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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 FOR THE COUNTY OF LOS ANGELES
12

13 THE PEOPLE OF THE STATE OF)
CALIFORNIA, by and through the California)
14 Corporations Commissioner,)

15 Plaintiff,)

16 v.)

17 GALAXY PICTURES, INC. a Nevada)
18 corporation; GALAXY ONLINE, INC. a)
19 Nevada corporation; DOUGLAS E. CONWAY,)
20 an individual; LARRY ENO MILNES, an)
21 individual; NICHOLAS RICHARD FLEMING,)
inclusive,)

22 Defendants.)
23)
24)
25)

CASE NO. BC270438

STIPULATION TO ENTRY OF FINAL
JUDGMENT OF PERMANENT INJUNCTION
AND OTHER ANCILLARY RELIEF
BETWEEN PLAINTIFF AND DEFENDANTS

1 It is hereby stipulated between Plaintiff, The People of the State of California, by and through
2 Demetrios A. Boutris, California Corporations Commissioner ("Plaintiff" or "Commissioner") and
3 Defendants GALAXY PICTURES, INC., GALAXY ONLINE, INC., DOUGLAS E. CONWAY,
4 NICHOLAS FLEMING, and LARRY ENO MILNES ("Defendants"), as follows:

5 A. Defendants admit jurisdiction of this Court over them and over the subject matter of
6 this action. Defendants enter a general appearance in this action. Defendants acknowledge that entry
7 of said general appearance is equivalent to personal service of the summons on them pursuant to
8 Section 410.50 of the California Code of Civil Procedure.

9 B. Defendants admit service of the Summons and the Complaint filed in this matter.

10 C. Defendants have read the Complaint, this Stipulation and the proposed Final Judgment
11 of Permanent Injunction and Other Ancillary Relief Pursuant to Stipulation as to Defendants
12 (referenced hereinafter as "Final Judgment") in the form attached hereto as Exhibit 1.

13 D. Defendants, without admitting or denying the allegations in the Complaint and without
14 notice of further proceedings, voluntarily consent to the entry by the Court of the Final Judgment.

15 E. Defendants hereby waive entry of Findings of Fact and Conclusions of Law under
16 California Code of Civil Procedure Section 632 and all rights to appeal the entry of the Final
17 Judgment.

18 F. Plaintiff and Defendants stipulate and agree that if any paragraph, clause, or provision
19 of this Stipulation or of the Final Judgment entered thereto, or the application thereof, is held invalid
20 or unenforceable, such decision shall affect only the paragraph, clause or provision so construed or
21 interpreted, and the invalidity shall not affect the provisions or the application of this Stipulation, or
22 of the Final Judgment entered thereto, which can be given effect without the invalid provisions or
23 application, and to this end, the provisions of the Stipulation, and of the Final Judgment entered
24 thereto, are declared by Plaintiff and by Defendant to be severable.

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1 G. Plaintiff and Defendants stipulate and agree that this Stipulation may be executed in
2 one or more separate counterparts, each of which when so executed, shall be deemed an original.
3 Such counterparts shall together constitute and be one and the same instrument.

4 H. Defendants stipulate and agree that they enter into this Stipulation voluntarily and
5 without coercion, and acknowledge that no promises, threats or assurances have been made by
6 Plaintiff or any officer, or agent thereof to induce them to enter into this Stipulation.

7 SPECIFIC RELIEF IN THE FINAL JUDGMENT STIPULATED TO BY THE PARTIES

8 1. Defendants stipulate to the entry of a Final Judgment providing that Defendants, and
9 their agents, employees, attorneys in fact in their capacities as such, and all persons acting in concert
10 or participating with them, shall be and are hereby permanently enjoined from engaging in,
11 committing, aiding and abetting, or performing directly or indirectly, by any means whatsoever, any
12 of the following acts:

13 a. Violating California Corporations Code Section 25110 by offering to sell, selling,
14 arranging for the sale of, issuing, engaging in the business of selling, negotiating for the sale of, or
15 otherwise in any way dealing or participating in the offer or sale, in this state, of any security of any
16 kind, including but not limited to the securities described in the Complaint filed in this action, unless
17 and until Defendants shall have first applied for, and secured from the Commissioner, a qualification
18 pursuant to California Corporations Code Section 25111, 25112, or 25113 authorizing the offer and
19 sale of such securities;

20 b. Violating California Corporations Code Section 25401 by offering to sell, selling,
21 offering to buy or buying any security in this state by means of any written or oral communication of
22 any kind whatsoever which includes any untrue statement of any material fact or omits or fails to
23 state any material fact necessary in order to make the statements made, in light of the circumstances
24 under which they were made, not misleading, including but not limited to the allegations of
25 misrepresentations and omissions described in the Complaint filed in this action; and

26 c. Removing, destroying, mutilating, concealing, altering, transferring or otherwise
27 disposing of, in any manner, any books, records, computer files, correspondence, brochures, manuals
28 or any other writings or documents of any kind as defined under California Evidence Code Section

1 250 relating to the transactions and course of conduct as alleged in the Complaint filed in this action,
2 that are in the possession, custody or control of Defendants for a period of four years from the date of
3 the entry of the Final Judgment.

4 2. Defendants stipulate to the entry of a Final Judgment providing that Defendants are
5 joint and/or severally liable to Plaintiff for a judgment of restitution, in the amount of \$8.3 million,
6 together with interest thereon at the legal rate per annum until said amounts are paid in full.

7 3. Defendants stipulate to the entry of a Final Judgment providing that Defendants are
8 joint and/or severally liable to Plaintiff for a judgment of civil penalties, in the amount of \$12.5
9 million, together with interest thereon at the legal rate per annum until said amounts are paid in full.

10 4. The Commissioner agrees not to take any administrative or civil action against the
11 Defendants based on information known to the Commissioner or his agents or employees at the time
12 of the filing of the Complaint or based on any act or omission alleged in the Complaint. Defendants
13 acknowledge that the entry of the Final Judgment pursuant to this Stipulation shall not preclude any
14 other federal, state or county agency from initiating any other prosecution based upon the allegations
15 contained in the Complaint in the above-entitled case or based on any other acts by the Defendant
16 which may violate California or federal law.

17 5. Defendants agree and acknowledge that nothing in this Stipulation or in the Final
18 Judgment in this matter, shall preclude the Commissioner, or his agents or employees, to the extent
19 authorized by law, from referring any evidence or information regarding this matter to any district
20 attorney or any other state or federal law enforcement official, or from assisting, cooperating, or co-
21 prosecuting with regards to any investigation and/or action brought by any other federal, state or
22 county agency. Defendants further agree and acknowledge that nothing in this Stipulation or in the
23 Final Judgment in this matter shall bind or otherwise prevent any other federal, state or county
24 agency from the performance of its duties.

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1 6. The parties stipulate and agree that this Court shall retain jurisdiction of this action in
2 order to implement and enforce the terms of this Stipulation and the entry of the Final Judgment
3 pursuant thereto, and to entertain any suitable application or motion for additional relief or
4 modification of any order made herein within the jurisdiction of the Court.

5 Dated: October 30, 2002

Plaintiff THE PEOPLE OF THE STATE OF
CALIFORNIA, by and through DEMETRIOS
6 BOUTRIS, CALIFORNIA CORPORATIONS
7 COMMISSIONER

8 By _____
ALAN S. WEINGER
Supervising Counsel

9 Dated: October 10, 2002

Defendant LARRY ENO MILNES

10 By _____
11 LARRY ENO MILNES, an individual

12 Approved as to form and content on
13 __October 10, 2002:

14 By _____
15 DAVID KAGEL, ESQ.
16 Attorney for Defendant Larry Eno Milnes