

LAWRENCE G. WASDEN
Attorney General

ALAN CONILOGUE
Deputy Attorney General
State of Idaho
P. O. Box 83720
Boise, ID 83720-0031
Telephone: 208.332.8093
Fax: 208.332.8016
ISBN 3196
alan.conilogue@finance.idaho.gov

BONNEVILLE COUNTY
2009 DEC 28 AM 10:24

**IN THE DISTRICT COURT OF THE SEVENTH JUDICIAL DISTRICT
OF THE STATE OF IDAHO, IN AND FOR BONNEVILLE COUNTY**

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Plaintiff,

vs.

GENE E. HINSLEY, and GALAXY
COIN, LLC,

Defendants.

Case No. CV 09-2026

**STIPULATION AND CONSENT TO ENTRY
OF JUDGMENT**

Plaintiff, State of Idaho, Department of Finance, (hereinafter referred to as "Plaintiff") and Defendants, Gene E. Hinsley and Galaxy Coin, LLC, (hereinafter referred to as "Defendants") have agreed to entry of judgment against Defendants, pursuant to the following Stipulation. Plaintiff and Defendants request that this Court enter judgment against Defendants in the form and substance set forth in the Judgment and Permanent Injunction filed concurrently herewith. In the event judgment is not entered pursuant to this Stipulation, this Stipulation shall be null and void *ab initio* and without prejudice to any party in this or any other proceeding.

PLAINTIFF'S ALLEGATIONS

Plaintiff alleges in its Complaint that between 2004 and 2008, Defendants unlawfully issued securities in the form of investment contracts for the purpose of speculating in the silver market. Plaintiff alleges Defendants issued investment contracts to over one hundred (100) investors in an aggregate amount of over four million dollars (\$4,000,000).

Plaintiff further alleges in its Complaint that: Defendants misrepresented the investment and omitted material information from the investor solicitations; Defendants failed to register these securities; Defendants failed to register as securities broker-dealers or agents, as required by law; Defendants paid their early investors with funds from later investors, and spent investor money on personal and business expenses; and, Defendants do not have the silver investors thought they were buying resulting in Investor losses totaling between one and a half and two million dollars (\$1,500,000.00 - \$2,000,000.00).

Defendants unequivocally deny all of Plaintiff's allegations and claims except Defendants admit Plaintiffs claim that they failed to register securities as set forth in Paragraphs 1.a. through 1.c. below. As to that claim, Defendants admit that they unknowingly and unintentionally sold unregistered securities. Defendants' agreement to this Stipulation to the Judgment and Permanent Injunction is based solely on Plaintiff's registration claim and not on any other claim asserted by Plaintiff in its Complaint.

STIPULATION

Plaintiff and Defendants hereby stipulate and agree to the following facts, findings, conclusions of law, terms and conditions set forth in herein.

1. Pursuant to Idaho Code § 30-14-603, Defendants agree to the following:
 - a. That Defendants issued, sold or offered for sale in Idaho securities in the form of investment contracts in connection with the purchase and sale of precious metals. Such

securities were not registered with Plaintiff as required by Idaho Code § 30-14-301. Defendants' failure to register such securities with Plaintiff violated Idaho Code § 30-14-301.

b. That Defendant Hinsley transacted business in Idaho as an agent of an issuer. Hinsley was not registered as an agent with Plaintiff as required by Idaho Code § 30-14-402(a). Hinsley's failure to register as an agent with Plaintiff violated Idaho Code § 30-14-402(a).

c. Defendants were not aware of the requirement to register securities or of the requirement to register as an agent, as set forth in paragraphs 1.a. and 1.b. above, and therefore Defendants' failure to register the securities, and Defendant Hinsley's failure to register as an agent, were unknowing and unintentional.

d. Defendants consent to this Court's entry of an injunction, in the form set forth in the proposed Judgment and Permanent Injunction filed herewith, permanently barring them from any future violations of Idaho's Uniform Securities Act (2004) and from selling or offering for sale securities in any form in the state of Idaho. Defendants may buy or sell coins and/or precious metals from or to others, but will not accept money for any future delivery of metals or accept metals to be sold for others.

e. Defendants consent to this Court's entry of a money judgment against them in the amount of nine hundred and three thousand dollars (\$903,000.00), representing restitution to Idaho investors.

f. Commencing on January 1, 2010 and continuing on the first day of the month thereafter for a total of six (6) months, Defendant Hinsley shall pay to the Department the sum of three-hundred (\$300) dollars per month, said payments totaling the sum of one-thousand eight-hundred (\$1,800) dollars.

g. Commencing on July 1, 2010 and continuing on the first day of the month thereafter until the judgment is satisfied, Defendant Hinsley shall pay to the Department the sum of at least one-thousand (\$1,000) dollars per month.

h. In exchange for the payments set forth in paragraphs 1. f. and g. above the Department agrees that it will not seek to collect the Judgment through any other means. If, however, Hinsley fails to make any payment on time, Hinsley shall be immediately liable for the full amount of the Judgment (\$903,000). Time is of the essence for such payments, and the parties specifically agree that failure to make a payment on time is a material breach of this Stipulation and the agreements embodied herein. If Hinsley fails to make a payment on time, the Department may immediately commence enforcement of the Judgment. Hinsley is not entitled to notice of breach by the Department. The Department will not waive or extend the payment dates for any reason, unless it chooses to do so in its sole discretion, in which case it will do so only in a writing signed by all parties.

i. Defendant Hinsley will, within 60 days of the entry of the Judgment and Permanent Injunction pursuant to this Stipulation, provide Plaintiff with a complete and accurate affidavit of net worth setting forth his assets, liabilities, income and any reasonably anticipated sources of income. If Defendant materially fails to identify all of his assets, income, and reasonably anticipated sources of income (such as an inheritance), or if Defendant materially overstates his expenses or liabilities, Plaintiff shall be entitled to immediately commence collection under the Judgment and Permanent Injunction.

j. Defendants agree and consent that Plaintiff may obtain credit reports as necessary to assist in collecting amounts owed under this stipulation and associated judgment.

k. Defendants waive any applicable statutes of limitation.

2. Plaintiff agrees to the following:

a. That Plaintiff waives any civil penalties it may be entitled to.

b. That upon entry of judgment pursuant to this stipulation Counts One through Four of its Verified Complaint are fully compromised and settled.

c. That the amount of its judgment entered pursuant to this stipulation shall be reduced to the extent Defendants are required to pay any amounts for restitution to satisfy any judgment obtained by another party. Defendants shall provide the Department with notice of any such payments within 30 days of the date made including the person paid, a copy of the Judgment requiring payment and the amount paid.

d. That in exchange for the payments set forth in paragraphs 1. f. and g. above the Department agrees that it will not seek to collect the Judgment through any other means. If, however, Hinsley fails to make any payment on time, or materially fails to fully disclose in his affidavit of net worth under paragraph 1. i. above, Hinsley shall be immediately liable for the full amount of the Judgment and Plaintiff shall be entitled to immediately commence collection efforts.

e. That as an incentive to pay more than \$1,000 per month, Plaintiff will credit against the total judgment double any amounts that Hinsley pays in excess of \$1,000 in any month. Thus, if Hinsley makes a monthly payment of \$5,000, the total judgment amount will be reduced by \$1,000 and then by \$8,000 (\$4,000 doubled) for a total credit of \$9,000 against the outstanding balance on the judgment.

f. The Department shall not be required to provide Defendants notice of, nor shall Defendants object to, any request for a renewal of this Judgment under Idaho Code §10-1111.

g. Plaintiff agrees to forgo any claim for costs, attorney fees, and reimbursement for investigative efforts in this action pursuant to Idaho Code § 30-14-603(b)(2)(C). Plaintiff may seek costs and fees as provided by rule or statute in the event enforcement of the Judgment and Permanent Injunction by Plaintiff becomes necessary and is permitted under the terms of this Stipulation.

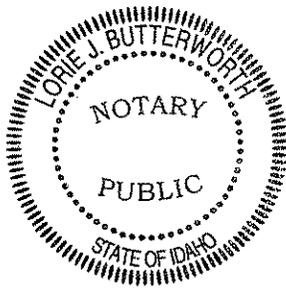
3. Each party will bear its own attorney fees and costs.

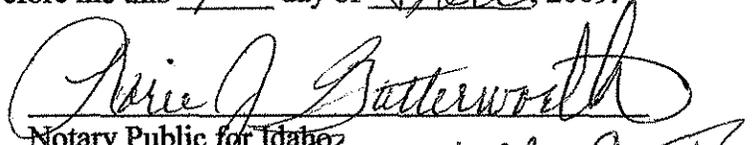
DATED this Dec 7, 2009 day of December, 2009.



GENE E. HINSLEY

SUBSCRIBED AND SWORN to before me this 7th day of Dec, 2009.



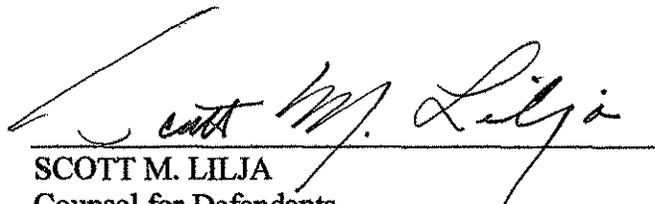


Notary Public for Idaho
Residing at: Donnellville County
My Comm. Exp.: _____

MY COMMISSION EXPIRES
April 26, 2013
BONDED THRU NOTARY PUBLIC UNDERWRITERS

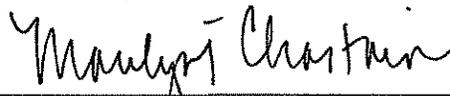
APPROVED AS TO FORM AND CONTENT.

DATED this 16TH day of DECEMBER, 2009.



SCOTT M. LILJA
Counsel for Defendants

DATED this 22nd day of December, 2009.



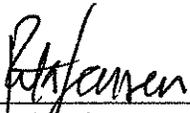
MARILYN T. CHASTAIN
Securities Bureau Chief
Idaho Department of Finance

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 23 day of December, 2009, I caused a true and accurate copy of the foregoing STIPULATION AND CONSENT TO ENTRY OF JUDGMENT to be served on the following by the designated means:

Scott M Lilja
Loren E. Weiss
VANCOTT, BAGLEY, CORWALL & MCCARTHY
36 S. State Street, Suite 1900
Salt Lake City, UT 84111-1478

- U.S. mail, postage prepaid
- certified mail
- overnight mail
- via facsimile: 801.237.0815



Paralegal