

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**WING HAVEN FARM, LLC
GARY G. HATCH**

Respondents.

NOTICE OF AGENCY ACTION

Docket No. ~~10-0012~~
Docket No. ~~10-0073~~

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the

facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Julie Price
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

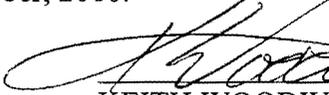
An initial hearing in this matter has been set for December 7, 2010 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. This adjudicative proceeding will be heard by Mr. Eklund and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Securities Division. Questions regarding the Order to Show Cause should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

Dated this 12th day of October, 2010.


KEITH WOODWELL
Director, Division of Securities



Evidence of Mailing

I certify that on the 15th day of October, 2010, I mailed a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

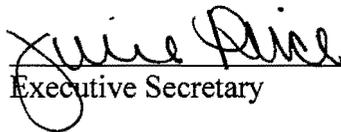
Wing Haven Farm, LLC

Gary G. Hatch

3626 McLain Mountain Circle

Salt Lake City, UT 84121

Certificate # 7008 1140 0004 1042 0002


Executive Secretary

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
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IN THE MATTER OF:

**WING HAVEN FARM, LLC
GARY G. HATCH**

Respondents.

ORDER TO SHOW CAUSE

Docket No. 10-1072

Docket No. 10-1073

It appears to the Director of the Utah Division of Securities (Director) that Wing Haven Farm, LLC and Gary G. Hatch have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondents and the subject matter is appropriate because the Division alleges that they violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Wing Haven Farm, LLC (Wing Haven) is a Utah limited liability company, formed on December 12, 2007. Jillian C. Hatch is a manager and registered agent of Wing Haven. Gale M. Hatch is also a manager of Wing Haven. Wing Haven's status as a business entity is expired. Wing Haven has never been licensed by the Division as a broker/dealer agent nor an issuer/agent to sell securities.
3. Gary G. Hatch (Hatch) was, at all relevant times, a resident of the State of Utah. Hatch was not, at all relevant times, licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.¹

GENERAL ALLEGATIONS

4. From approximately October 2007 to December 2007, Respondents offered and sold a security to investors, in or from Utah, and collected a total of \$200,000.
5. Respondents made material misrepresentations and omissions in connection with the offer and sale of a security to the investors below.
6. The investors lost all \$200,000 in principal.

INVESTORS DC AND MC (HUSBAND AND WIFE)

7. In the fall of 2002, DC and MC met Hatch through a referral. Since that time, Hatch,

¹On March 3, 1989, Hatch passed the Series 6 exam and on March 7, 1989, he passed the Series 63 exam. Hatch has not been associated with a broker/dealer since 2000.

through his company McKenzie Finch, LLC, has acted as DC and MC's investment and tax advisor.

8. In October 2007, Hatch called DC and MC from his office in Midvale, Utah. Both DC and MC participated in the phone call.
9. During the conversation, Hatch told DC and MC they needed a tax shelter because they were going to have taxable income in excess of \$200,000.
10. Hatch said that he had a potential tax shelter for them that would also serve as an investment opportunity. Hatch suggested that DC and MC invest in a mare leasing program through a company that would be owned and operated by Hatch's wife and their daughter Jillian Hatch (Jillian).
11. Hatch said that Jillian was an equestrian and had experience in the industry.
12. Hatch made the following statements about the investment opportunity:
 - a. The investment would be a write-off against the excess ordinary income, immediately "saving" DC and MC \$81,260 in tax liability;
 - b. The investment funds would only be used to fund the breeding of a stable of foals for future sale, racing, or other disposition;
 - c. The proceeds from the disposition of the foals would be taxed at capital gains rates, netting an overall return on investment;
 - d. DC and MC would receive a minimum of eight percent return on investment;

- e. The term of the investment would be for one year;
 - f. The return of principal to DC and MC was guaranteed because they would be the first investors; and
 - g. There was no risk on the investment.
13. Hatch told DC and MC that to make the investment work, he needed to receive the \$200,000 before the end of the tax year, December 31, 2007. Hatch said that DC and MC needed to have some type of active involvement to qualify for an IRS deduction, but really their involvement was very minor. Their only responsibilities would be to learn about horses, attend some horse races, and visit the farms.
14. Based on Hatch's representations, DC and MC invested \$200,000 in Wing Haven. On or about December 28, 2007, DC and MC mailed Hatch a \$200,000 check made payable to Wing Haven. On December 31, 2007 Hatch deposited the check in Wing Haven's bank account at Zions Bank for which Jillian has signatory authority.
15. Using a source and use analysis, Wing Haven, Hatch, Hatch's wife, and Jillian used the majority of the \$200,000 funds from December 31, 2007 to approximately March 20, 2008 in the following manner:
- a. \$10,260 paid to Jillian;
 - b. \$5,942.80 cashed; and

- c. \$120,550 wire transferred to DOJ, LLC's² Zions Bank account for which Gary Hatch and Gale Hatch have signatory authority. From that account, DOJ used the funds in the following manner:
- i. \$14,242 cashed;
 - ii. \$46,258 paid to Gale Hatch
 - iii. \$10,800 paid to Colby Hatch;
 - iv. \$1,500 paid to Mike Hatch;
 - v. \$7,050 transferred to Western Capital Management;
 - vi. \$1,000 paid to Daff Clyde;
 - vii. \$4,584 paid to Western Petroleum;
 - viii. \$2,500 paid to Architectural Living;
 - ix. \$2,250 paid to David Bankston;
 - x. \$1,000 paid to Ila Hatch;
 - xi. \$7,182 transferred to Gary W. Nelson Client Trust Account;
 - xii. \$1,050 paid to Dean Sweat; and
 - xiii. Approximately \$20,000 used for groceries, entertainment, and other personal expenses.

²DOJ, LLC (DOJ) is a Utah limited liability company, formed on July 12, 2005. Gale M. Hatch is a manager of DOJ. Gary G. Hatch is a registered agent of DOJ. DOJ's status as a business entity is delinquent.

16. On March 6, 2008, DC and MC received a letter from Hatch explaining Wing Haven and disclosing risk factors. In the letter, Hatch describes the investment as “speculative” and claims that the investors could lose all of their investment funds. Hatch also claimed that the investment term was for twelve to fifteen months.
17. On October 14, 2008, DC and MC received two additional contracts from Hatch. The first was described as the “Mare Lease and Breeding Agreement” and the second was described as the “Foal Agreement.”
18. The foal agreement required DC and MC to pay an additional \$78,000 above the initial \$200,000 for feed, stabling, and care of the foals. This was the first DC and MC had heard of the additional fee.
19. On February 6, 2009, DC and MC received another agreement entitled the “Mare Boarding Agreement.” DC and MC also received a letter dated February 6, 2009, in which Hatch claims that the term of the investment contract was for “3+ years.”
20. Wing Haven still owes DC and MC \$200,000 in principal alone.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act

21. The Division incorporates and re-alleges paragraphs 1 through 20.
22. The investment opportunity offered and sold by Respondents is a security under § 61-1-13 of the Act.

23. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
- a. That DC and MC would receive a minimum of eight percent return on investment, when in fact, they did not;
 - b. That the term of the investment would be for one year, when in fact, it was not;
 - c. That the investment only required \$200,000, when in fact, Hatch tried to convince DC and MC that they owed Wing Haven more funds;
 - d. That the investment was guaranteed, when in fact, DC and MC lost their investment funds;
 - e. That there was no risk, when in fact, every investment has risk; and
 - f. That the investment funds would only be used to fund the breeding of a stable of foals, when in fact, much of the funds went to family members and personal expenses.
24. In connection with the offer and sale of a security to the investor, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:
- a. That Hatch Family Limited Partnership filed for Chapter 11 bankruptcy on April 26, 2001;³

³*United States Trustee v. Hatch Family Limited Partnership*, Case #01-26054 (Utah 2001). Hatch is listed as the partner and registered agent of Hatch Family Limited Partnership.

- b. That Hatch has had state tax liens filed against him frequently dating from 1989 to 2005 with \$43,131.12 in total pending judgments;
- c. That Hatch and his wife, Gale, have a \$15,040.35 civil judgment pending against them;⁴
- d. That Hatch has a \$12,341.41 foreign judgment pending against him;⁵ and
- e. Some or all of the information typically provided in an offering circular or prospectus regarding Wing Haven, such as:
 - i. Financial statements;
 - ii. Risk factors for investors;
 - iii. Suitability factors for the investment;
 - iv. Whether the investment is a registered security or exempt from registration; and
 - v. Whether Hatch was licensed to sell securities.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through

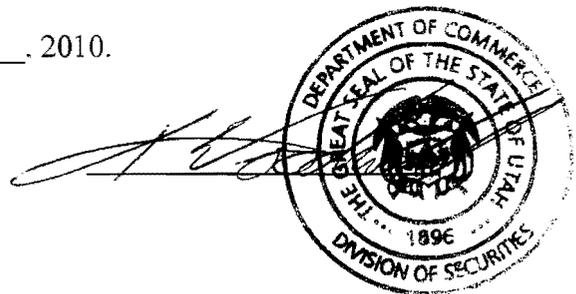
⁴*Firmco Financial v. Inscorp Design Limited*, Case No. 020909685 in Third District Court. (Utah 2002)

⁵*Paradise Enterprises Limited v. Gary G. Hatch*, Case No. 036927429 in Third District Court. (Utah 2003)

-208, and held before the Utah Division of Securities. The hearing will occur on Tuesday, December 7, 2010, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and
- c. Why Respondents should not be ordered to pay to the Division a fine amount to be determined by stipulation or by the presiding officer after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investors.

DATED this 12th day of October, 2010.



KEITH WOODWELL
Director, Utah Division of Securities

Approved:

A handwritten signature in black ink, appearing to read "Jeff Buckner", written over a horizontal line.

JEFF BUCKNER

Assistant Attorney General

T.B.