarding cancellation of its general elections. Ms. Bobbitt then asked the Board to adopt the Cancellation Order.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Cancellation Order, a copy of which is attached hereto.

REVIEW SENATE BILL 100 ("SB 100"), EFFECTIVE SEPTEMBER 1, 2011, AND ITS EFFECT ON MAY 2012 ELECTIONS

Ms. Bobbitt then reviewed a memorandum prepared by Johnson Radcliffe explaining the effect of the Federal Military and Overseas Voter Empowerment Act (the "Federal MOVE Act") on the upcoming May 2012 general elections, a copy of which is attached hereto.

Ms. Bobbitt explained that in 2009, Congress passed the Federal MOVE Act to provide that all states must plan for a 45-day window for a military or overseas ballot to make a "round-trip" back to a governmental entity. In response, Ms. Bobbitt went on to explain, the Texas Legislature passed SB 100, which extended the deadline for receipt of military and overseas ballots for the March 2012 primary and set the March 2012 primary run-off early voting to begin three (3) days after the May 2012 uniform election date.

Because of these legislative changes, Ms. Bobbitt further explained that many counties throughout the State have found themselves unable to provide voting equipment to local governmental entities preparing to conduct May 2012 general elections. Ms. Bobbitt went on to state that a potential remedy for local governmental entities was also provided for in SB 100. Ms. Bobbitt explained that local governmental entities may now choose to keep their general elections on the May 2012 uniform election date or move their general elections to the November 2012 uniform election date and this decision must take place prior to December 31, 2012. She further reported that there is also a rule change proposed by the Texas Secretary of State (the "SOS"), based upon the SOS's perceived intent of SB 100, that local governmental entities may also choose to move their general elections to the May 2013 uniform election date. Ms. Bobbitt stated that the latter is still merely a proposed rule, and she does not recommend

moving the District's general election to the May 2013 uniform election date, as the proposed rule may change prior to final adoption.

Ms. Bobbitt went on to explain that Harris County (the "County") is unable to provide voting equipment to local governmental entities for the May 2012 general election, as reflected in the letter received from Mr. Stan Stanart, Harris County Clerk, and attached to the Johnson Radcliffe memorandum. Because of this decision by the County, Ms. Bobbitt stated that she has provided to the Board the information on the iVotronic voting equipment, which is available for lease from Election Systems & Software, Inc. ("ES&S") if the Board chooses to conduct the election in May 2012. Ms. Bobbitt added that she has the proposed ES&S contract with her at tonight's meeting.

Due to equipment reservation constraints, Ms. Bobbitt further explained that ES&S requires local governmental entities that want to lease voting equipment to approve and execute a lease agreement by September 30, 2011. If, after that date, the District chooses not to pursue lease of voting equipment for the May 2012 general election, Johnson Radcliffe can provide 30 days' notice of termination of the lease agreement to ES&S; and the District will only be responsible for any services provided, costs incurred and deliverables provided by ES&S through the effective date of the termination. Ms. Bobbitt noted that the termination provision applies to election cancellations as well.

Ms. Bobbitt added that if the District's election date is moved to November 2012, the County would be able to conduct such election, as well as future District elections, by holding a joint election countywide. Ms. Bobbitt reiterated that if the Board wishes to hold its election on May 2012, she recommends that the Board enter into an Equipment Rental and Sales Service Agreement with ES&S in order to reserve the necessary election equipment for such election and that such agreement could be cancelled without financial obligation at a future date. Extensive discussion then ensued. Director Steffes proposed that the District enter into a contract with ES&S tonight, but delay the decision about moving the May 2012 general election to a future meeting.

Upon motion by Director Theiss, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to enter into an Agreement with ES&S (at a projected cost of \$5,139.25) and to delay the decision regarding the District's May 2012 directors election to the Board's October 18, 2011 meeting. A copy of the agreement with ES&S is attached hereto.

ELECTION HISTORY


Upon motion by Director Theiss, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Johnson & Radcliffe to prepare a District Election History.

MISCELLANEOUS MATTERS

Ms. Bobbitt then stated that the next regular meeting of the Board is scheduled for Tuesday, October 18, 2011, at 6:00 p.m.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 18th day of October, 2011.


Secretary, Board of Directors

(DISTRICT SEAL)

