

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)

GRAVITY ENTERTAINMENT, INC)
ENTERTAINMENT HOLDINGS, INC)
STEVEN F. GAGNON)
MARSHALL F. CARSON)

RESPONDENTS)

ADMINISTRATIVE ORDER
NO. CD-2005-0051

CEASE AND DESIST 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, the 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. He has a residential address of 1220 Fillmore Street, Hollywood, Florida 33019.

4. MARSHALL F. CARSON (CARSON) is a representative of GRAVITY ENTERTAINMENT, INC with a residential address of 3173 Ditney Trail, Pioneer, Tennessee 37847.

STATEMENT OF FACTS

5. The Commission received information that in July 2005, GRAVITY, ENTERTAINMENT HOLDINGS, GAGNON and CARSON offered to an Alabama resident a "Development, Production, Finance and Security Agreement". The "Agreement" states the "Agreement" is between GRAVITY and the Investor "to finance a portion of the development of a theatrical motion picture project intended to be produced and distributed worldwide." The investment of funds is described as "a loan from Investor to Producer in the original principal amount of One Hundred and Seventy two Thousand Dollars." The "Agreement" further states that "the amount of the loan shall include any and all mutually agreed increases thereto as well as a flat interest of \$25,800.00. In addition, the investment shall be placed into the Gravity International Film Fund on or before October 12, 2005 whereby it will return monthly returns for a period of 1 year on a best efforts basis." Attached to the "Agreement" were "wire instructions" for wiring the 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 GAGNON or 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.

CONCLUSIONS OF LAW

9. GAGNON and CARSON were not registered as broker dealers or agents, investment advisors, or investment advisor representatives in the state of Alabama. The offer and/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.

10. GRAVITY and ENTERTAINMENT HOLDINGS were not registered as broker dealers in the state of Alabama. The offer and/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.

11. The security solicited by GRAVITY, ENTERTAINMENT HOLDINGS, GAGNON and CARSON, to wit: the "Development, Production, Finance and Security Agreement" was not registered in the state of Alabama. The sale of unregistered securities, into, within, or from the state of Alabama is a violation of section 8-6-4, Code of Alabama 1975.

This Order is appropriate in the public interest for the protection of investors and consistent with the purposes of the Alabama Securities Act.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that may be available to it under the Alabama Securities Act.

ACCORDINGLY, IT IS HEREBY ORDERED that RESPONDENTS immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, AL, this 29th day of November, 2005.



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

BY:

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

JOSEPH P. BORG
Director