

EASTSOUND WATER USERS ASSOCIATION
PROCEDURE

MEMBERSHIP TRANSFER

1. PURPOSE

To define the procedure that will be followed when an existing water membership is to be transferred to a new entity. This includes even a simple name change.

2. INTRODUCTION

Water memberships are attached to a specific property and in a specific name. Membership transfers are only done with EWUA approval. Transfers from property to property are rare and addressed by a specific policy (Transfer Policy and Questionnaire.doc).

The transfer of a membership between two entities (but still attached to the same property) is common. This procedure will ensure that such a transfer:

- Is done with the proper notification to EWUA.
- Results in the collection of adequate information about the new owner.
- Ensures that the new owner is provided adequate information about membership in EWUA.
- Ensures payment of transfer fees and any past due amounts.
- Provides an opportunity to bring a membership into current compliance with the bylaws.

Until a transfer has been finalized by EWUA, the membership and the associated rights and responsibilities remain in a pending status (i.e. the new (prospective) owner does not have a right to the water membership although water service may be continued for a period of time). This can result in difficult situations such as the current membership owner (who no longer owns the property) refusing to pay any fees and the new owner not yet fully vested. However, there are essential reasons why EWUA should maintain an arm's length relationship with a new owner until the transfer process has been properly completed:

- The new owner needs to be informed of the requirements of membership before the membership is vested.
- EWUA has to have confidence that the current owner has authorized the transfer of the real property that the water membership represents.
- The new owner needs to be informed of any deficiencies in the account or the service configuration before the membership is finalized.

3. NOTIFICATION TO EWUA

EWUA can be notified that a membership needs to be transferred by the current owner or agent (e.g. realtor), the new owner or agent, or a third party (e.g. escrow firm).

Occasionally, no notification will be given to EWUA until an unrelated event such as an unpaid fee reveals that a property transfer has taken place without EWUA being notified.

4. PROVIDING MEMBERSHIP INFORMATION TO THE NEW OWNER

Upon notification, EWUA will send the new owner the following information:

- Bylaws
- Application for Membership form
- Prospective Member Information brochure
- Conditions of Service Governing the Use and Supply of Water
- Easement form
- Other forms as may be necessary depending upon the specifics of the property (i.e. Design and Construction Standards; Application and Service Evaluation form)

The new member will be advised of the need to schedule an inspection of the property.

5. COMPLIANCE WITH BYLAWS

Inspection Scheduled

The membership transfer is an opportunity to ensure that the use of water on the property conforms to the terms set forth in the various documents noted in Section 4.

The owner or authorized agent shall arrange an inspection of the property with EWUA if necessary as determined by EWUA.

Inspection

EWUA will inspect the property to assure conformance. Typically, the items evaluated will include:

- Undocumented maintenance and operation agreements for common private lines.
- Spaces or flow rates requiring additional memberships.
- Lack of a meter setting.
- More than one service line to a property.
- Substandard materials.
- Backflow potential.
- Lateral lines before a meter.
- Undocumented location of lines.
- Unpaid bills.

An inspection may not reveal all deficiencies and does not certify the property as being in conformance or provide a grandfathered endorsement of non-conforming practices.

Remediation

The owner of the property is expected to correct deficiencies in order for a transfer to take place. Certain deficiencies, such as unpaid bills, living spaces without memberships, and backflow hazards shall be corrected prior to a membership change. Other deficiencies can be corrected after the membership change. A letter of agreement shall be signed by the new owner identifying specific tasks to be completed by specific dates.

6. COLLECTION OF INFORMATION FROM THE NEW OWNER, COMPLETION OF TRANSFER AND COLLECTION OF FEES

The following documentation must be received by EWUA in order to finalize the transfer:

- A signed Application for Membership from the new owner.
- Written authorization from the seller or an appropriate agent. This authorization document must include the full names of the current and prospective owners and the tax parcel number for each membership in transfer.
- A letter of agreement regarding the correction of deficiencies (if applicable).
- Completed and notarized easement form from the new owner.
- All still unpaid usage fees, membership fees, and/or Sub-Area fees from either owner.
- EWUA compiles: Membership certificate number including certificate numbers issued as "Unit Fee Certificates"; TPNs to which the certificates are attached.
- Transfer fee. Note: the transfer fee will not be accepted until all other transfer steps have been completed.

After the necessary documentation has been received, EWUA will change its membership records and issue a membership certificate to the new owner.

7. FAILURE TO PERFORM

The transfer process shall be treated similar to the billing process.

- Two months after being first notified of the required information, a certified letter shall be sent to the prospective owner with another complete package of information. A \$20 certified letter fee shall be added to the amount due at transfer. This letter shall also inform the prospective owner that service (if connected) will be discontinued in two more months if the information is not received.
- Four months after being first notified of the required information, a second certified letter shall be mailed to the new owner with another complete package of information. This letter shall notify the prospective owner that the membership, if connected, will be disconnected within 10 days and will become subject to termination if the transfer process is not completed within two more months. A \$20 certified letter fee shall be added to the amount due at transfer.
- Six months after being first notified of the required information, a third certified letter shall be mailed to the prospective owner informing them that their membership is to be terminated. The termination process in the Bylaws shall be followed. A \$20 certified letter fee shall be added to the amount due. All costs related to termination including the physical disconnection of any water service shall be deducted from any refund due to the prospective owner.

Approved by the Board of Directors on January 21, 2003

Attest:

Jim Nelson, President