

BERG, LILLY, STOKES, ANDRIOLO, TOLLEFSEN & SCHRAUDNER

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

BEN E. BERG, JR.
MICHAEL J. LILLY
W. LEE STOKES
RICHARD J. ANDRIOLO
GIG A. TOLLEFSEN
LEANNE M. SCHRAUDNER

ADVANCED TECHNOLOGY PARK
910 TECHNOLOGY BOULEVARD, SUITE A
BOZEMAN, MONTANA 59715

TELEPHONE: (406) 587-3181
FAX: (406) 587-3240

October 18, 1990

Mr. Bud Lilly
2007 Sourdough Road
Bozeman, MT 59715

RE: Lilly v. Bonnett


Dear Dad:

Please find enclosed a copy of the Complaint which Jim Bonnett has filed against Good Eatin' Flies, Inc. in Utah. I also enclose a copy of the cover letter I received with this Complaint.

Once you have had a chance to review these documents, please give me a call so that we might make a decision on how to proceed, if at all.

Thank you.

Sincerely,



Michael J. Lilly

MJL:rag
Enclosures

RECEIVED

OCT 17 1990

THE BERG LAW FIRM

POOLE & VOROS, P.C.
ATTORNEY AT LAW

DENNIS K. POOLE, P.C.
J. FREDERIC VOROS, JR.
ALAN R. STEWART

PROSWOOD PLAZA, SUITE 306
4885 SOUTH 900 EAST
SALT LAKE CITY, UTAH 84117
TELEPHONE (801) 263-3344
TELECOPIER (801) 263-1010

October 15, 1990

Mike Lilly, Esq.
BERG LAW FIRM
910 Technology Boulevard, Suite A
Bozeman, Montana 59715

Re: James Bonnet

Dear Mr. Lilly:

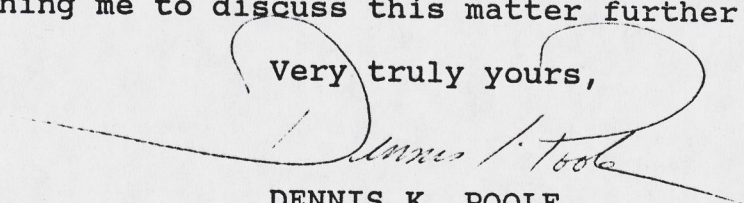
Pursuant to our telephone conversation of October 9, 1990, I am enclosing herewith a copy of the Complaint filed by Mr. Jim Bonnet against my client, Good Eatin' Flies of Utah, d/b/a Madison River Tackle. As you can see from the Complaint, Mr. Bonnet is alleging entitlement to certain compensation and other damages.

My client denies any liability and will resist Mr. Bonnet's attempts to obtain compensation.

As I proposed to you by telephone, it would be in the best interest of my client to resolve these issues at an early date. Therefore, if you would be willing to docket your father's judgment in the State of Utah, Good Eatin' Flies would be willing to purchase the same at a public sale after the claim were garnished.

I would appreciate your considering this with your father and then telephoning me to discuss this matter further.

Very truly yours,



DENNIS K. POOLE

DKP/sch

cc: Good Eatin' Flies of Utah

RECEIVED

OCT 17 1990

THE BERG LAW FIRM

Leslie Van Frank (Bar No. 4913)
COHNE, RAPPAPORT & SEGAL, P.C.
525 East First South, Fifth Floor
P.O. Box 11008
Salt Lake City, Utah 84147-0008
Telephone: (801) 532-2666
Attorneys for plaintiff

IN THE THIRD JUDICIAL DISTRICT COURT, IN AND FOR
SALT LAKE COUNTY, STATE OF UTAH

JAMES T. BONNETT,)
)
 Plaintiff,)
)
 vs.)
)
 GOOD EATIN' FLIES, INC., dba)
 MADISON RIVER TACKLE COMPANY,)
)
 Defendant.)

C O M P L A I N T

Civil No. 90-0905396-CV
Judge John A. Rokich

Plaintiff, for cause of action against defendant,
alleges as follows:

1. Plaintiff is an individual residing in Billings, Montana.
2. On information and belief, defendant is a Utah corporation with a registered dba of Madison River Tackle Company, and its principal place of business is in Salt Lake City, Utah. Defendant is engaged in the business of importing fishing flies to the United States and selling them throughout the United States to wholesalers and to retail outlets.
3. The amount in controversy exceeds the sum of \$10,000.00.
4. In or about July, 1989, plaintiff and defendant

entered into an employment agreement, the terms of which are set out in part by letter, the remaining terms having subsequently been orally agreed upon by the parties. Attached hereto as Exhibits "A", "B", "C" and "D" are the correspondence that sets out certain terms of the parties' contract.

5. As an employee of defendant, plaintiff provided certain services and performed certain duties for defendant. Those duties included advising defendant in the areas of purchasing, inventory control, quality control and advertising. Plaintiff's duties also included the hiring and directing of a national sales force, new product research, customer relations, and supervising the actual selling of the company products.

6. The salary agreed upon by the parties was \$2,500.00 per month, plus 10% of all sales over \$300,000.00, commencing July 1, 1989. Defendant agreed to reimburse on a monthly basis all expenses incurred by plaintiff on behalf of defendant, and to deliver to the plaintiff on July 1, 1990, a 4% stock ownership in the defendant corporation.

7. Plaintiff satisfactorily performed his duties. Plaintiff's salary from July 1, 1989 through June 30, 1990 totaled \$30,000.00. Plaintiff's reimbursable expenses during that time were \$7,736.70.

8. Defendant has paid a total of \$23,051.86 to plaintiff, leaving a total due and owing for salary and reimbursable expenses of \$14,684.84, plus the 4% stock ownership.

9. Defendant has failed and refused and continues to

fail and refuse to deliver or pay to plaintiff the amounts set forth in the above paragraph.

10. Defendant has failed to make its employer FICA contribution required by the Internal Revenue Code.

FIRST CAUSE OF ACTION

11. Plaintiff incorporates by reference herein paragraphs 1 through 10.

12. Defendant has breached the contract between the parties in that it has failed and refused, and continues to fail and refuse to pay to plaintiff the outstanding amounts due and owing for salary and reimbursable expenses, to deliver the promised 4% stock ownership in the defendant corporation, and to pay its FICA contribution.

13. By reason of the defendant's breach of contract, plaintiff has been damaged in the principal amount of \$14,684.84, plus the value of the 4% stock ownership in an amount to be proven at trial, plus any increased taxes plaintiff may have to pay as a result of defendant's failure to make the required FICA contribution.

SECOND CAUSE OF ACTION

14. Plaintiff incorporates by reference herein paragraphs 1 through 13.

15. Defendant has wrongfully converted the product of plaintiff's services to its own use.

16. Plaintiff has been damaged by the wrongful conversion of its services in the amount of \$14,684.84, plus the

value of the 4% stock ownership in an amount to be proven at trial, plus any increased taxes plaintiff may have to pay as a result of defendant's failure to make the required FICA contribution.

THIRD CAUSE OF ACTION

17. Plaintiff incorporates by reference herein paragraphs 1 through 16.

18. Defendant's wrongful retention and use of plaintiff's services without payment has unjustly enriched defendant to the detriment of plaintiff.

19. Plaintiff has been damaged by defendant's wrongful retention and unjust enrichment in the amount of \$14,684.84, plus the value of the 4% stock ownership in an amount to be proven at trial, plus any increased taxes plaintiff may have to pay as a result of defendant's failure to make the required FICA contribution.

FIFTH CAUSE OF ACTION

20. Plaintiff incorporates by reference herein paragraphs 1 through 19.

21. The refusal of defendant to deliver the 4% stock ownership is wrongful and without just cause.

22. Defendant's failure to deliver the 4% stock ownership constitutes conversion of the stock.

23. Plaintiff has been damaged in the amount of the value of the stock, to be proven at trial.

SIXTH CAUSE OF ACTION

24. Plaintiff incorporates by reference herein paragraphs 1 through 23.

25. The refusal of defendant to recognize and to execute and to deliver to plaintiff proper certificate(s) representing plaintiff's 4% ownership in defendant corporation is wrongful and without just cause.

26. Plaintiff is entitled to an order compelling defendant to execute and deliver to plaintiff the proper certificate(s) representing plaintiff's 4% ownership in defendant corporation.

SEVENTH CAUSE OF ACTION

27. Plaintiff incorporates by reference herein paragraphs 1 through 26.

28. As a shareholder of the corporation, plaintiff has the right to examine the books and records of account, minutes, and records of shareholders of the corporation, pursuant to U.C.A. §16-10-47, for a proper purpose.

29. On or about August 17, 1990, plaintiff made demand upon defendant pursuant to the above statute for the proper purpose of determining whether the officers and/or directors have permitted improper expenditures, and to determine the availability of funds for paying dividends, both of which are a proper purpose under this statute.

30. On or about September 4, 1990, defendant refused plaintiff's demand for inspection.

31. Plaintiff is entitled to an order of the court

compelling defendant to provide plaintiff the opportunity to examine the books and records of account, minutes and records of shareholders, pursuant to U.C.A. §16-10-47.

32. As a result of defendant's refusal to allow plaintiff the inspection, defendant is liable to plaintiff in a penalty amount of 10% of the value of the shares owned by plaintiff, in an amount not to exceed \$5,000.00.

EIGHTH CAUSE OF ACTION

33. Plaintiff incorporates by reference herein paragraphs 1 through 32.

34. The amounts as set forth hereinabove constitute wages earned and due according to the terms of plaintiff's employment agreement with defendant.

35. The amount of \$14,684.84 plus the value of the 4% stock ownership is justly due.

36. Plaintiff has made demand in writing for the amount due.

37. Plaintiff is entitled to his reasonable attorney's fees to be taxed as costs of suit in accordance with U.C.A. §34-27-1.

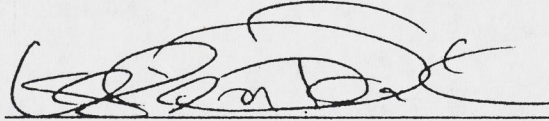
WHEREFORE, plaintiff prays as follows:

1. For the relief as set forth in each individual Cause of Action.
2. For costs and attorney's fees.
3. For interest as allowed by law.
4. For such other and further relief as the

court deems just in the premises.

DATED this 18th day of September, 1990.

COHNE, RAPPAPORT & SEGAL, P.C.

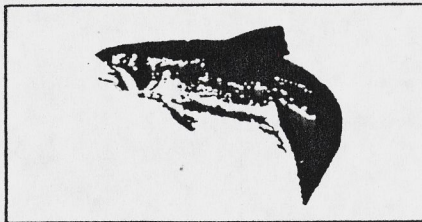


Leslie Van Frank
Attorney for plaintiff

Plaintiff's Address:

2019 St. Andrews
Billings, Montana 59105

Madison River Tackle Company



June 8, 1989

A Division of Good Eatin' Flies Inc.

Dear Jim:

It was good to talk in West Yellowstone and get to know you and Debbie some. I feel that I know you well enough and feel good about arranging a business relationship with you. I am willing to propose the following: Understand that your comments are most welcome.

1. Four percent (4%) ownership and stock in Good Eatin' Flies, Inc. which is the holding company of Madison River Tackle and la Trucha Dorada, in Costa Rica.
2. A seat on the Board of Directors of each company and position of Vice President.
3. Salary to be determined as the company grows and cash flow increases to the point that it can be handled.
4. Commissions on fly sales until salary is in place. (10%)

Your position would be as an Advisor. Both in the United States and Costa Rica.

I would like to escrow the stock with a third party for a period of one year. After that time, the stock would go to you.

Our feeling is that you would be a tremendous asset to the organization and by working together, all of us can build a great company.

If this is agreeable, I will have my attorney draw up the proper documents for all to sign.

I have told Randy and John that you are very quietly assisting us with a few recommendations. And if this gets out in the industry that all future negotiations will be killed. I have informed them that everything hinges on their being silent in all regards, and that if all goes well, that we will talk in August about a potential business situation.

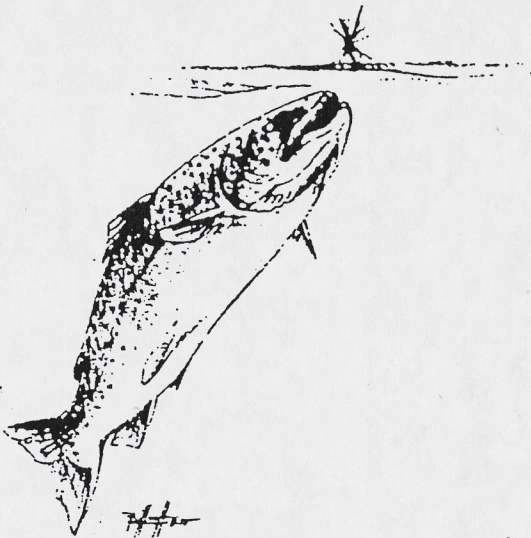
One last thing - are there any existing non-competes or agreements with Umpqua that you might have that could potentially mess this arrangement up?

We're looking forward to a long lasting relationship with both you and Debbie.

Best regards,

1425 SOUTH 700 EAST SALT LAKE CITY, UTAH 84105 • (801) 486-6428 • (801) 486-6428 (FAX)

EXHIBIT "A"



JAMES I. BONNETT
2019 ST. ANDREWS DRIVE
BILLINGS, MONTANA 59105
(406) 245-7565

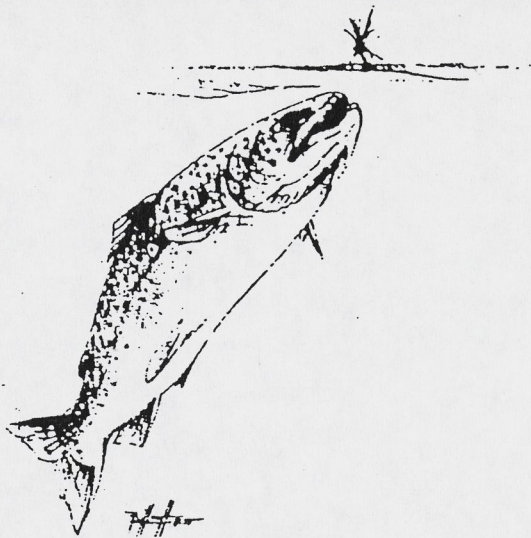
June 12, 1989

Dear Chuck and Gwen,

I've given your offer much consideration and I think we can work out something that is beneficial to all of us. I would like to address each of the points of your offer separately.

1. Four percent (4%) ownership and stock in Good Eatin' Flies, Inc. is perfectly acceptable. I would assume that the venture into Hebert Hackle would also become a division of Good Eatin' Flies?
2. A seat on the Board of Directors of each company and the position of Vice President is also acceptable and I thank you very much.
3. Salary to be determined as the company grows and cash flow increases is too ambiguous and needs to be more clearly defined. I will present a proposal later in this letter.
4. Commissions on fly sales until salary is in place will also be discussed later in this letter.
5. The position of advisor both in the United States and in Costa Rica is accepted but I would like it expanded to advisor/National Sales Manager. My main duties under the advisor capacity would be in the areas of purchasing, inventory control, quality control, and advertising. The main duties of National Sales Manager would be the hiring and directing of a national sales force, new product research, and customer relations.
6. The placing of the stock into escrow with a third party is acceptable but I need to know if there are any contingencies on it being released in one year to me.
7. I have obtained a complete and total release from Umpqua Feather Merchants and will give you a copy for your attorney to review. Upon his approval I would like a guarantee from you for your assistance in obtaining any monies due me from Umpqua Feather Merchants should any

EXHIBIT "B"



JAMES I. BONNETT
2019 ST. ANDREWS DRIVE
BILLINGS, MONTANA 59105
(406) 2457565

Page 2


problems arise.

Chuck and Gwen, we are under the gun as far as time is concerned to get our 1990 program ready for the Boston show. I am ready and willing, pending your lawyer's approval of my release, to get going full time as of July 1, 1989. To do this I am going to require a salary. I realize that we are in a cash crunch right now and I am willing to start at a much lower figure than I would normally ask of you. I think a base salary of \$30,000 per year guarantee against 10% of total sales of the company would be a fair first year compensation for the duties discussed. If the sales rise above \$300,000 this year, then the 10% would take over. Since the salary will be quite low this first year, I would need either a monthly expense allowance or reimbursement of actual expenses.

What I offer to you is both experience and a quality customer list along with an existing territory. It is hard to put a value on that and the only experience I have in it is when I sold River Run Flies to Dan Bailey in 1982. I sold the name and the customer list for \$10,000. At that time River Run Flies was selling about 10,000 dozen flies. My customer list now represents about 30,000-40,000 dozen flies. I also have 8 more years of experience than I had then. I guess we could call it a "signing bonus" but I think some compensation is in order. I believe a figure of \$20,000 is a very fair one. To make it easier this could be paid as follows: the sum of \$10,000 due January 1, 1990 and the sum of \$10,000 due July 1, 1990.

I am very excited to get going and I believe that we can make this a thriving business in the very near future. You can expect 110% from me in both work and play. This is a fun business and I'm sure you'll love it just as much as I do. Let's keep it fun and make lot's of money along the way. I'm ready when you are so let's get started to a long and mutually profitable relationship.

Sincerely,


Jim

Madison River Tackle Company



A Division of Good Eatin' Flies Inc.

July 12, 1989

Mr. Jim Bonnett
2019 St. Andrews Drive
Billings, Montana 59105

Dear Jim:

The Company attorney is behind with all that he is involved with and it might be a few more weeks with his backlog and all that I must do with the Corporate Legal Documents.

The following should address your letter of June 12, 1989.

1. The four percent (4%) is at this time in all companies. Good Eatin' Flies, Inc. is the holding company for Madison River Tackle Company and la Trucha Dorada, S.A.. Hebert Genetic Necks may not be included in this temporarily as the Investor wants the controlling interest in a separate escrow until their investment is paid back. In addition to this fact, I do not want Good Eatin' Flies, Inc. to be accessible to the Hebert investor. I will just have to see how Dennis Poole advises us as we finalize putting the contract together. Legal Counsel on both sides are very involved and will advise. I am, at this point, being required to indemnify personally the entire operation. This is how I had to get it done in the end. I just don't know how the Hebert thing is going to come out exactly.
2. You have a seat on the Board of Directors.
3. Salary Base set at \$30,000. is accepted unless sales rise over \$300,000, then the commission would take over. However, we are not in a position to pay \$2,500. a month at this time, and would ask that payments of \$2,500. a month be deferred until we can move inventory and get some cash coming back into the Company to accommodate this. I would anticipate September or October as when we might be able to start salary.
4. Commissions have been addressed above.
5. The position of Vice President Advisor both in the United States and in Costa Rica and Advisor/National Sales Manager is accepted and the following duties will be the main thrust.

Page -2-
Mr. Jim Bonnett
July 12, 1989

Advisor in the areas of purchasing, inventory control, quality control, and advertising. The main duties of National Sales Manager would be the hiring and directing of a National Sales force, New Product Research, Customer Relations, and supervising the actual selling of the Company products. This would include using your existing client base and opening up new territory, such as the East, Midwest and any other market the Company sees fit to pursue.

6. The four percent (4%) stock will be placed into escrow with a third party for a period of one year. The release of the stock is subject to performance of the above duties and the marketing of at least 40,000 dozen flies through existing accounts and the Rep Network. It is expected that all of us will help in this effort to produce and sell in 1989-90 at least 80,000 dozen flies.

7. The Company will assist any way it is able if Umpqua gives you a hard time in releasing the monies due you. We cannot, however guarantee that Umpqua will pay. It is expected though, that the Company will assist in this effort, should the help be needed.

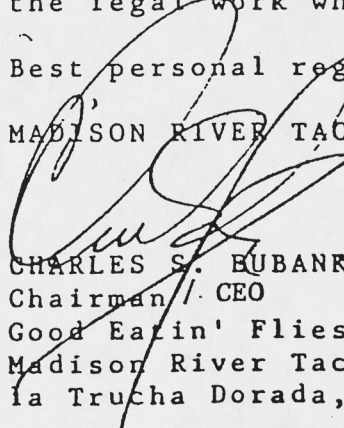
8. As far as the Customer List is concerned, we will agree to pay \$20,000 for it, to be paid as follows: \$10,000 January 1, 1990 and \$10,000 July 1, 1990, only if the Company is in the financial shape to disburse these figures. It is agreed that the Customer List will be purchased. However, upon payment from Good Eatin' Flies, Inc., the List will become the property of Good Eatin' Flies, Inc. It is hard to determine the worth of a Customer List. I don't know if \$20,000 is fair or not. I trust you and have complete confidence in you and your judgement.

We are excited to have you aboard and I know through the efforts of all of us we will build a strong, powerful company. With your 110%, Gwen's 110%, my 100% and John and Randy's 100% we should blow the doors off our competition and move quickly. We welcome your feelings and comments.

I would like this document to serve as an Agreement in Principle until Dennis Poole, Good Eatin' Flies, Inc. attorney can complete the legal work which I continue to push for.

Best personal regards,

MADISON RIVER TACKLE COMPANY


CHARLES S. EUBANK, JR.
Chairman / CEO
Good Eatin' Flies, Inc.
Madison River Tackle Tackle
La Trucha Dorada, S.A.

CSE, JR. /vst

July 17, 1989

Mr. Chuck Eubank, Jr.
Madison River Tackle Company
1425 South 700 East
Salt Lake City, Utah 84105

Dear Chuck,

In reference to your letter of July 12, 1989. Please send an addendum covering the following points:

1. Under your point #3 - it states "Then the commission would take over" - please clarify this to read "then a commision of 10% of total sales would take over. Also, please add my salary stated as of July 1, 1989, it is retroactive to that date.
2. Please add that all expenses incurred by me will be reimbursed on a monthly basis.
3. Your point #6 bothers me in that you have put a minimum quantity of sales in order for me to receive my stock but variables such as non-delivery, or returns because of poor quality, or the time to undo some of the damage done by Randy and John are not being considered, most of all I have no control over these variables. What I can promise is my complete and total effort to gain as big of market share as is possible for 1990. Let me know your thoughts on this.
4. On point #8 I assume that on Jan. 1, 1990, if you are not able to make the full payment of \$10,000 that at least a substantial payment would be made and that the entire sum of \$20,000 would be cleared up as soon as possible but in full during 1990.

That pretty well covers it for now. Please return the addendum A.S.A.P.

Sincerely,

Jim

EXHIBIT D