

Kevin Graman
Reporter
The Spokesman Review
999 West Riverside Avenue
Spokane, WA 99201

November 18, 2009

Dear Kevin:

We appreciate the opportunity to meet with you yesterday, show you around the facilities and answer your questions. We are very proud of the work done by the good people at Morning Star Boys' Ranch and the Morning Star Foundation.

In view of the motion that was filed in the Superior Court yesterday by the plaintiffs in the current litigation against the Ranch, we want to reiterate some of the issues we discussed with you yesterday.

Morning Star Boys' Ranch and the Morning Star Foundation are separate legal entities, that are governed by separate Boards of Directors and operated by separate employees, that maintain separate accounts and books, and that serve significantly different purposes: The Ranch is responsible for the care and treatment of troubled youth; and the Foundation is responsible for the generation of assets through donations, grants, etc, and for the management of assets for the benefit of youth - - - most particularly the Morning Star Boys' Ranch, which is the major beneficiary of the Foundation and to which the Ranch looks as a major source of funding.

The above-described structure - - - of a separate operating charitable institution and a separate foundation - - - is probably the rule rather than the exception for similar charitable institutions. It is a corporate structure that has been used nationwide for decades, and indeed your research has certainly revealed dozens of representative counterparts here the Spokane area.

This structure serves legitimate business purposes, one of course being the substantially different employee skill-sets required to care for boys and those required to manage complex assets. Moreover, the structure is consistent with the prudent management of assets. Further, having a separate Foundation promotes the expansion of the Morning Star mission.

Any transfer of assets from Morning Star Boys' Ranch to the Morning Star Foundation was done to achieve the above purposes. Any allegations to the contrary by plaintiffs' attorneys are simply false. Further, the creation of the Foundation and any transfer of assets was accomplished in consultation with highly qualified and very reputable accounting and legal professionals; and it was done in the open, reviewed by both Boards and documented by appropriate, publicly-available filings. Additionally, contrary to allegations by plaintiffs' attorneys, there was never any intention or effort to transfer assets for the purpose of protecting them from current potential creditors of the Ranch,

Page 2.

including potential judgment creditors such as the current plaintiffs in the litigation against the Ranch, and the Ranch remains a solvent entity with sufficient assets capable of satisfying the demands of such creditors.

As we said yesterday, at both the Ranch and the Foundation we are firmly committed to serving youth in the Spokane area. We are proud of our success in doing so with complete integrity and in a professional manner. We remain transparent in our dealings with the public and welcome any further question you may have.

Very truly yours,

Richard I. Petersen
Executive Director
Morning Star Boys' Ranch

Joseph A. Pickert
Executive Director
Morning Star Foundation

P.S: Please note and remind Dan that the identities of our Ranch residents are strictly confidential. Furthermore, no reproductions, including the publication of photographs, of their art work is permitted without the prior written consents of both the resident and Morning Star Boys' Ranch .