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To: Morning Star Ranch Lot Owners
From: Steve Thomas, Secretary of the Association
Date: February 5, 2016
Re: Transfer of Water System to Liberty Utilities

As all but the newest owners already know, Morning Star Ranch Development, L.L.C. ("MSRD"), and the Morning Star Ranch Community Association (the "Association") have been trying for years to have Rio Rico Water and then its successor, Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty"), take the Ranch into its service area and assume the responsibility for providing water. I have no doubt that all of you understand just how important this is to your continued enjoyment of your property and its future value.

MSRD initially constructed the water system that is now in place, and thereafter transferred ownership to the Association, which has continued to operate, expand and maintain it. Due to the increased demand for water as homes have been built, the wells that were initially used became inadequate to meet the Ranch's needs, requiring the Association to make bulk purchases of water from Liberty. Liberty has no obligation to the Association to continue to make these sales, unlike its obligation to provide water to individual customers within its service area. And as those of you currently using the water have become very aware, the cost of the Association's providing water in this way far exceeds what it would cost to buy directly from Liberty.

Liberty has told David Blouin that it wants to complete the process, but there is one more major requirement imposed by the Arizona Corporation Commission. Before approving an application to expand a utility's service area, the Commission wants a written request for service from every property owner in the expansion area. If we cannot provide these requests to Liberty, they have proposed a much longer, more complicated process that they are not even sure will work, so this is critical.

Enclosed you will find a Request for Service form for the specific lot or lots you own. I based the signature blocks on what I could find in the Association's records, the Santa Cruz County Assessor's online records, and, in some cases, the Arizona Corporation Commission's. If there are any inaccuracies, please send me an email with the corrections, and I will send you a revised version by return email. Please mail the originals to me.

I will have spare copies at the annual meeting next week for those in attendance.

REQUEST FOR SERVICE

To: Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty")
Re: Morning Star Ranch Proposed Service Extension Area

The undersigned are the owners of the lot listed above located within the residential subdivision development known as "Morning Star Ranch" in Santa Cruz, County, Arizona. The undersigned hereby request that Liberty extend its service area to include Morning Star Ranch and provide water service to our property.

Owners:

Conrad J. McCarthy

Inayat R. Al Mandhary

Dated: February ____, 2016