

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
)  
GRAVITY ENTERTAINMENT, INC ) ADMINISTRATIVE ORDER  
ENTERTAINMENT HOLDINGS, INC ) NO. CO-2005-0051  
STEVEN F. GAGNON )  
MARSHALL F. CARSON )  
)  
RESPONDENTS )

CONSENT ORDER

The Alabama Securities Commission ("Commission") having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, that Alabama Securities Act, upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENTS

1. GRAVITY ENTERTAINMENT, INC. (GRAVITY) is a Florida Corporation with a principal business address of 2500 North Federal Highway, Suite 303, Fort Lauderdale, Florida 33305.
2. ENTERTAINMENT HOLDINGS, INC. (ENTERTAINMENT HOLDINGS) is a Florida Corporation with a principal business address of 2500 North Federal Highway, Suite 303, Fort Lauderdale, Florida 33305.
3. STEVEN F. GAGNON (GAGNON) is President/CEO of GRAVITY ENTERTAINMENT, INC. and President of ENTERTAINMENT HOLDINGS, INC. and resides at 1220 Fillmore Street, Hollywood, Florida 33019.

4. MARSHALL F. CARSON (CARSON) was formerly employed as Vice-President of Music Production and Audio Development for GRAVITY ENTERTAINMENT. As pertaining to the matters herein, CARSON acted as a representative of GRAVITY ENTERTAINMENT, INC. He has a residential address of 311 Lee Drive, Apt. A, Columbia, Tennessee 38401. CARSON is no longer employed as a Vice-President or representative of GRAVITY.

#### STATEMENT OF FACTS

5. CARSON was employed by Gravity as Vice-President of Music Production and Audio Development in November 2004. On July 12, 2005, CARSON offered an Alabama resident an investment in the development of a theatrical motion picture project Gravity Entertainment intended to produce and distribute worldwide. The investment was described as a loan from Investor to Producer in the principal amount of One Hundred Seventy two Thousand Dollars. Attached to the Loan Agreement were wire instructions for wiring the investor's funds to a bank account in the name of ENTERTAINMENT HOLDINGS.

6. A review of the files of the Registration Division of the Alabama Securities Commission disclosed no record of registration for the securities, to wit: the "Development, Production, Finance and Security Agreement", in the State of Alabama.

7. A review of the files of the Registration Division of the Alabama Securities Commission disclosed no record of registration for CARSON as a broker-dealer or agent, investment advisor, or investment advisor representative in the state of Alabama.

8. A review of the files of the Registration Division of the Alabama Securities Commission disclosed no record of registration for GRAVITY or ENTERTAINMENT HOLDINGS as a broker-dealer in the state of Alabama.

9. Based upon the facts presented above, on November 29, 2005 the

Alabama Securities Commission entered an order that Respondents Cease and Desist from further offers or sales of any security into, within or from the state of Alabama.

10. RESPONDENTS contacted the Commission through counsel and have cooperated in every respect with the investigation into this matter.

11. GRAVITY ENTERTAINMENT, INC. filed a Form D with the SEC on March 13, 2006 concerning this offering. According to that filing, GRAVITY intended to sell investments in this offering only to accredited investors.

12. RESPONDENTS appeared before the Commission, represented by counsel, on April 6, 2006. RESPONDENTS confirmed that no other offering of this investment occurred in Alabama and no sale of any investment was completed in Alabama. This investment was sold only to accredited investors in accordance with the terms of the March 2006 SEC filing.

13. RESPONDENTS informed the Commission that in August 2005 when GAGNON learned of CARSON's offer to the Alabama investor, GAGNON spoke to the investor himself and became convinced that the offer was not appropriate. GAGNON instructed CARSON to withdraw the offer in the investment and to stop all discussions with the Alabama investor. The offer was withdrawn and the discussions with the Alabama investor were terminated.

14. During the appearance before the Commission, GAGNON learned that CARSON had made representations to the Alabama investor that were outside the scope of his actual authority. GAGNON removed CARSON from his position as a Vice-President of GRAVITY. CARSON is no longer associated with the company in any capacity which involves financing.

15. The Commission finds that RESPONDENT GAGNON fully cooperated with this investigation and took appropriate action when required.

## CONCLUSIONS OF LAW

16. CARSON was not registered as a broker-dealer or agent, investment advisor, or investment advisor representative in the state of Alabama. The offer or sale of securities within or into the state of Alabama without the benefit of registration is a violation of § 8-6-3(b), *Code of Alabama 1975*. CARSON's offer violated the provisions of § 8-6-3(b).

17. The security solicited by CARSON on behalf of GRAVITY and ENTERTAINMENT HOLDINGS, to wit: "Development, Production, Finance and Security Agreement" was not registered in the State of Alabama at the time of the offer to the Alabama investor. It is unlawful for any person to offer or sell any security in the state of Alabama unless the security is registered under *Code of Alabama 1975, § 8-6-4* or exempt from registration under § 8-6-10 or § 8-6-11. GRAVITY and ENTERTAINMENT HOLDINGS cured this deficiency by filing the Form D with the SEC on March 13, 2006.

**WHEREAS**, RESPONDENTS have voluntarily waived all rights to a formal hearing upon entry of this Order, and have consented to the entry of this Order, and

**WHEREAS**, This Order is appropriate in the public interest for the protection of investors and consistent with the purposes of the Alabama Securities Act; and

**WHEREAS**, This Order resolves the charges brought in the Cease and Desist Order No. CD 2005-0051; and

**WHEREAS**, the Commission and the RESPONDENTS are desirous of settling this matter as hereafter set forth and agree to the entry of this Order;

**ACCORDINGLY, IT IS HEREBY ORDERED:**

1. That RESPONDENTS GRAVITY ENTERTAINMENT, INC and ENTERTAINMENT HOLDINGS, INC shall, until such time as any securities offered or sold by them are properly registered, or an appropriate exemption from registration has been perfected, refrain from effecting transactions in such securities into, within or from the State of Alabama.

2. That RESPONDENTS GRAVITY ENTERTAINMENT, INC and ENTERTAINMENT HOLDINGS, INC shall not employ, or allow to act on their behalf in effecting transactions in securities in this state, any broker-dealer or agent who is not appropriately registered as a securities agent or dealer under the Act, or unless an appropriate exemption from such registration is available.

3. That RESPONDENT CARSON is permanently barred from performing any actions for the purpose of effecting or attempting to effect sales of securities or advising others as to the value of securities or as to the advisability of investing in, purchasing or selling securities in the state of Alabama.

4. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, RESPONDENT CARSON shall pay to the State of Alabama an administrative assessment in the total sum of FIVE THOUSAND dollars (\$5,000).

5. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, RESPONDENT CARSON shall pay to the Commission, as partial reimbursement for the Commission's cost for investigating this matter, the sum of FIVE THOUSAND dollars (\$5,000).

6. That the entry of this Order and subsequent completion of all conditions of this Order resolves Cease and Desist Order No. CD-2005-0051.

7. That the findings of the Commission in the Order vacating the charges against RESPONDENT STEVEN F.GAGNON, Order to Vacate No. OV-2005-0051, are hereby adopted by reference.

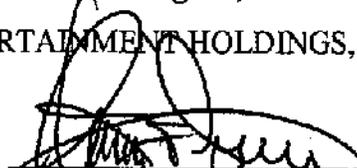
**AGREED AND CONSENTED** to on dates indicated:

**RESPONDENTS:**

GRAVITY ENTERTAINMENT, INC.

BY:   
Steven F. Gagnon, President/CEO

ENTERTAINMENT HOLDINGS, INC.

BY:   
Steven F. Gagnon, President

STEVEN F. GAGNON

Signed: 

MARSHALL F. CARSON

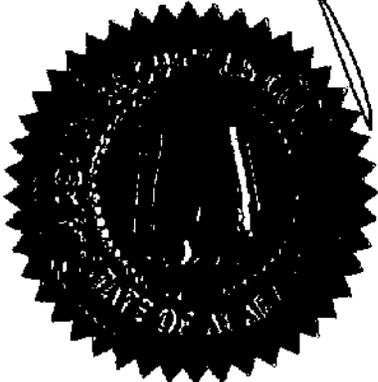
Signed: 

DATE: 7-13-06

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**APPROVED AND ORDERED** this 9th day of August, 2006.  
**ALABAMA SECURITIES COMMISSION**

  
JOSEPH P. BORG, Director



ALABAMA SECURITIES COMMISSION  
770 Washington Avenue, Suite 570  
Montgomery, AL 36130-4700  
(334) 242-2984