



UP THE CREEK

December 1, 2011

In the last two weeks, you should have received in the mail a notice of our upcoming Annual Membership Meeting, with a proxy card enclosed. If you did not, please consider this your notice of the meeting, and make plans to attend. It is scheduled for 7:00 pm on December 13 at the Cedaredge Community Center. If you will not attend, let us know if you need a proxy card so that you can assign somebody else to attend in your place.

We are anxious to generate good attendance at this meeting for two reasons. First, not having enough people or proxies to fill a quorum is a hideous thought, because it means having to reschedule the meeting and go through the whole notification process again. Second, you should attend because it is your chance to discuss and vote on the salient issues affecting the running of your water company.

This year a rather significant proposal is going to be placed before you to vote on. The question is whether to stop issuing membership certificates, also known as stock certificates, to new members of the Association, and in so doing, render all existing certificates null and void. This action would discontinue a practice which was set up in 1955 at the time of formation of USCDWUA. At that time, it was envisioned that a water tap could be a freely traded property, like a share of ditch or reservoir water, which to this day is represented by a stock certificate.

As the years went by and the Association grew, the Board of Directors realized that the moving around of water taps from place to place on the system could make it more difficult to plan the system properly, and tended to create problems. The bylaws were eventually amended to tie a water tap to the property for which it was issued. But the membership certificate remained as the accepted proof of ownership of a USCDWUA water tap.

There have always been some occasional losses of certificates, but they did not present a problem of the magnitude that we have faced in the past two years. That is when the epidemic of foreclosures kicked in. In most cases, the membership certificate on a foreclosed tap is not available. The foreclosing bank (usually a Federal agency like Freddie Mac, HUD, VA, etc.) does not know what a membership certificate is, and furthermore is not interested in following the necessary procedure for replacing it. Part of that procedure is to purchase a bond to cover the lost certificate, which might not actually be lost, and somebody could present it and demand water service. Lost document bonds are getting more and more difficult to obtain, not to mention the unwillingness of banks to buy them. This is most often the major obstacle in getting foreclosed properties sold.

Note – we are not shedding any tears here on behalf of Freddie Mac et al. But we are concerned about the effect on USCDWUA of a rogue membership certificate, or a lawsuit arising from a difficult transfer. We do not want to raise your water rates to cover fabulous legal fees.

So, that's the long of it. The short of it is that the Board of Directors proposes to eliminate the membership certificate. This move is also encouraged by our attorney. The structure of the company is not being changed. It is still a non-profit corporation. Your membership in the Association will be recorded in a Membership Book, as it has been since the beginning. The only change will be that the certificate is no longer issued or required.

Since the certificate is mentioned numerous times in the bylaws, as well as in the Articles of Incorporation, they will need to be amended, which can only be done with your approval.

Please come!

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