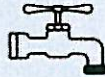


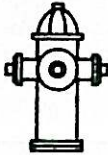
DAVIDSON WATER, INC.

WELCOME, N.C.



JUNE, 1992

The Nation's Largest Rural Water System



SINCE 1969



CHANGES IN RATES SET FOR JULY

Davidson's Water Inc.'s last rate increase was 2 1/2 years ago in January 1990. The rate of inflation for the past 30 months has been nearly 9.5 percent. Although Davidson Water, Inc. has absorbed some of the expense, the costs of operating the water system have increased substantially since the last increase in rates. Costs for chemicals and electricity have continued to increase. New EPA testing requirements and implementation of the Safe Drinking Water Act regulations have increased operating costs and will continue to cause operating costs to go up. To continue to serve you and meet the responsibility and the increased demand of the members, it is necessary for the Corporation to increase water rates which will be effective on July 1, 1992. The previous rate structure and the rate structure effective July 1, 1992, showing an overall increase of 4.96% are as follows:

<u>Gallons Used</u> <u>Per Month</u>			<u>Previous</u> <u>Rate</u>	<u>New</u> <u>Rate</u>
0	2,000	Minimum Charge	6.75	7.00
2,001	5,000	Per Thousand	2.35	2.45
5,001	10,000	Per Thousand	2.10	2.23
10,001	20,000	Per Thousand	1.55	1.70
20,001	50,000	Per Thousand	1.25	1.40
50,001	100,000	Per Thousand	1.15	1.30
OVER	100,000	Per Thousand	1.10	1.25

HOW TO FIGURE YOUR WATER BILL

If you use between 0 and 2,000 gallons, your new bill will increase \$.25 per month, an increase of \$3.00 per year. A customer using 5,800 gallons would figure their bill as follows:

EXAMPLE

CONSUMPTION = 5,800 GAL

			<u>NEW RATE</u>	<u>PREVIOUS</u> <u>RATE</u>
Minimum	2,000 Gal.	(7.00)	= \$ 7.00	\$ 6.75
2,001 - 5,000	3,000 Gal.	(3 x 2.45)	= \$ 7.35	\$ 7.05
5,001 - 10,000	<u>800 Gal.</u>	<u>(.8 x 2.23)</u>	= \$ <u>1.78</u>	<u>\$ 1.68</u>
	5,800		<u>\$16.13</u>	<u>\$15.48</u>

ANNUAL MEETING OF DAVIDSON WATER, INC. MEMBERSHIP

Davidson Water, Inc. held its annual meeting on March 11, 1992, at the Courthouse in Lexington. Therrell Grimes, Vice President, presented a brief history of Davidson Water, Inc. to the members present followed by a report from Gregg Stabler, Manager, on past, present and future improvements.

Bob Biesecker, certified public accountant for Turlington and Co. delivered a report on the financial statements for Davidson Water, Inc.'s fiscal year ending September 30, 1991.

The nominating committee presented a report on the election of directors for the expired terms of directors and for the unexpired term of C. Boyce Sink, who passed away in December. After which elections were held. Ronald Sink was elected to fill the unexpired term of C. Boyce Sink. Rick S. Hunt was elected to succeed Ernest Newton, Sr. who retired this year after having served on the board of directors since 1976. Directors Therrell Grimes, Thad Hartley, Edwin Grimsley and Fred Craver were reelected for three year terms.

There was a motion made to limit the board of directors to a term of three years with no consecutive terms. Due to the nature of the industry and the need for board of directors to be familiar with the operations and functions of our organization, the membership felt that this would not be in the best interest of the members of Davidson Water, Inc.

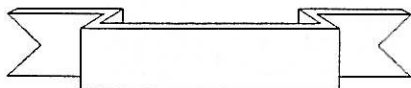
There was a motion made concerning a need for more minority representation with Davidson Water, Inc. There was a motion made and passed to appoint a minority to the next nominating committee of Davidson Water, Inc. prior to the annual meeting.

There was some concern expressed over the need for more fire hydrants in Davidson Water, Inc.'s service area and the board explained the fire hydrant policy in effect at this time and also agreed to work with the fire departments in our service area to allow for placement of new hydrants in areas where the water lines are large enough to support fire hydrants. Fire hydrants cannot be placed on lines that are smaller than 6 inch. At the time water lines were installed, smaller lines were put in some areas because the population or number of sign-ups in that area was not great enough to justify a larger line. The current fire hydrant policy is as follows: "The corporation will install fire hydrants on existing six inch and eight inch lines on a fifty-fifty cost basis to be determined one time each year and requests for hydrants on larger lines would be negotiable." It was determined that for the year 1992 the fifty-fifty cost would be \$750.00 for a hydrant on a six inch or eight inch water line. This cost may be split between several homeowners in an area to allow for the placement of a fire hydrant with access to several homes.

We would like to thank all the members who took the time to attend the meeting and for those members who voted by proxy but were not able to attend. We will continue to strive to meet the needs of all of the members of Davidson Water, Inc.



Ernest Newton, Sr. from the Hasty Area has retired as board of director of Davidson Water, Inc. this year. Mr. Newton has served on our board since 1976. He has been a tremendous asset to Davidson Water, Inc. during his sixteen years as a board member.



"25 YEARS"

The original North Davidson Water, Inc. was chartered in 1967. The year 1992 will be our 25th anniversary. We started serving water from our plant on the Yadkin River in May of 1969. In October, 1973, the five original water systems: North Davidson, West Davidson, Wallburg, Hasty and East Central consolidated to form Davidson Water, Inc.

This is an equal opportunity program. Federal law prohibits discrimination. Complaints of discrimination can be filed with the Administrator, FmHA, U. S. Department of Agriculture, Washington, DC 20250-0700

EPA LEAD TESTING

The Environmental Protection Agency has adopted new regulations for all public water systems regarding testing of lead and copper concentrates at the customer's tap. The new regulations require that all public water systems sample a percentage of their total customers taps whose homes meet the criteria of having been built between 1983-1987 with copper pipes and lead solder. Homes built in this time period may show a higher level of lead after the water has remained in the pipes for several hours due to leaching of lead from household plumbing into the water. In homes built after 1987 the solder used should have consisted of 2% lead instead of the 50% previously used.

Davidson Water, Inc. began testing of homes during March 1992, for the first phase of testing. All water systems will be required to test customer's homes again in the last six months of 1992. If your home meets the criteria and you are interested in allowing Davidson Water, Inc. to include your home as one of our sample sites, please contact our office for more information.

We would like to thank all of our members who assisted us in the first phase of the testing. Anyone who participated in the sampling and has not yet received their results can contact our office for a copy of the test results.