



STATE BOARD OF ELECTIONS

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February 26, 2009

Dear County Boards,

As you may know both vendors have requested a price increase supported by various rationales and negotiating sessions were held this past week to discuss the requests together with other contract issues.

While no determination will be made until the Board Meeting of March 6th, a preview of staff thinking on this issue is in order, to assist you in making plans. It is likely that any price increases would be phased in with a brief period of time for counties to place requisitions with OGS for new machines at the current price. That window would probably be very short and it is for that reason that we alert you now. In order for this scenario to play itself out, there would have to be OSC approval of any contract change but a phased in price increase is not something that should be rejected out of hand, especially when counties have the opportunity to provide OGS with requisitions at the current price levels for a period of time

As you know, OGS will not issue purchase orders at this time as the systems are uncertified. However, nothing stops you from providing OGS with a requisition for such units as you may need, and do so at the current price levels. An order now, or before the window closes, would preserve that price for you.

Obviously the vendors will seek to have as short a window of current pricing as possible and it is for that reason that we alert you presently as to a potential price increase and the opportunity to make such purchases at the current price. It may be that the Comptroller will approve the issuance of purchase orders by OGS prior to the actual certification of the systems if appropriate financial safeguards are adopted in the revised contract. However, the key to this is the ability of the vendors to get an actual commitment for the number of units they will have to produce in the limited time left before the September Primary. Your requisitions are of value to the vendors and it is for that reason they appear amenable to the concept of a short hold-harmless window on the current pricing.

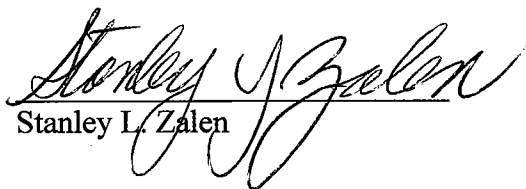
An appropriate way to calculate a county's eligibility for current pricing would be to use the date the county requisition was received by OGS. This concept is appealing as it would allow the manufacture of sufficient units for the September Primary in a timely fashion while still maintaining our stringent testing standards.

Appropriate financial safeguards will have to be provided to ensure against the purchase of systems which fail certification testing and our staff is working on such a plan. We remain committed to the goal of not using uncertified systems in an election. However, from the vendors' perspective, an early ordering period is essential to timely production and the offer of a period of current pricing would seem to accommodate their needs.

The Comptroller and the State Board will propose appropriate contract adjustments to allow for the pre-certification ordering to be sought by the vendors but nothing will be final before March 6th in this regard. However, we recognize that you are entitled to as early a "heads up" as possible and it is for this reason we communicate at this time.

We are planning to have another one of the conference calls with the ECA before our next Board meeting to address questions you may have on this. Working with the ECA leadership, once we've set the date and time we'll send out a separate e-mail.

Sincerely,


Stanley L. Zalen


Todd D. Valentine

SLZ/TDV/dsm