

Division of Securities
Utah Department of Commerce
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RECEIVED

JAN 10 2011

Utah Department of Commerce
Division of Securities

Tom Brady

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

IN THE MATTER OF: NOTICE OF AGENCY ACTION

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

**Docket No: 10-10-0072
Docket No: 10-10-0073**

Respondents.

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

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.

Answer:

Deny: Hatch contends that "Leasing" the breeding rights from a company that operates a Mare Leasing program is not an investment, but rather a commercial transaction where one party leases property from another party to enjoy the benefits of the property. In this case, DC & MC Lease the wombs of 8 Thoroughbred Mares from Wing Haven in order to enjoy the foals produced by the 8 mares. Lease payments were made, mares were bred and foals were produced.

**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.

Answer: Admit

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.

Answer:

Admits that at "at all relevant times, a resident of the State of Utah"

Admits that respondent was not "at all relevant times, licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah".

However Respondent Denies that at all relevant times Hatch was required to be licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah". Hatch denial is base on two facts.

- 1) *In accordance with Utah Uniform Securities Act, Utah Code Ann. § 61-1-3 section 3-C which states an exemption to the code as follows "the person has no place of business in this state and during the preceding 12-month period has had not more than five clients, other than those specified in Subsection (3)(b), who are residents of this state" .*

Hatch states that at all relevant times, he has less than 6 clients in the state of Utah, Hatch further states that at all relevant time he had less than 6 clients in any state of the US and further at all reverent time he had less than 16 clients in total.

Hatch further states that, at all relevant times, he had no formal office in the State of Utah.

- 2) Hatch attests that at all relevant times he never acted in any capacity as broker-dealer, agent, investment advisor, or investment advisor representative. Hatch's business, at all relevant times, was the business of "Personal Manager". Exhibit 1 attached will show that the first email sent to the Crandall's on November 25, 2003 outlines what business that Hatch was in and one of the services that Hatch's Company, McKenzie Finch provided is "Personal Management Services". Hatch furthers states that he is willing to provide evidence that all emails that originated from Hatch described the same services as did the 11-23-2003 email throughout the relevant times of this issue.

Hatch is prepared to produce facts that Hatch operated his business in a manner that parallel's the Zinn vs. Parrish case insomuch as it pertains to the nature of the overall relationship of Hatch and DC & MC. Please find attached "Exhibit 1a". This email was sent to the Crandall's on January 8, 2008. This is one of many examples of the subject matter of the Personal Management Services provided for the benefit of the DC & MC. You will see that, at that date in time Hatch was tasked with eight (8) different projects. Mare Leasing being only one. In addition, Hatch has also attached an email labeled 1b. dated 4-21-2005 that show the same services and also illustrated the Crandall's asking Hatch to supply research and information about a 1031 exchange

Attachment labeled "Exhibit 1c", an email dated 4-10-2006 provides further evidence that Hatch acted as a Personal Manager. Not only does this email carry the same signature line stating "Personal Management Services", but also show that the Crandall's had task Hatch to perform due diligence on the company that provided an "Investment Platform". In this case David Crandall had researched this investment platform himself and then asks Hatch to interview the managers of the company that offered this investment platform and forward his findings to the Crandall's.

Attachment labeled "Exhibit 1d", an email dated 10-03-2007 provides further evidence that Hatch acted as a Personal Manager. Not only does this email carry the same signature line stating "Personal

Management Services”, but also show that the Crandall's had task Hatch with five (5) separate projects.

Attachment labeled “Exhibit 1e”, an email dated 7-19-2008 provides further evidence that Hatch acted as a Personal Manager. Not only does this email carry the same signature line stating “Personal Management Services”, but also show that the Hatch was working on “outstanding projects” for the Crandall's.

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.

Answer: Deny: DC & MC were never offered an investment. As clearly pointed out to them in an attached email dated 12-28-2007 (*labeled Exhibit 2*), prior to the \$200,000 Lease payment was made by the DC & MC to Wing Haven, the Crandall's were told:

“You are not making an investment in Wing Haven, you are leasing the reproductive rights of one or more Thoroughbred mares. You will be leasing these mares from Wing Haven. There are a number of services that come along with the lease, such as management of the mares, Shire fees, cost of boarding he mares, insurance on the mares, etc. When I find out my above question concerning the amount you are putting toward mare leasing, I will start to prepare all the documents that give you legal title to the foals born to the mares you lease. I will also be outlining the entire program from beginning (two months ago) to the time you make a discussion to sell the foal or train to race.”

Additional information will be available during discovery to reinforce the facts that there was a “Lease Agreement” between the Crandall's and Wing Haven. In addition, evidence will show no “Investment in Wing Haven” was proposed to the Crandall's.

5 Respondents made material misrepresentations and omissions in connection with the offer and sale of a security to the investors below.

Answer:

Deny: Hatch contends that Leasing the breeding rights from a company that operates a Mare Leasing program in not an investment nor the sale of a security, but rather a commercial transaction where one party leases property from another party to enjoy the benefits of the property. In this case, DC & MC Lease the wombs of 8 Thoroughbred Mares from Wing Haven in order to enjoy the foals produced by the 8 mares. Lease payments were made, mares were bred and foals were produced.

6. The investors lost all \$200,000 in principal.

Answer:

Deny: The latest information available to hatch confirms that the Crandall's owned 6 Thoroughbred foals that were the result of the Mare Lease. Their ownership of these 6 foals shows that they did in fact receive what was provided under the Wing Haven Mare Lease program. Hatch cannot confirm the result of the Crandall's ownership of the six (6) Thoroughbred foals. Hatch can only assume that the Crandall's either sold the six (6)

Thoroughbred foals or perhaps they are all in training at this very date to start racing early in 2011. What Hatch can confirm is the Crandall's leased eight (8) Thoroughbred mares. One of the Thoroughbred mares Coliced on 12-24-2009 and Wing Haven authorized surgery to correct the problem. During surgery, the Vet relayed to Wing Haven that it was not advisable to continue with surgery as 8 to 10 feet of the Mares intestines were dead and recovery was less than 50%. The decision was made by Wing Haven to put the mare down. Further, Hatch can attest that a second foal died after birth and after the Crandall's took ownership of such foal.

In addition to the above, DC & MC had the opportunity to save \$80K+ in taxes almost immediately. To say that the investors lost all \$200,000 in principal would be incorrect and as stated above Hatch has no knowledge that the foal that DC & MC own have not been sold and if not, when sold the proceeds would belong to DC & MC.

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

Answer:

Deny: DC & MC were referred to Hatch and in November 2003 MC contacted Hatch. As illustrated above, respondent Hatch, at all relevant times, acted as a Personal Manger for DC & MC.

8. In October 2007, Hatch called DC and MC from his office in Midvale, Utah. Both DC and MC participated in the phone call.

Answer:

Deny: Hatch cannot confirm that any October call (s) originated from any location in Utah. However, Hatch can confirm that it did not originate in Midvale, Utah. Hatch does not have a formal office in Midvale, only a mail box.

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.

Answer:

Deny Hatch never told the DC & MC they needed a tax shelter. As illustrated in "Exhibit 1d" Hatch can confirm that various projects were open tasks and among those projects would have been a discussion as to tax planning for 2007. Hatch can also confirm that it was common as the Personal Manager for the DC & MC to annualize the Crandall's year to date Financial Statement (see attached Exhibit 3) and make recommendations as to what steps need to be considered to reduce the current year's tax liability (see attached Exhibit 3a and 3 b).

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).

Answer:

Deny: Hatch explained the concept of a Mare Lease program to DC & MC in early November. Hatch explained that if we could not find a company that was offering a Mare Lease program that Hatch would talk to his daughter Jill and his wife Gale to see if they would be willing to form a company that would offer a Mare Lease program. Hatch searched and did not find any current Mare Lease programs available and Hatch did discuss the concept of setting up a Mare Lease company with his daughter Jill and his wife Gale. They both agreed to set up the company so such a program could be offered to DC & MC. Throughout November and early December DC & MC vacillated back and forth as to whether or not they wanted to become involved in the Thoroughbred Breeding business. Jill Hatch formed Wing Haven on 12-12-2007 simple to be prepared to help DC & MC should they decide to become involved in the Thoroughbred Breeding business. Literally a day or two after the formation of Wing Haven, DC informed Hatch that they would not be interested. All efforts to continue with Wing Haven ceased.

Then on 12-27-2007, out of nowhere, Hatch received an email from DC (attached Exhibit 5) asking "What is the name of the company that I need to make a check out for the mare leasing?" Hatch responded (see attached Exhibit 5a) asking "Tell me what your thinking so I can get all the information to you". DC then responded to Hatch (see attached Exhibit 5a) "All I'm thinking about is getting a check out to you". Hatch then responded (see Exhibit 5b) "OK, what I mean is when you decide how much that check is, let me know so I can get the right paperwork together for you guys". DC then responds (see attached Exhibit 5b) "Sent Check for \$200,000". Next, MC sends an email on 12-28-2010 (see Exhibit 5c) where she asks "David has sent a check for the mare leasing. I am curious how this will work. **Will we get paper work that shows we have invested in the Winghaven Farms?** I understand that we need to read about mare leasing and possibly do some traveling around mare leasing but what else do we need to do. I have looked over the web sites you have sent and am very overwhelmed with it all. There is so much to learn! I wish I had paid attention to the horse stuff while I was growing up" Hatch then responds to MC (see Exhibit 2) . ***"You are not making an investment in Wing Haven, you are leasing the reproductive rights of one or more Thoroughbred mares. You will be leasing these mares from Wing Haven. There are a number of services that come along with the lease, such as management of the mares, Shire fees, cost of boarding he mares, insurance on the mares, etc. When I find out my above question concerning the amount you are putting toward mare leasing, I will start to prepare all the documents that give you legal title to the foals born to the mares you lease. I will also be outlining the entire program from beginning (two months ago to the time you make a discussion to sell the foal or train to race."*** I think you will see from the above that there was no selling of anything, simple a Personal Manager doing his best to accommodate his client and the family of the Personal Manager showing a willingness to do whatever they could to help the client

11. Hatch said that Jillian was an equestrian and had experience in the industry.

Answer: Agree

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;**

Answer:

Agree that a projection was made to this effect; however DC & MC were told on numerous occasions that they needed to be "Materially Involved" in the Thoroughbred Breeding and Racing business in order to receive a tax benefit. Hatch further stated on numerous occasions that at least 100 hours per year would have to be dedicated to the operation of a Thoroughbred Breeding and Racing Business and that the safe harbor was 500 hours of dedicated time in the operation of their Thoroughbred Breeding and Racing business. Throughout 2008 DC & MC were reminded of this obligation and Hatch was informed on several occasions that Wing Haven tried to set up events for DC & MC to attend that would have provided them the knowledge needed to run their Thoroughbred Breeding and Racing business.

- b. **The investment funds would only be used to fund the breeding of a stable of foals for future sale, racing, or other disposition:**

Answer:

Deny: The lease payments paid to Wing Haven provided DC & MC with the right to the foals born to the eight (8) mares they leased. It was the responsibility of Wing Haven to provide the 8 mares, breed the 8 mares as agreed to in the attached Mare Lease and Breeding agreement (see attached Exhibit 5) that was executed by Wing Haven and by DC & MC. In addition, it was the responsibility of Wing Haven to pay for boarding for the 8 mares for until 150 days after the foals, owned by DC & MC, were born as stated in the Boarding agreement (see attached Exhibit 6a). This agreement was executed by Wing Haven, but not by DC & MC, however Wing Haven still paid all of the Boarding costs for the 8 Mares and the foals for 150 days after their birth. It was the obligation of Wing Haven to cover the expenses the cost of the 8 mares, the cost to breed the 8 mares and to board the 8 mares and their foals until 150 days after the birth of the foals even if it cost more than was paid for the Lease. In addition the program had to be managed and Jill Hatch was paid for a period of 6 months to manage Wing Haven and after the 6 months Jill Hatch continued to manage Wing Haven with no pay.

- c. **The proceeds from the disposition of the foals would be –taxed at capital gains rates netting an overall return on investment.**

Answer: Agree

- d. **DC and MC would receive a minimum at eight percent return on investment.**

Answer:

Deny: The target, based on information researched by Hatch showed that there was a possibility of a return of 8% and the information provided by a company that was in the Mare Lease business until 2006 showed a 14 year history of an average return of 8%.

e. The term of the investment would be for one year;

Answer:

Deny: It was clear from documents sent to DC & MC dated 11-19-2007 (see attached exhibit 4) that the sale of the foal produced by the 8 mares DC & MC leased could take as long as 40 + months before and revenue was received from the sale of the foals or the revenue from racing the foals upon them reaching 2+ years of age.

f. The return of principal to DC and MC was guaranteed because they would be the first investors; and

Answer:

Deny: Upon receiving the word from DC on 12-27-2007, Hatch, acting as the Personal Manager for DC & MC started working with Wing Haven to put the program together in order to benefit DC & MC. Trips were made to California, Arizona, New Mexico & Texas to secure the boarding and breeding part of the program. In early March, Hatch, acting as Personal Manager for DC & MC negotiated an agreement with Wing Haven to use any asset it had or would be accumulating to be used to provide a profit to DC & MC on the lease of the 8 mares, even if it meant using other assets of Wing Haven to be sold to benefit DC & MC.

g. There was no risk on the investment.

Answer:

Deny: Risk was explained in detail (see attached Exhibit 4).

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.

Answer:

Agree: Hatch agrees that he told DC & MC that if they wanted to benefit from the tax deduction related to leasing the reproductive rights of 8 Thoroughbred Mares, the lease payments had to be made prior to 12-31-2007.

Agree: Hatch told DC & MC that they had to become "Materially involved" in the day to day operation of the Thoroughbred breeding and racing business if they wanted to qualify for the tax deduction related to leasing the reproductive rights of 8 Thoroughbred mares.

Deny: Hatch denies that he told DC & MC that their involvement would be "very minor". But, in fact, DC & MC would have to spend at least 100 hours (up to the safe harbor of 500 hours) per year, each year, for the entire period they had involvement in the Thoroughbred breeding and racing business relating to the 8 Thoroughbred mares reproductive rights they leased and the resulting birth, growth, training and subsequent sale or racing of the foals that were a product of the lease they agreed to make.

Agree: Hatch agrees that he told DC & MC that their responsibilities would be to learn about horses, attend some horse races, and visit the farms, but not only these things. Hatch further attests that DC & MC were encourage on many occasions to join Wing Haven at all the farms where there leased mares were being boarded. In addition, Hatch suggested that Wing Haven set up a trip to the Kentucky Derby in May 2008 and in fact did set up a trip to include the visit to several of the top Thoroughbred Breeding Farms in Kentucky. However at the last minute DC & MC decided not to come. In addition, a trip was planned to go to California for the Breeders Cup in October 2008. Again, the trip was planned including visits to the farms in California that were boarding some of the mares. DC & MC made hotel and airfare reservations to meet Jill Hatch at Sana Anita race track to attend the Breeders Cup in late October and again at the last minute DC & MC cancelled the trip.

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.

Answer:

Deny: Hatch did not deposit the check.

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's 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 Duff 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. **\$510.50 paid to Dean Sweat; and**
- xiii. **Approximately \$20,000 used for groceries, entertainment, and other personal expenses.**

Answer:

Deny: Hatch is not sure what the allegation is in this section. Hatch assumes that the Commission is questioning the use of the funds paid by DC & MC for the lease of 8 mares. As stated above, Wing Haven had the financial responsible to secure the 8 mares, pay for the breeding expense when it came due and cover the boarding expense for a period of approximately 18 months for the 8 mares leased by DC & MC and the foal owned by DC & MC. It is Hatch's understanding that Wing Haven felt it prudent to prepay any expense that could be prepaid and then properly invest the remainder of the funds until they were needed. DOJ, LLC offered to pay an interest rate of 6% on funds loaned to DOJ, LLC and repay the money back on an as needed basis. Hatch has secured the books of Wing Haven and can attest and provide evidence that all the borrowed funds were repaid plus the 6% interest and in addition DOJ, LLC or other Hatch Family entities contributed an additional \$180,000 over a period of 18 months. This additional contribution has never been recovered.

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.

Answer:

Deny: The same information contained in Exhibit 4, dated 11-19-2007 was included in the March 6, 2008 information and it fully disclosed that it could be 40+ months before DC & MC could expect revenue from the foals they were going to own. Exhibit 4 dated 11-19-2007 also, again disclosed the risks that were involved in the Thoroughbred Breeding and Racing business.

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."

Answer:

Deny: Hatch attests that these agreements were sent to DC & MC on March 6, 2008 along with a number of other large documents. The size of the attachments to the emails was so large that they had to be sent in several emails. Hatch had many conversations with DC & MC about all the tasks he was performing for DC & MC including the mare lease program from the March 6, 2008 date until October and encourage DC & MC to execute the documents and send them back to Wing Haven. One of the Personal Management tasks performed by Hatch for the Benefit of DC & MC was to do research for a new Accounting Firm for DC & MC. Hatch was successful in finding a firm in Kentucky to do the accounting needs for DC & MC and in April of 2008 documents were sent to the new

accounting firm and Hatch offered to provide any information that the Accounting Firm needed. It was not until October 7, 2008 that the Accounting firm had questions about the Mare Lease program and from 10-13-2008 through 10-15-2008 Hatch exchanged 23 emails with DC & MC and their Accounting Firm so they could file the 2007 tax returns for DC & MC. However, DC & MC still did not execute the agreements. On 11-02-2008, after much effort by Hatch, DC & MC finally signed the "Mare Leasing and Breeding Agreement" (see attached Exhibit 6).

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.

Answer:

Deny: Exhibit 4 dated 11-19-2007 point out that additional expense would be required by DC & MC. On page 1 of Exhibit 4, as part of the projected calculation, it clearly states that an estimated \$13,000 would be needed to insure their foals as soon as each one was born and that the estimated boarding expense to get the foals to the point where they would produce revenue would be an estimated \$78,400.00.

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."

Answer:

Deny: The "Mare Boarding Agreement" (see attached Exhibit 7) was sent by Hatch on 3-6-2008, again on 10-13-2008 and again on 2-6-2009. Again, documents were provided to DC & MC from the beginning. This agreement was never signed by DC & MC; however Wing Haven still paid all the cost associated with this agreement.

20. Wing Haven still owes DC and MC \$200,000 in principal alone.

Answer:

Deny: DC & MC should have received over \$80,000 in tax relief and they also should have taken ownership of the foals produced by the 8 mares leased by DC & MC and when sold or raced will provide further revenue to DC & MC

CAUSES OF ACTION

COUNT I

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

21. The Division incorporates and re-alleges paragraphs I through 20.

22. The investment opportunity offered and sold by Respondents is a security under 61-1-13 of the Act.

Answer:

Deny: Hatch has studied 61-1-13 and cannot find any part of the regulation that covers a party leasing property from another party.

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;

Answer:

Deny: Covered above.

- b. That the term of the investment would be for one year, when in fact, it was not;

Answer:

Deny: Covered above.

- 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;

Answer:

Deny: Covered above.

- d. That the investment was guaranteed, when in fact, DC and MC lost their investment funds;

Answer:

Deny: Covered above.

- e. That there was no risk, when in fact, every investment has risk; and

Answer:

Deny: Covered above.

- 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.

Answer:

Deny: Covered above.

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 bankruptcy April 26, 2001:

Answer: Agree

c. That Hatch has had state tax liens filed against him frequently dating from 1989 to 2005 with \$43,131.12 in total pending judgments;

Answer: Agree

d. That Hatch and his wife, Gale, have a \$15,040.35 civil judgment pending against them;

Answer: Agree

e. That Hatch has a \$12,341.41 foreign judgment pending against him; and

Answer: Agree

f. Some or all of the information typically provided in an offering circular or prospectus regarding Wing Haven, such as:

i. Financial statements;

Answer:

Deny. Hatch contends that no offering covered in the Utah Security Code was made to DC & MC. Hatch contends that DC & MC Leased the breeding rights of 8 mares from Wing Haven and lease agreements are not covered in the Utah Security Code

ii. Risk factors for investors;

Answer

Deny: Covered above.

iii. Suitability factors for the investment;

Answer:

Deny: Hatch contends that Leasing the breeding rights from a company that operates a Mare Leasing program is not an investment, but rather a commercial transaction where one party leases property from another party to enjoy the benefits of the leasing of the property. In this case, DC & MC Lease the wombs of 8 Thoroughbred Mares from Wing Haven in order to enjoy the foals produced by the 8 mares. Lease payments were made, mares were bred and foals were produced.

iv. Whether the investment is a registered security or exempt from registration; and

Answer:

Deny: Hatch contends that Leasing the breeding rights from a company that operates a Mare Leasing program is not an investment, but rather a commercial transaction where one party leases property from another party to enjoy the benefits of the leasing of the property. In this case, DC & MC Lease the wombs of 8 Thoroughbred Mares from Wing Haven in order to enjoy the foals produced by the 8 mares. Lease payments were made, mares were bred and foals were produced.

v. Whether Hatch was licensed to sell securities.

Answer:

Deny: that at all relevant times Hatch was required to be licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah". Hatch denial is based on two facts.

1) *In accordance with Utah Uniform Securities Act, Utah Code Ann. § 61-1-3 section 3-C which states an exemption to the code as follows "the person has no place of business in this state and during the preceding 12-month period has had not more than five clients, other than those specified in Subsection (3)(b), who are residents of this state"*

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Hatch further states that at all relevant times, he had no formal office in the State of Utah

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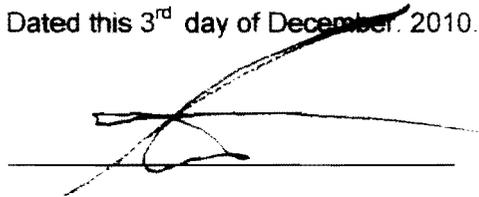
In addition, Hatch has also attached an email labeled 1b, dated 4-21-2005 that show the same services and also illustrated the Crandall's asking Hatch to supply research and information about a 1031 exchange.

Attachment labeled "Exhibit 1c", an email dated 4-10-2006 provides further evidence that Hatch acted as a Personal Manager. Not only does this email carry the same signature line stating "Personal Management Services", but also show that the Crandall's had task Hatch to perform due diligence on the company that provided an "Investment Platform". In this case David Crandall had researched this investment platform himself and then asks Hatch to interview the managers of the company that offered this investment platform and forward his findings to the Crandall's.

Attachment labeled "Exhibit 1d", an email dated 10-03-2007 provides further evidence that Hatch acted as a Personal Manager. Not only does this email carry the same signature line stating "Personal Management Services", but also show that the Crandall's had task Hatch with five (5) separate projects.

Attachment labeled "Exhibit 1e", an email dated 7-19-2008 provides further evidence that Hatch acted as a Personal Manager. Not only does this email carry the same signature line stating "Personal Management Services", but also show that the Hatch was working on "outstanding projects" for the Crandall's.

Dated this 3rd day of December, 2010.

A handwritten signature in black ink, appearing to read "Gary Hatch", is written over a horizontal line. The signature is stylized and somewhat cursive.

Gary Hatch
Respondent

Exhibit 1

Gary Hatch

From: "Gary Hatch" <ghatch@mckenziefinch.com>
To: "David & Melanie Crandall" <rivada@sopris.net>
Sent: Tuesday, November 25, 2003 3:45 PM
Attach: Microsoft Word - Crandell Engagement Agreement.pdf
Subject: Engagement Agreement

David & Melanie,

Please find the attached "Engagement" agreement. Please read it over, sign and return it to me.

Should you have question please feel free to call.

Gary Hatch
McKenzie Finch

USVI Office
Corporate Place
Royal Dane Mall
PO Box 306989
St. Thomas, USVI 00803

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Exhibit 1a

Gary Hatch

From: "Gary Hatch" <ghatch@mckenziefinch.com>
To: "David Crandall" <goodearth@sopris.net>
Sent: Tuesday, January 08, 2008 4:09 PM
Attach: letter of recommendation - bank.doc
Subject: Fw: Crandall

Sorry, I didn't finish and sent by mistake. Please see below.

GH

----- Original Message -----

From: Gary Hatch
To: Melanie Crandall
Sent: Tuesday, January 08, 2008 1:31 PM
Subject: Re: Crandall

David,

See Below:

----- Original Message -----

From: Melanie Crandall
To: Gary Hatch
Sent: Monday, January 07, 2008 6:34 PM
Subject: Crandall

Gary,

Did we get the \$300,000 from last year into the new captive?

<GH>: I am still trying to deal with this. I have a conference call this afternoon and another one tomorrow afternoon to try to settle this issue. On the positive side, we have achieved my minimum goal of not having to deal with the \$300K in 2007. As you know, we want more, but at least we have this.

Did the new captive get set up?

<GH>: Yes, the \$380K has been accepted by the "Fronting Company" and they will be issuing the policy as soon as we get a couple of things back to them. Most of what is needed has been done, I do need you help with the following:

Clear copy of your Passport. Then have it Notarized

Clear copy of your Drivers License. Then have it Notarized

Reference Letter from your Bank, please see attached a sample of what should be said. (I am writing a reference letter for the Business source).

Once we get the above and a check for capitalization (from \$25K to \$200K depending on your decision below) we will have the captive ready to accept the premium and the risk from the "Fronting Company".

From a structure standpoint we need to make a decision. Stand alone captive or shared captive. We have been talking all along about buying an existing captive.

The advantage to buying an existing company are as follows:

You control the company 100%

The company we would buy would be able to reach back to 2006.

Disadvantage:

Capitalization: We will need \$250,000 to capitalize a stand alone company vs. \$95,000 for capitalization of a shared company.

Cost to buy: The cost to buy the company we are looking at will be \$40,000. As I told you, it is my intent to have Fidelity pay this cost and this is one of the subject I will be discussing on the conference calls referred to above. However, we will need to make a decision on the "Stand alone vs. Shared Company" concept by weeks end and if may take longer and maybe even legal action to force Fidelity to do what is right so if we chose the stand alone company route, we may have to pay to buy the company the company and it may take time to get it back??

Annual Cost: The annual cost of a Captive is \$15,000. With a Stand alone company you would have to cover that cost 100% (this has already been factored into the cost structure I have already quoted). With a Shared Company, this cost would be shared on a % of total premium basis and thus would save you money.

The default recommendation would be to go with a "Shared Company". I will know more in the next couple of days.

Has the additional life insurance been issued?

<GH>: This is my next project and I will get to it next week after I get the Captive Issue and the Mare Leasing Issue out of the way this week.

Have we set up a time to speak with a CPA?

<GH>: Tell me the best time for you two this week and I will set it up.

I have spoken with Asset Allocation about putting to together a new combination for the funds in the captive. Will that amount be \$680,000; 300 from last year and then 380 for this year?

<GH>: I will be \$336,000 (\$380,000 - 11.5%) + \$300,000 + Interest on the \$300,000 (\$3K to \$4K???) + \$85K to \$250K (capitalization).

Do I still have them send you all of the paper work to get the accounts set up?

<GH>: Yes.

~~I spoke with the attorney and we are ready to get the things done.~~

<GH>: OK, I can get the accounts set up as soon as I get the paperwork. You may want to think of having me set up a "Family Mutual Fund" for you. In short, a "Family Mutual Fund" is a company set up in the USA and licensed by the government as a mutual fund company. I would then set up only one account with asset managers like Ford, Pats, the CEO manager, Smith Barney, etc and then ALL money, both currently held in the life and annuity policies and new money from a new Life Policies, the Captive and even personal investments could all be held by the Family Mutual Fund. I just got through doing this for another family and it is one stone that kills many birds. If you have interest let me know and I

will provide you with a full proposal.

<GH>: Mare leasing: Jill is making the financial arrangements to set up the Sire's and transportation for the mare's. She should have a report out to you by tomorrow night on all the details.

<GH>: Mortgage: I sent an email to Larry and cc you. I need your help with a couple of questions.

David

Exhibit 1b

Gary Hatch

From: "Gary Hatch" <ghatch@mckenziefinch.com>
To: "Melanie Crandall" <rivada@sopris.net>
Sent: Thursday, April 21, 2006 11:07 AM
Attach: http://63.123.136.2_28122_1031%20literature.pdf
Subject: 1031 Exchange

David & Melanie,

Please find attached some information I found concerning your question about a 1031 Exchange. Please let me know when you get closer to closing on your properties and we can look into this issue deeper.

Be Well,

Gary Hatch
 McKenzie Finch Management

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Exhibit 1c

Gary Hatch

From: "Gary Hatch" <ghatch@mckenziefinch.com>
To: "David & Melanie Crandall" <rivada@sopris.net>
Sent: Monday, April 10, 2006 3:04 PM
Subject: Ted

David,

Melanie,

I had a good talk with Ted today and feel we now understand each other as to what needs to be done to move this issue forward.

I will be doing what is necessary on my end tomorrow or Wednesday and get back to Ted.

I will keep you updated.

Thanks

Gary Hatch
McKenzie Finch

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Salt Lake City, Utah 84047

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Exhibit 1d

Gary Hatch

From: "Gary Hatch" <ghatch@mckenziefinch.com>
To: "David & Melanie Crandall" <rivada@sopris.net>
Sent: Wednesday, October 03, 2007 5:23 PM
Subject: Call

David, Melanie;

When would you have a time when we could catch up on items?? Below is a list of things on my Agenda:

Life Insurance.

New Accountant

Glen Henderson
 Robert Kipp

Set Conference call for week of the 22nd of October (after October 15th filing date)

Year End Planning

I need latest (9-30) financial statement.

Business Protection plan has been changed to a more effective Captive Insurance Company.

Mortgage loan to Client in Florida and take a first mortgage position on condo just being finished valued at \$3.8M, need \$1M Mortgage.

Your interest level on the mortgage I explained to you where we could use your cash flow to pay off your mortgage years early and save hundreds of thousands in interest. I can give you an presentation if you can supply me with your Mortgage current balance, your current interest rate, your current payment & your projected saving rate (saving rate = gross income for work and business (-) this years Business Liability prem (old BPP/new Captive) (-) life style spending rate.

Example:	David's Salary Good Earth	=	\$100,000
	Melanie's Wage Hospital	=	\$50,000
	Net Profit Good Earth	=	\$600,000
	Business Liability Premium	= (-)	\$300,000
	Net Income	=	\$450,000
	Taxes	= (-)	\$150,000
	Life Style	=	\$200,000
	Net Saving	=	\$100,000

I would suggest we have a call about the about and then set additional time to for over each items you have interest in on additional calls.

Thanks

Gary
 McKenzie Finch

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Exhibit 1e

Gary Hatch

From: "Gary Hatch" <ghatch@mckenziefinch.com>
To: "Melanie Crandall" <rivada@sopris.net>; "David Crandall" <david@goodearthaspen.com>
Sent: Saturday, July 19, 2008 2:20 PM
Subject: Update Call

David, Melanie;

When could you have time to do a call so we can catch up on the outstanding projects??

Thanks

Gary Hatch
McKenzie Finch

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Salt Lake City, Utah 84047

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Exhibit 2

just tried to call and want to go over all this stuff with you over the phone, however in the mean time, let me answer the questions you have below. The first thing I need to know is how much David made the check out for so I can start the paper work and documents

----- Original Message -----

From: Melanie Crandall

To: Gary Hatch

Sent: Friday, December 28, 2007 5:11 PM

Subject: mare leasing

Gary,

David has sent a check for the mare leasing. I am curious how this will work. Will we get paper work that shows we have invested in the Winghaven Farms?

<GH>: You are not making an investment in Wing Haven, you are leasing the reproductive rights of one or more Thoroughbred mares. You will be leasing these mares from Wing Haven. There is a number of services that come along with the lease, such as management of the mares, Shire fees, cost of boarding the mares, insurance on the mares, etc. When I find out my above question concerning the amount you are putting toward mare leasing, I will start to prepare all the documents that give you legal title to the foals born to the mares you lease. I will also be outlining the entire program from beginning (two months ago) to the time you make a decision to sell the foal or train to race.

I understand that we need to read about mare leasing and possibly do some traveling around mare leasing but what else do we need to do. I have looked over the web sites you have sent and am very overwhelmed with it all. There is so much to learn! I wish I had paid attention to the horse stuff while I was growing up.

<GH>: Please don't worry about the amount of information you need to intake. Jill will be providing you with information on an ongoing basis.

Thanks,

GH

Melanie

Exhibit 3

8:11 PM

10/08/07

Accrual Basis

**Good Earth Landscaping & Maintenance
Profit & Loss Prev Year Comparison
January 1 through October 8, 2007**

	<u>Jan 1 - Oct 8, 07</u>	<u>Jan 1 - Oct 8, 06</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
Finance Charges Income	198.63	0.00	198.63	100.0%
Income	<u>2,362,180.71</u>	<u>1,052,839.92</u>	<u>1,309,350.79</u>	<u>124.4%</u>
Total Income	<u>2,362,389.34</u>	<u>1,052,839.92</u>	<u>1,309,549.42</u>	<u>124.4%</u>
Cost of Goods Sold				
Cost of Goods Sold	903,370.58	485,221.39	418,149.19	86.2%
Native Flower Cost of Goods Sol	<u>7,648.30</u>	<u>0.00</u>	<u>7,648.30</u>	<u>100.0%</u>
Total COGS	<u>911,018.88</u>	<u>485,221.39</u>	<u>425,797.49</u>	<u>87.8%</u>
Gross Profit	<u>1,451,370.46</u>	<u>567,618.53</u>	<u>883,751.93</u>	<u>155.7%</u>
Expense				
Advertising	7,187.45	1,573.72	5,613.73	356.7%
Bad Debt	0.00	9,856.85	-9,856.85	-100.0%
Computers and Software	880.17	990.76	-110.59	-11.2%
Donations and Charity	2,550.00	0.00	2,550.00	100.0%
Dues and Subscriptions	2,756.25	2,967.00	-210.75	-7.1%
Equipment	138,923.39	58,011.75	80,911.64	139.5%
Freight & delivery expense	8,089.44	0.00	8,089.44	100.0%
Insurance	47,925.37	29,489.94	18,435.43	62.5%
Interest and Bank Charges	808.88	2,688.92	-1,880.04	-69.9%
Licenses and Permits	921.07	101.00	820.07	812.0%
Miscellaneous	-46.19	0.00	-46.19	-100.0%
Office Automobile	2,609.26	931.31	1,677.95	180.2%
Office Equipment	337.66	949.74	-612.08	-64.5%
Office Supplies	3,352.13	2,223.78	1,128.35	50.7%
Payroll Expenses	299,633.22	126,095.60	173,537.62	137.6%
Professional Fees	22,398.29	6,201.20	16,197.09	261.2%
Radio and Communications System	6,863.41	5,285.06	1,578.35	29.9%
Rent	34,400.00	18,900.00	15,500.00	82.0%
Small tools and supplies	2,397.91	2,515.01	-117.10	-4.7%
Telephone and Internet	2,987.23	2,916.51	70.72	2.4%
Training and Seminars	1,129.67	445.50	684.17	153.6%
Travel and Entertainment	833.98	1,086.45	-252.47	-23.2%
Uniforms and Safty equipment	1,887.66	2,565.02	-677.36	-26.4%
Utilities	10,003.91	1,896.15	8,107.76	427.6%
Yard exp/ Leasehold imp.	2,032.66	0.00	2,032.66	100.0%
4000 - Reconciliation Discrepancies	1,365.70	0.00	1,365.70	100.0%
Total Expense	<u>602,228.52</u>	<u>277,691.27</u>	<u>324,537.25</u>	<u>116.9%</u>
Net Ordinary Income	<u>849,141.94</u>	<u>289,927.26</u>	<u>559,214.68</u>	<u>192.9%</u>
Other Income/Expense				
Other Income				
Interest Income/Smith Barney	9,148.17	6,426.86	2,721.31	42.3%
Total Other Income	<u>9,148.17</u>	<u>6,426.86</u>	<u>2,721.31</u>	<u>42.3%</u>
Other Expense				
Sales tax service fee	53.68	0.00	53.68	100.0%
Total Other Expense	<u>53.68</u>	<u>0.00</u>	<u>53.68</u>	<u>100.0%</u>
Net Other Income	<u>9,094.49</u>	<u>6,426.86</u>	<u>2,667.63</u>	<u>41.5%</u>
Net Income	<u><u>858,236.43</u></u>	<u><u>296,354.12</u></u>	<u><u>561,882.31</u></u>	<u><u>189.7%</u></u>

8:26 PM

11/06/07

Accrual Basis

Exhibit 3
Good Earth Landscaping & Maintenance
Profit & Loss
January 1 through November 6, 2007

	<u>Jan 1 - Nov 6, 07</u>
Ordinary Income/Expense	
Income	
Vendors Fee Credit	355.81
Finance Charges Income	340.72
Income	<u>2,603,024.53</u>
Total Income	2,603,721.06
Cost of Goods Sold	
Cost of Goods Sold	971,727.49
Native Flower Cost of Goods Sol	7,648.30
Total COGS	<u>979,375.79</u>
Gross Profit	1,624,345.27
Expense	
Advertising	6,851.81
Computers and Software	901.78
Donations and Charity	2,750.00
Dues and Subscriptions	3,876.25
Equipment	83,534.71
Freight & delivery expense	8,089.44
Insurance	56,056.20
Interest and Bank Charges	972.44
Licenses and Permits	1,164.91
Office Automobile	2,609.26
Office Equipment	337.66
Office Supplies	4,481.72
Payroll Expenses	340,509.46
Professional Fees	22,398.29
Radio and Communications System	7,332.54
Rent	51,600.00
Small tools and supplies	2,946.37
Telephone and Internet	3,428.02
Training and Seminars	1,177.07
Travel and Entertainment	884.92
Uniforms and Safty equipment	1,887.66
Utilities	2,901.29
Yard exp/ Leasehold imp.	2,032.66
4000 - Reconciliation Discrepancies	1,365.70
Total Expense	<u>610,090.16</u>
Net Ordinary Income	1,014,255.11
Other Income/Expense	
Other Income	
Native Flower Clearing Acct	-152.90
Interest Income/Smith Barney	10,865.63
Total Other Income	<u>10,712.73</u>
Other Expense	
Sales tax service fee	53.68
Total Other Expense	<u>53.68</u>
Net Other Income	10,659.05
Net Income	<u><u>1,024,914.16</u></u>

Exhibit 3a

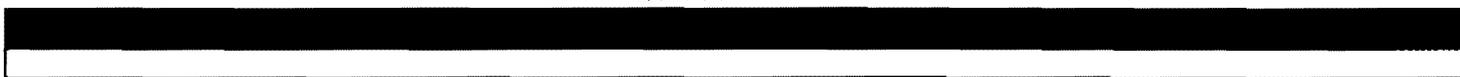
Good Earth Landscaping & Maintenance			
Profit & Loss			
Accrual Basis	January 1 through October 13, 2006	2006	Last 1.5 Months
Ordinary Income/Expense			
Income			
Discount Expense	\$435.46		
Vendors Fee Credit			
Finance Charges Income			
Income	\$1,085,936.73		
Total Income	\$1,086,372.18	\$100,000.00	\$1,186,372.18
Cost of Goods Sold			
Cost of Goods Sold	\$494,704.47	\$117,786.78	\$612,491.25
Native Flower Cost of Goods Sold	\$0.00		
Total COGS	\$494,704.47		\$612,491.25
Gross Profit	\$591,667.71		\$573,880.93
Expense			
Advertising	\$1,573.72	\$0.00	\$1,573.72
Bad Debt	\$9,856.85	\$0.00	\$9,856.85
Computers and Software	\$2,113.26	\$0.00	\$2,113.26
Donations and Charity	\$0.00	\$0.00	\$0.00
Dues and Subscriptions	\$1,889.50	\$0.00	\$1,889.50
Equipment	\$57,782.22	\$50,000.00	\$107,782.22
Freight & delivery expense	\$0.00	\$0.00	\$0.00
Insurance	\$29,489.94	\$299,000.00	\$279,489.94
Interest and Bank Charges	\$2,656.24	\$432.44	\$3,288.68
Licenses and Permits	\$420.52	\$100.12	\$520.64
Office Automobile	\$931.31	\$221.74	\$1,153.05
Office Equipment	\$1,236.72	\$294.22	\$1,529.94
Office Housekeeping	\$55.00	\$13.10	\$68.10
Office Supplies	\$1,526.52	\$363.48	\$1,889.98
Payroll Expenses	\$123,844.05	\$29,486.66	\$153,330.73
Professional Fees	\$6,218.20	\$1,480.05	\$7,698.25
Radio and Communications System	\$9,285.06	\$1,256.35	\$10,541.41
Rent	\$24,200.00	\$5,781.90	\$29,981.90
Small tools and supplies	\$3,552.77	\$645.00	\$4,397.77
Telephones	\$2,151.51	\$512.26	\$2,663.77
Training and Seminars	\$445.50	\$106.07	\$551.57
Travel and Entertainment	\$1,143.00	\$272.14	\$1,415.14
Uniforms and Safety equipment	\$2,566.02	\$610.72	\$3,176.74
Utilities	\$1,291.15	\$331.23	\$1,722.38
Yard eqpt/ Leasehold Imp.	\$0.00	\$0.00	\$0.00
4000 - Reconciliation Discrepancies	\$0.00	\$0.00	\$0.00
Total Expense	\$280,305.06	\$342,280.37	\$622,585.43
Other Income			
Net Ordinary Income	\$311,362.85		-\$48,714.50
Other Income/Expense			
Native Flower Clearing Acct	\$0.00	\$0.00	\$0.00
Sales tax service fee	\$7.58	\$1.80	\$9.38
Interest Income/Smith Barney	\$0.00	\$0.00	\$0.00
Total Other Income	\$7.58	\$1.80	\$9.38
Net Other Income	\$7.58	\$1.80	\$9.38
Net Income	\$311,362.85	-\$48,714.50	\$262,648.35

Good Earth Landscaping & Maintenance			
Profit & Loss			
Accrual Basis	January 1 through November 8, 2007	2007	Last 1.5 Months
Ordinary Income/Expense			
Income			
Discount Expense			
Vendors Fee Credit	\$365.81		
Finance Charges Income	\$340.72		
Income	\$2,803,024.63		
Total Income	\$2,803,721.06		\$3,049,403.04
Cost of Goods Sold			
Cost of Goods Sold	\$971,727.48		\$1,138,059.22
Native Flower Cost of Goods Sold	\$1,628.30		\$8,867.47
Total COGS	\$979,378.78		\$1,147,016.68
Gross Profit	\$1,824,342.27		\$1,902,386.35
Expense			
Advertising	\$6,851.81	\$0.00	\$6,851.81
Bad Debt	\$0.00	\$0.00	\$0.00
Computers and Software	\$901.78	\$0.00	\$901.78
Donations and Charity	\$2,750.00	\$0.00	\$2,750.00
Dues and Subscriptions	\$3,878.25	\$0.00	\$3,878.25
Equipment	\$83,534.71	\$60,000.00	\$133,534.71
Freight & delivery expense	\$8,069.44	\$0.00	\$8,069.44
Insurance	\$56,056.20	\$600,000.00	\$554,056.20
Interest and Bank Charges	\$672.44	\$231.53	\$1,203.97
Licenses and Permits	\$1,164.91	\$277.36	\$1,442.27
Office Automobile	\$2,809.26	\$621.25	\$3,230.51
Office Equipment	\$337.86	\$80.40	\$418.26
Office Housekeeping	\$0.00	\$0.00	\$0.00
Office Supplies	\$4,481.72		\$5,248.86
Payroll Expenses	\$340,509.46		\$398,794.86
Professional Fees	\$22,366.29		\$26,232.23
Radio and Communications System	\$7,332.64		\$8,587.66
Rent	\$51,600.00		\$60,432.43
Small tools and supplies	\$2,948.37		\$3,450.70
Telephones and Internet	\$3,428.02		\$4,014.80
Training and Seminars	\$1,177.07		\$1,378.55
Travel and Entertainment	\$684.92		\$1,036.39
Uniforms and Safety equipment	\$1,887.06		\$2,210.77
Utilities	\$2,901.29		\$3,397.91
Yard eqpt/ Leasehold Imp.	\$2,032.80		\$0.00
4000 - Reconciliation Discrepancies	\$1,365.70		\$0.00
Total Expense	\$610,060.16	\$927,030.07	\$1,222,300.73
Other Income			
Net Ordinary Income	\$1,014,255.11		\$680,085.62
Other Income/Expense			
Native Flower Clearing Acct	-\$152.90		-\$152.90
Sales tax service fee	\$53.06	\$12.78	\$65.84
Interest Income/Smith Barney	\$10,865.63	\$0.00	\$10,865.63
Total Other Income	\$10,765.41	-\$13.99	\$10,751.02
Net Other Income	\$10,765.41	-\$13.99	\$10,751.02
Net Income	\$1,025,020.52	\$13.38	\$690,836.64

Exhibit 3b

	As is	As is +\$300000	With 400,000 Captive	With 400,000 Captive Mare Leasing \$250,000.00	With 400,000 Captive Mare Leasing \$250,000.00 Charity \$200,000.00
Income From Crandall Inc.	\$1,067,922.56	\$1,067,922.56	\$667,922.56	\$667,922.56	\$617,922.56
BPP					
Schedule F (Farm and Ranch)				-\$250,000.00	
Gross Income	\$1,169,762.00	\$1,527,477.00	\$827,477.00	\$269,702.00	\$305,312.00
Gross Tax	\$382,667.00	\$489,676.00	\$239,867.00	\$150,110.00	\$80,734.00
AMT	\$0.00	\$0.00	\$0.00	\$0.00	\$6,395.00
Total Tax	\$382,667.00	\$489,676.00	\$239,867.00	\$150,110.00	\$87,129.00
State Tax	\$52,832.00	\$68,244.00	\$35,237.00	\$23,382.00	\$14,144.00
Total Fed & State Tax	\$435,499.00	\$557,920.00	\$275,104.00	\$173,492.00	\$101,273.00
Net Tax Savings or Loss		-\$122,421.00	\$282,816.00	\$384,428.00	\$456,647.00
			70.70%	59.14%	53.72%

Exhibit 4



Name: David & Melanie Crandall State: Colorado Date: November 19, 2007

The Mare Lease Program (Thoroughbred Breeding and Racing Business)

Potential Net Operating Loss (NOL)

Tax Year	Adjusted		Federal Tax	State Tax	NOL Needed
	Gross Income	Itemized			
2002			\$ -	\$ -	-
2003			\$ -	\$ -	-
2004			\$ -	\$ -	-
2005			\$ -	\$ -	-
2006			\$ -	\$ -	-
2007	\$ 600,000	\$ 400,000	\$ 72,000	\$ 9,260	\$ 200,000
Totals:	\$ 600,000	\$ 400,000	\$ 72,000	\$ 9,260	\$ 200,000

Assumptions and Variables

Federal tax rate	36.00%
State tax rate	4.63%
Long-Term capital gains tax rate	15.00%
Term of loan in years	3
Loan interest rate (O.A.C.)	6.25%
Horse sales commission rate	6.50%
Horse mortality insurance (% of cost)	3.25%
Estimated sales price of horses (as % of cost)	140.00%

Payments from Lessee: Tax savings and refunds	\$ 81,260
Loan (if applicable)	\$ -
Payments from Lessee: Initial down payment	\$ 118,740
Total Mare Leasing and Breeding Loss	\$ 200,000

NOL - Farm Net Operating Losses can be carried back five (5) years.

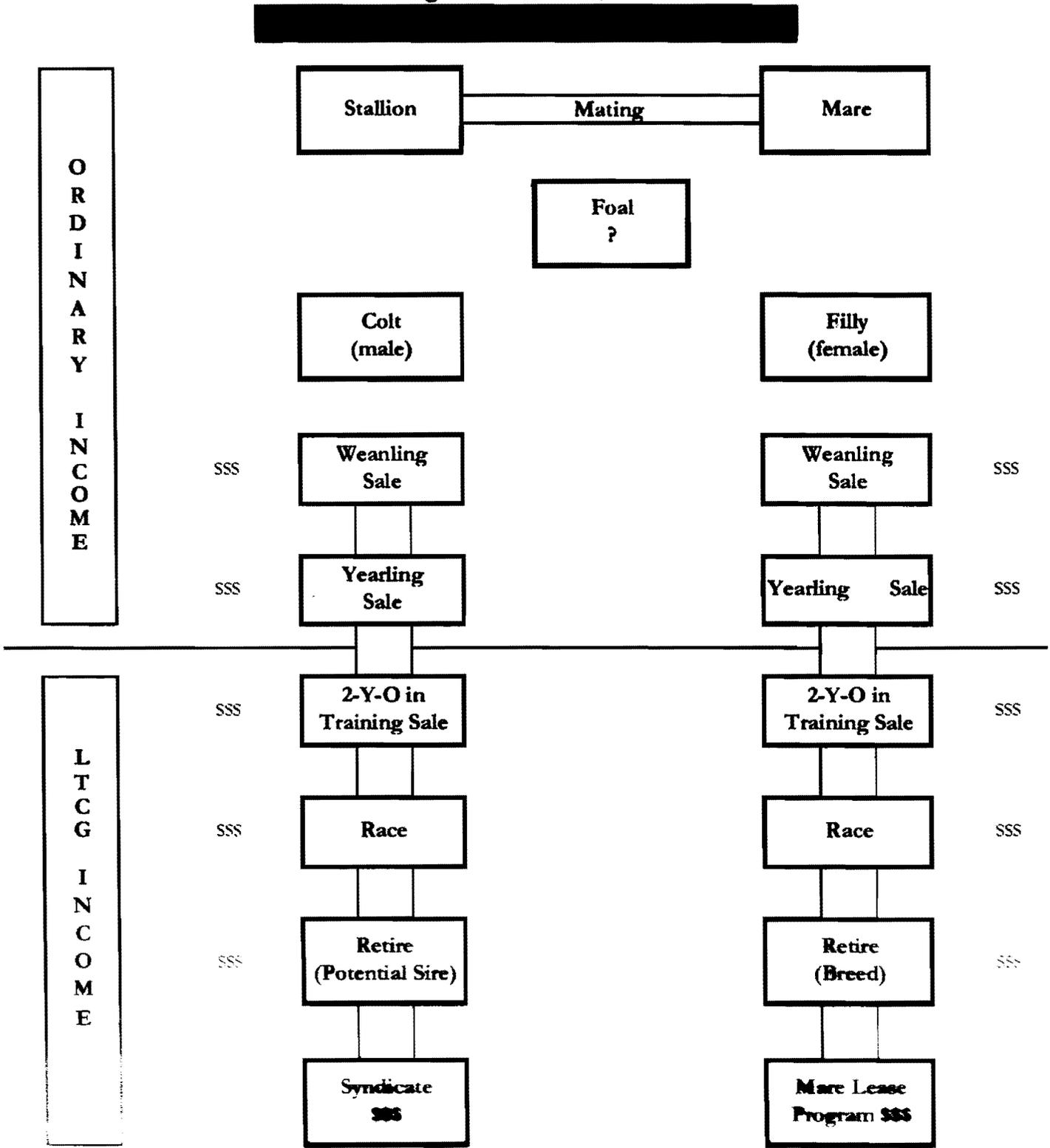
Estimated Horse Sales, Expenses and Net after-Tax Cash Flow

Estimated sale proceeds of two-year-olds @ 140%	\$ 280,000
Sales commission (auction / consignor) @ 6.50%	\$ (18,200)
Taxes (Federal) due on sale proceeds (LTCG) @ 15.00%	\$ (37,452)
Taxes (State) due on sale proceeds @ 4.63%	\$ (12,121)
Loan repayment (approx. 3 years to retire)	\$ -
Interest expense @ 6.25% (approx. 3 years)	\$ -
Insurance expense (Estimate) @ 3.25% of cost	\$ (13,000)
Estimated board & training (foals, yearlings, 2-yr olds)	\$ (78,400)
Tax savings on interest, insurance and board expense deductions	\$ 37,136
Net After Tax Mare Lease Revenue	\$ 157,963

Agricultural Mare Lease Deductions are not subject to Alternative Minimum Tax (AMT).

The calculations and projections presented herein are only approximations—based on information provided by the prospective client and on general estimates of future revenues and costs. One should consult with his/her financial and/or tax advisor for more.

Wing Haven Farm, LLC



Note: Horses can be sold privately at anytime for money (SSS).

Note: LTCG Holding period is 2 years and one day from the date of birth. Another advantage: 1031 Like-Kind Exchange.

Wing Haven Farm, LLC

EXPLANATIONS AND ASSUMPTIONS

THE MARE LEASE PROGRAM (Thoroughbred Breeding and Racing Business)

The Mare Lease business entails the leasing of the reproductive capacity of thoroughbred mares for the purpose of producing thoroughbred race horses that can be sold (as weanlings, yearlings or two-year olds and later), or retained for racing and possible future breeding.

The goal is to earn a profit from the sale and/or racing of the thoroughbred foals.

The amounts initially paid into the Mare Lease business are for mare lease costs, stallion breed fees and mare boarding and care costs. [REDACTED]

A tax benefit of participation in the Mare Lease business is that income tax deductions up to 100% of the amount paid for these expenses are allowed by the tax code and are claimed on Form 1040 Schedule E. [REDACTED]

Mare Lease business expenses are categorized as agriculture and, as long as the business owner materially participates in the business, the deductions should not be subject to alternative minimum tax (AMT).

The participant must pay the full amount of the mare lease, breeding and board costs before the end of the year in which he wants to claim the deduction. Tax refunds from net operating loss (NOL) carrybacks serve as a reimbursement in the next year--after the tax return for the loss year and the NOL carryback claim forms can be filed.

TIMELINE

2007	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enter into mare lease.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
				Continue with race training.
Claim losses on tax return for this year (which will be filed in next year).	Receive refund of taxes for initial year of activity and for net operating loss.	Foals may be sold after they are weaned for [REDACTED].	Foals may be sold as yearlings for [REDACTED].	May be sold for [REDACTED].

Wing Haven Farm, LLC

MARE LEASING AND BREEDING ACTIVITY

RISK FACTORS

General:

1. **SPECULATIVE WITH A HIGH DEGREE OF RISK.**
2. The participant may lose all of his investment.
3. No federal or state agency has made any finding or determination as to the fairness for public investment, nor any recommendation or endorsement of the program.
4. The program has not been registered under the Securities Act of 1933 ("Act") or applicable state securities laws ("State Acts"). The participant shall operate his business so as not to require any such registration, and this may limit the transferability of the interest.
5. The participant shall exclusively make all decisions in respect to the management of the his business activity. Accordingly, any participant must have or be willing to acquire the knowledge and expertise necessary for such management.
6. The death or disability of the participant and his consultants, if any, may adversely affect the success of the program.
7. The participant will be dependent on the facilities and expertise of third party providers for the care, safekeeping and training of the thoroughbred horses.

Tax Risks:

1. An participant may recognize taxable income without receipt of corresponding cash distributions.
2. A disallowance by the Internal Revenue Service of any deductions taken by the participant on his income tax return may result in an increase in taxable income to the participant.

Thoroughbred Industry Risks:

1. Thoroughbred horses are subject to accidents, sicknesses and diseases resulting in premature death or debilitating injuries, which substantially affect their value.
2. The business of buying, breeding, raising and selling Thoroughbred horses is speculative and competitive, without the safeguards found in many other businesses. Bloodlines, confirmation and racing history, for example, do not assure that the Thoroughbred horse will be commercially viable or will maintain it's value for the purposes of resale.
3. The Thoroughbred Industry is subject to wide market swings, making it impossible to predict economic trends with certainty. This volatile market is controlled by off-track betting, simulcasting and broadcasting of horse racing, other forms of wagering, supply and demand of horses, the success or failure of other offspring of the stallion or dam, the overall state of the economy and the interest level of participants and enthusiasts in the Thoroughbred Industry. The participant has no control or ability to control any of these factors.

Wing Haven Farm, LLC

MARE LEASING AND BREEDING ACTIVITY

RISK FACTORS

4. The participant will be competing against Thoroughbred breeders and dealers throughout the world, many of whom have greater experience and financial resources than those available to the participant.
5. The participant will bear the risk of accident, disease and death of the Thoroughbred assets. The participant may choose to insure any of its Thoroughbred assets.
6. The participant's assets will commonly be offered for sale at public auctions, which are cyclical and seasonal, resulting in irregular revenue streams, if any.
7. The cost for the care, safekeeping and training of the Thoroughbreds are unique to each individual asset and could reduce the participant's anticipated income.
8. Buyer selectivity and market volatility will control the anticipated profitability of the participant.
9. The success or failure of the breeding industry is related to the success or failure of the Thoroughbred Racing Industry, which is highly regulated by racing regulatory bodies over which the participant has no control.

Exhibit 5

Gary Hatch

From: "David Crandall" <david@goodearthaspen.com>
To: "Gary Hatch" <ghatch@mckenziefinch.com>
Sent: Thursday, December 27, 2007 1:33 PM
Subject: Mare leasing

Gary,

What is the name of the company that I need to make the check out for the mare leasing?

Warmly,
David Crandall
Good Earth Landscaping & Maintenance

Exhibit 5a

Gary Hatch

From: "David Crandall" <david@goodearthaspen.com>
To: "Gary Hatch" <ghatch@mckenziefinch.com>
Sent: Thursday, December 27, 2007 2:38 PM
Subject: Re: Mare leasing

All I'm thinking about is getting a check out to you.

----- Original Message -----

From: Gary Hatch
To: David Crandall
Sent: Thursday, December 27, 2007 2:00 PM
Subject: Re: Mare leasing

David,

Wing Haven Farm.
3626 McLain Mtn. Circle
Salt Lake City, Utah 84121

Tell me what your thinking so I can get all the information to you.

Thanks

Gary

----- Original Message -----

From: David Crandall
To: Gary Hatch
Sent: Thursday, December 27, 2007 1:33 PM
Subject: Mare leasing

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Good Earth Landscaping & Maintenance

No virus found in this incoming message.
Checked by AVG Free Edition.
Version: 7.5.516 / Virus Database: 269.17.11/1200 - Release Date: 12/27/2007
1:34 PM

Exhibit 5b

Gary Hatch

From: "David via Internet Web Site" <david@goodearthaspen.com>
To: "Gary Hatch" <ghatch@mckenziefinch.com>
Sent: Saturday, December 29, 2007 9:03 AM
Subject: Re: Mare leasing

Sent check out for \$200,000.

----- Original Message -----

From: Gary Hatch
To: David Crandall
Sent: Thursday, December 27, 2007 3:25 PM
Subject: Re: Mare leasing

David,

OK, what I mean is when you decide how much that check is, let me know so I can get the right paperwork together for you guys.

Thanks

Gary

----- Original Message -----

From: David Crandall
To: Gary Hatch
Sent: Thursday, December 27, 2007 2:38 PM
Subject: Re: Mare leasing

All I'm thinking about is getting a check out to you.

----- Original Message -----

From: Gary Hatch
To: David Crandall
Sent: Thursday, December 27, 2007 2:00 PM
Subject: Re: Mare leasing

David,

Wing Haven Farm.
3626 McLain Mtn. Circle
Salt Lake City, Utah 84121

Tell me what your thinking so I can get all the information to you.

Thanks

Gary

----- Original Message -----

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To: Gary Hatch

Sent: Thursday, December 27, 2007 1:33 PM
Subject: Mare leasing

Gary,

What is the name of the company that I need to make the check out for the mare leasing?

Warmly,
David Crandall
Good Earth Landscaping & Maintenance

No virus found in this incoming message.

Checked by AVG Free Edition.

Version: 7.5.516 / Virus Database: 269.17.11/1200 - Release Date: 12/27/2007
1:34 PM

No virus found in this incoming message.

Checked by AVG Free Edition.

Version: 7.5.516 / Virus Database: 269.17.9/1198 - Release Date: 12/26/2007 5:26
PM

Exhibit 5c

Gary Hatch

From: "Melanie Crandall" <rivada@sopris.net>
To: "Gary Hatch" <ghatch@mckenziefinch.com>
Sent: Friday, December 28, 2007 5:11 PM
Subject: mare leasing

Gary,

David has sent a check for the mare leasing. I am curious how this will work. Will we get paper work that shows we have invested in the Winghaven Farms? I understand that we need to read about mare leasing and possibly do some traveling around mare leasing but what else do we need to do. I have looked over the web sites you have sent and am very overwhelmed with it all. There is so much to learn! I wish I had paid attention to the horse stuff while I was growing up.

Melanie

Exhibit 6

MARE LEASE AND BREEDING AGREEMENT

BETWEEN

Crandall Family Thoroughbred Breeding, LESSEE

AND

WING HAVEN FARMS, LLC, LESSOR

MARE LEASE AND BREEDING AGREEMENT

This is a MARE LEASE AND BREEDING AGREEMENT (the "AGREEMENT") entered into this 24th day of October 2007, by and between David & Melanie Crandall dba Crandall Family Thoroughbred Breeding ("Crandall") with an address of 421 Lewis Lane, Basalt, Colorado 81621 ("LESSEE"), and WING HAVEN FARMS, LLC, a Utah Limited Liability Company (hereinafter referred to as ("Wing Haven"), with an address of 6905 South 1300 East #240, Midvale, Utah 84047 ("LESSOR").

RECITALS

WHEREAS, LESSOR is engaged in the business of leasing Thoroughbred mares for breeding purposes; and

WHEREAS, LESSEE desires to lease from LESSOR, the mare or mares selected by LESSEE described on the attached Schedule A (individually a "Mare" and collectively the "Mares") which will be bred to the stallion or stallions selected by LESSEE described on the attached Schedule A (individually a "Stallion" and collectively the "Stallions") in accordance with the terms of this Agreement.

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties to this Agreement, the parties hereby agree as follows:

SECTION 1

TERM

The term of this Agreement shall be for all Mares shown on Schedule A approximately 7 months, beginning December 1, 2007, and terminating July 1, 2008. The Mares are expected to produce foals in the year 2009.

SECTION 2

LEASE PAYMENTS

2.1 LESSEE agrees to pay to LESSOR, as rent for the Mares the total sum of \$105,000.00 dollars (the "Rent"). The Rent shall be included as part of the total cost of

the 2007 Mare Lease Program and paid in the amounts and at the times shown in the letter of intent to purchase dated, and attached hereto as Exhibit A.

2.2 LESSEE agrees to pay to LESSOR, as stallion service fees (the "Service Fee") the total sum of dollars (\$28,000.00). Service Fee shall be included as part of the total cost of the 2007 Mare Lease Program and paid in the amounts and at the times shown in the Letter of Intent attached hereto as Exhibit A. Service Fee collected by LESSOR shall be distributed by LESSOR to the appropriate Stallion Owners.

2.3 LESSEE agrees to pay to LESSOR, as prospective foal insurance fee (the "Prospective Foal Insurance Fee") the total sum of \$13,500.00 dollars. Prospective Foal Insurance Fee shall be included as part of the total cost of the 2007 Mare Lease Program and paid in the amounts and at the times shown in the Letter of Intent attached hereto as Exhibit A. Prospective Foal Insurance Fee collected by LESSOR shall be distributed by LESSOR to the appropriate Insurance Companies.

SECTION 3

FOAL OWNERSHIP

3.1 LESSEE and LESSOR agree that the objective of this Agreement is to allow LESSEE to lease the Mares which have been selected by LESSEE for the sole purpose to produce a foal that has stood and nursed from a Mare or has been fed by hand, in each case, for at least a period of 24 hours ("Live Foal").

3.2 If a Live Foal is produced and LESSEE has paid the Rent and Service Fee in full the Live Foal shall become the property of LESSEE whether registered in the name of the LESSEE or, for convenience, in the name of the owner of the Mare or other nominee.

3.3 LESSOR DOES NOT GUARANTEE THE BIRTH OF A LIVE FOAL OR FOAL THAT WILL STAND AND NURSE OR BE FED BY HAND FOR AT LEAST A 24 HOUR PERIOD. THE RISK OF LOSS IS TO BE BORN BY THE LESSEE.

SECTION 4

OWNERSHIP AND HEALTH OF MARES

4.1 The parties agree that if any of the Mares becomes unsuitable for LESSEE'S breeding program that LESSEE shall have the option to exchange the Mare for another mare selected by LESSEE of equal quality as determined by reference to the bloodline and breeding history of such Mare at the time it was selected by LESSEE for the program.

4.2 LESSOR represents and warrants that the Mares are owned or controlled by Wing Haven and that LESSOR has full authority to enter into this Agreement.

4.3 LESSOR represents and warrants that to its actual knowledge the Mares are free of disease and other defects that would adversely affect the ability of the Mares to produce a Live Foal. A copy of the veterinarian certificate will be made available to LESSEE on request.

SECTION 5

LOCATION, CARE AND MAINTENANCE OF THE MARES

LESSEE has entered into a boarding agreement with Wing Haven Location, care and maintenance of the mares will be done at Wing Haven Farms, LLC Farm, 10267 Warm Springs Loop, Hanna Utah 84031 Or at a location LESSOR deems safe and suitable for the health and well being of the Mare owned by LESSOR and the Foal to be owned by LESSEE.

SECTION 6

LIMITED USE OF MARES

For the term of the lease, LESSEE is authorized to use the Mares for breeding purposes only. Except for the breeding qualities of the Mares, LESSOR retains all rights and interests in the Mares, including the right to any income therefrom. If the use of the Mares by LESSOR prevents LESSEE from accomplishing the objectives of this Agreement or causes a Mare to abort a fetus, then LESSOR agrees to substitute another Mare of equal quality which shall be selected by LESSEE that will allow LESSEE to receive the benefits of this Agreement in the same year that a foal would have been born to the Mare.

SECTION 7

STALLION CONTRACTS

LESSOR warrants and represents that the Stallions selected by LESSEE have been bound. LESSOR further warrants and represents that LESSOR has full authority to purchase the seasons of the Stallions and provide such seasons to LESSEE. LESSEE acknowledges that it has had the opportunity to review any applicable service agreements of the Stallions.

SECTION 8 RISK OF LOSS

LESSEE shall bear all risk of loss if leased mare does not produce a live foal. LESSEE shall bear all risk of loss from the death or harm to any of the Live Foals produced from the Mares, unless such loss is caused by the gross negligence of LESSOR or its agents or employees, in which case LESSOR shall bear such loss. LESSEE shall bear the responsibility of insurance for the Foal upon birth as set out in the Foal Agreement of even date herewith, entered into by LESSOR and LESSEE.

SECTION 9

MISCELLANEOUS

9.1 HIGH RISK. LESSEE ACKNOWLEDGES THAT THE SUBJECT MATTER OF THIS AGREEMENT INVOLVES A HIGH DEGREE OF RISK AND THAT LESSEE HAS SUCH KNOWLEDGE IN BUSINESS AND FINANCIAL MATTERS THAT LESSEE IS CAPABLE OF EVALUATING THE MERITS AND RISKS INVOLVED IN THIS AGREEMENT AND THAT IN MAKING ITS DECISION TO ENGAGE IN THE BUSINESS OF BREEDING, RAISING, RACING, AND SELLING THOROUGHBRED HORSES RELIED ON ITS OWN EXAMINATION AND EXPERIENCE. LESSEE HAS FULLY EVALUATED THE ECONOMIC AND FINANCIAL RISKS OF THE BUSINESS AND IN LIGHT OF THE FOREGOING, LESSEE IS SATISFIED THAT ITS EXECUTION OF THIS AGREEMENT IS APPROPRIATE.

9.2 RELATIONSHIP OF PARTIES. This Agreement does not establish a partnership or Joint venture between the parties hereto. Each party is acting solely on the behalf of itself individually and not as agent, employee, or general partner of any other

parties in connection with this Agreement. It is the explicit intent and understanding of the parties hereto that none of the parties nor any of their respective affiliates, representatives, advisors or agents is making any representation or warranty whatsoever, oral or written, express or implied, other than those set forth in this Agreement and that none of the parties is relying on any statement, representation or warranty, oral or written, express or implied, made by any other party or such party's affiliates, representatives, advisors or agents. LESSEE acknowledges that LESSOR has made no representations or warranties to LESSEE regarding any forecasts, projections, estimates in respect to future revenues or results of this Agreement except that the opportunities to make a profit and the possibilities of loss on the "Mare Lease Program" have been fully explained to the LESSEE. LESSEE acknowledges that it is a sophisticated party, that it has undertaken, and that LESSOR has given LESSEE such opportunities as it has requested to undertake, a full investigation of the Mares and Stallions that are the subject matter of this Agreement including but not limited to an inspection by a veterinarian of its choice, and that LESSEE only has a contractual relationship with LESSOR, based solely on the terms of this Agreement, and that there is no special relationship with LESSOR, based solely on the terms of this Agreement and that there is no special relationship of trust or reliance between LESSEE and LESSOR. LESSEE further acknowledges that it has had the opportunity to consult with counsel or any other advisor of its choice.

9.3 SUBLEASE ASSIGNMENT. LESSEE shall not assign this lease, or any interest herein, nor sublet any Mares, or in any manner permit the use of the Mares for any purpose other than herein set forth, without the written consent of LESSOR.

9.4 TAXES. It is not the purpose or intention of this Agreement to create, and this Agreement shall not be considered as creating, a joint venture, partnership or other relationship whereby any party shall be held liable for the omissions or commissions of any other party, but, if for federal tax purposes this Agreement or the relationship established hereby, the operations hereunder are regarded as a partnership, as that term is defined in the Internal Revenue Code of 1986, then the parties hereto hereby elect not to be treated as a partnership and to be excluded from the application of all provisions of Subchapter K, Chapter 1 subtitle A of such Code. In making this election, each and every party acknowledges that the income derived from him can be adequately determined without the necessity for any computation of partnership taxable income, and all such parties agree not to give notices or take any other action inconsistent with the

election hereby made.

9.5 INDEMNITY. LESSEE shall indemnify LESSOR against, and hold LESSOR and the Mares and Stallions free and harmless from all liens, encumbrances, charges and claims whether contractual or imposed by operation of law that may arise from any claim or legal action that may be brought against LESSEE.

9.6 REMEDIES IN EVENT OF DEFAULT. If either party hereto shall default with respect to any material condition or covenant hereof, by him to be performed, the other party may, but need not declare this Agreement to be terminated. The breaching party shall be responsible to the other for reasonable attorney's fees and court costs related to any breach.

9.7 WAIVER. No waiver or failure to insist upon strict compliance with any obligation, agreement or condition of this Agreement shall operate as a waiver of, or an estoppel with respect to, any subsequent or other failure.

9.8 SEVERABILITY. The invalidity of any portion of this Agreement shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the parties agree that the remaining provisions shall be deemed to be in full force and effect as if they had been executed by both parties subsequent to the expungement of the invalid provision.

9.9 BINDING EFFECT. The provisions of this Agreement shall be binding on the heirs, executors, administrators and assigns of LESSOR and LESSEE in like manner as on the original parties, unless modified by mutual agreement.

9.10 COUNTERPARTS, FACSIMILE. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. This Agreement may also be executed by signatures to facsimile transmittal documents in lieu of original or machine generated or copied documents.

9.11 GOVERNING LAW. This Agreement shall be governed by, and construed with the Laws of the State of Utah. Each party agrees that any action brought in connection with Agreement shall be filed and heard in a court of competent jurisdiction in Utah.

9.12 MODIFICATION. Any modification of this Agreement or additional obligation assumed by either party in connection with this Agreement shall be binding only if placed in writing and signed by each party.

9.13 ATTORNEY'S FEES. Should any litigation be commenced between the parties hereto concerning any provision of this Agreement or the rights and obligations of either in relation thereto, the party prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for attorney's fees.

9.14 SCHEDULES. The Schedules and Exhibits to this Agreement are incorporated herein by reference and expressly made a part hereof.

9.15 ENTIRE AGREEMENT. This Agreement shall constitute the entire agreement between the parties and any prior understanding or representation, both written and oral, of any kind preceding the date of this Agreement shall not be binding upon either party except to the extent incorporated in this Agreement.

IN WITNESS WHEREOF, the parties have executed this lease on the date first above written.

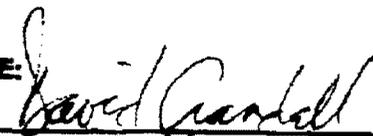
LESSOR: WING HAVEN FARMS, LLC, LLC

X 

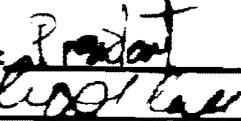
By: **Jillian C. Hatch**

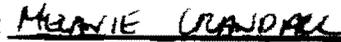
Title: **Manager**

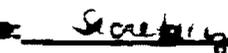
LESSEE:

X 

By: 



By: 



the \$380,000 remaining balance), and take regular depreciation on the \$150,000 balance.

Contact Us | Staff | Privacy Statement



American Horse Council

1615 H Street NW, 7th floor, Washington, DC 20006

Phone: 202-296-4031 Fax: 202-296-1970

Exhibit 7

**BOARDING AGREEMENT
BETWEEN**

Crandall Family Thoroughbred Breeding

AND

WING HAVEN FARMS, LLC

SECTION 2
COMPENSATION TO WING HAVEN

As compensation for the services to be provided under this Agreement by WING HAVEN, LESSEE shall pay to WING HAVEN the sum of Fifty Six Thousand Six Hundred dollars (\$56,600.00). The compensation shall be included as part of the total cost of the "2007 Mare Lease Program" and paid in the amounts and at the times shown in the Letter of Intent dated October 24th, 2007, and attached hereto. WING HAVEN agrees that as part Consideration for the advance payment of the boarding fee to waive all feed and care costs of the foals born of the Mares until they are weaned from their mothers or nurse mare (approximately 150 days @ \$3.00 per day per foal).

SECTION 3
TERM

3.1 The term of this agreement shall be for a period of approximately twelve (12) months, commencing December 15, 2007, and ending one (1) year thereafter.

3.2 The LESSEE may without penalty upon thirty (30) days prior written notice to WING HAVEN terminate this agreement.

3.3 Upon termination, WING HAVEN shall have no further duties or obligations to LESSEE under this Agreement.

SECTION 4
ALLOCATION OF EXPENSES

WING HAVEN acknowledges that the LESSEE, pursuant to Paragraph 2, has paid in advance for the services to be provided by WING HAVEN to allow the LESSEE to lock in the cost of the care and breeding services and to eliminate these expenses as a variable in projecting a possible profit on the Mare Lease. Further, the parties also acknowledge that the advance payment allows WING HAVEN the opportunity to purchase the feed and other services required under the Agreement which are reflected in the price of the boarding services to be provided. Therefore:

4.1 LESSEE agrees that the advance payment is not a deposit for future service and will not be returned or refunded. Board is earned by WING HAVEN as

received.

4.2 WING HAVEN, as its sole cost, shall pay all the expenses necessary to carry out its duties and obligations under this Agreement.

SECTION 5 RISK OF LOSS

The parties acknowledge that the Mares are owned by WING HAVEN and that LESSEE has only the rights in the Mares set out in the Mare Lease. Therefore, WING HAVEN shall be solely responsible for the injury or death of the Mares under its care and for insurance against accident, disease and death.

SECTION 6 COMPLIANCE WITH LAW

WING HAVEN agrees to comply with all applicable laws and regulations, federal, state or municipal, relating to the performance of its duties under this Agreement.

SECTION 7 INSPECTION

LESSEE shall have the right to inspect the Mares at anytime provided that WING HAVEN is given prior notice.

SECTION 8 COMMINGLING

WING HAVEN shall be entitled to pasture and commingle the Mares with other horses boarded by WING HAVEN.

SECTION 9 NO BUSINESS RESTRICTION

WING HAVEN shall be entitled to provide similar services to other parties provided

that such activities by WING HAVEN do not conflict with the obligation of WING HAVEN to LESSEE as provided for herein.

**SECTION 10
MISCELLANEOUS**

10.1 COUNTERPARTS, FACSIMILE. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. This Agreement may also be executed by signatures to facsimile transmittal documents in lieu of original or machine generated or copied documents.

10.2 BINDING EFFECT. This agreement shall extend to and be binding upon the parties hereto, their successors and assigns. This Agreement may not be altered except by an agreement in writing signed by the parties hereto.

10.3 ASSIGNMENT. This Agreement shall not be assigned, mortgaged, pledged, encumbered or otherwise transferred by or its successors or assigns, without obtaining the approval of the both parties.

10.4 RELATIONSHIP OF PARTIES. This Agreement does not establish a partnership or joint venture between LESSEE and WING HAVEN. WING HAVEN is acting solely on the behalf of itself individually and not as agent, employee or general partner of LESSEE in connection with this Agreement.

10.5 GOVERNING LAW. The laws of the State of Utah shall govern this Agreement. Each party agrees that any action brought in connection with this Agreement shall be filed and heard in a court of competent jurisdiction in Utah.

10.6 HEADINGS. The headings in the Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

10.7 ENTIRE AGREEMENT. All understandings and agreements heretofore had between the parties hereby are merged in this Agreement, which alone fully and

