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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Gary Depew, President
Matthew McQuade
Avalon Family Entertainment, Inc.,
Avalon Family Films, Inc.,
Avalon Productions II, LLC
4929 Wilshire Boulevard, Suite 270
Los Angeles, California 90010

DESIST AND REFRAIN ORDER
(For violations of sections 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. Avalon Family Entertainment, Inc. is a California Corporation incorporated on November 20, 2007 and has a registered business address of 4929 Wilshire Boulevard, Suite 270, Los Angeles, California 90010. Avalon Family Films, Inc. is a California Corporation incorporated on December 13, 2002 and has a registered business address of 4929 Wilshire Boulevard, Suite 270, Los Angeles, California 90010 and has done business at 195 S. Beverly Drive, Suite 409, Beverly Hills, CA 90212. Gary Depew is the president of Avalon Family Films, Inc. and Avalon Family Entertainment, Inc. Mathew McQuade is an Associate Producer of Avalon Family Entertainment, Inc. Avalon Productions II, LLC is a California Limited Liability Company registered in August of 2007 with a business address of 4929 Wilshire Boulevard, Suite 270, Los Angeles, California 90010. Avalon Family Entertainment, Inc. has a website located at www.avalonfamilyfilms.com. According to the website and promotional materials sent to investors Avalon Family Entertainment, Inc. is in the business of making and distributing low budget G rated family films based on classic fairy tales.

1 2. Beginning no later than 2007, Avalon Family Entertainment, Inc. Avalon Family Films,
2 Inc., Avalon Productions II, LLC, Gary Depew and Matthew McQuade offered and sold to members
3 of the general public, investments in G rated films produced by Avalon Family Entertainment, Inc.
4 and Avalon Family Films, Inc. including the films “Jack and the Bean Stalk” and “Snow White”.
5 The investments were in the form of “units of limited liability interests” in limited liability companies
6 including Avalon Productions II, LLC, which was formed to fund production of the film “Snow
7 White”. The Avalon Family Entertainment, Inc. website contained information on the company, its
8 films and copies of news publications and video clips touting the greater profitability of G rated
9 films. The website provided contact information for persons interested in investing. Persons who
10 contacted them were sent investment offering materials including a private placement memorandum
11 by “associate producer” Matthew McQuade.
12

13 3. According to the information provided to potential investors by their website and in the
14 offering materials, Avalon Family Entertainment, Inc. and its president Gary Depew produced G
15 rated family films based on fairy tales such as Hansel and Gretel, Jack and the Bean Stalk and Snow
16 White. Potential investors were provided with publications and video news clips reporting the greater
17 profitability of G rated family films over R rated films. The website and offering materials stated and
18 implied in several places that Avalon Family Entertainment, Inc. and Gary Depew had “produced”
19 the film Hansel and Gretel. A trailer for the film Hansel and Gretel was sent with the offering
20 materials to investors which stated in the “credits” that Gary Depew was the “producer” of the film.
21 The Avalon Family Films, Inc. logo was printed on the DVD that contained the trailer. The offering
22 materials stated that “Gary Depew (Avalon’s producer) proved the strength of this business model
23 with his last film (Hansel and Gretel) . . . and from which the investors saw a return of 75% on top of
24 recoupment” and that “Hansel & Gretel was created by the team at Avalon Family Entertainment”.
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1 Documents provided with the offering materials also provided a spread sheet entitled “Avalon’s
2 Reporting Period” which provided a quarterly break down for the first two years and yearly totals for
3 the following three years after that, which indicated revenues of over 19 million dollars, total profits
4 of over 12 million dollars and profits to investors of over 4.8 million dollars during that five year
5 period.
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7 4. The “units of limited liability interests” offered and sold by Gary Depew, Matthew
8 McQuade, Avalon Family Films, Inc., Avalon Family Entertainment, Inc., and Avalon Productions
9 II, LLC constitute securities. The Department of Corporations has not issued a permit or other form
10 of qualification authorizing any person to offer and sell these securities in this state.
11

12 5. Gary Depew, Matthew McQuade, Avalon Family Films, Inc., Avalon Family
13 Entertainment, Inc., and Avalon Productions II, LLC offered and sold securities by means of written
14 and oral communications which included untrue statements of material fact and which omitted to
15 state material facts necessary in order to make the statements made, in the light of the circumstances
16 under which they were made, not misleading. The material misstatements include false statements in
17 offering materials and on its website stating and implying that Avalon Family Films, Inc., Avalon
18 Family Entertainment, Inc. and Gary Depew had “produced” the film Hansel and Gretel, that
19 “Avalon” had received millions of dollars in revenue and profits from the sale and distribution of
20 films over a five year period and that the investors in Hansel and Gretel had received a 75 percent
21 profit. In fact, neither Avalon Family Films, Inc., Avalon Family Entertainment, Inc. or Gary Depew
22 is credited as the “producer” of the film Hansel and Gretel nor do they own the film or its distribution
23 rights. Avalon Family Films, Inc., and Avalon Family Entertainment, Inc. has not sold or distributed
24 any films before, and has had no revenue or profits except for the money received from investors.
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26 6. The credited producers of the film Hansel and Gretel are Tag Entertainment, Inc. and its
27 president Steve Austin. Gary Depew is credited as a “line producer” on that film and he was hired to
28 provide those services as an independent contractor by Steve Austin. Investors in Hansel and Gretel
and other films made by Steve Austin and Tag Entertainment, Inc. lost their entire investment and did

1 not receive the 75 percent profit claimed in the Avalon Family Entertainment, Inc. Offering
2 Materials. Steve Austin and his company Austin Family Entertainment, Inc. were the subject of a
3 Desist and Refrain Order issued by the Department of Corporations for violations of Corporations
4 Code sections 25110 and 25401 in December 14, 2006, for selling unqualified securities by means of
5 material misrepresentation of facts. The unqualified securities sales prohibited by that order included
6 investments in the film Hansel and Gretel. Steve Austin pled guilty in March of 2008 to criminal
7 charges filed by the United States Attorney's office in Federal District Court in Los Angeles,
8 including charges of fraud for allegedly selling investments in films Steve Austin and his companies
9 did not own or produce.

10 Based upon the foregoing findings, the California Corporations Commissioner is of the
11 opinion that Gary Depew, Matthew McQuade, Avalon Family Films, Inc., Avalon Family
12 Entertainment, Inc., and Avalon Productions II, LLC engaged in the offer and sale of securities,
13 including but not limited to units of limited liability interests in Avalon Productions II, LLC. Those
14 securities have not been qualified under the California Corporate Securities Law of 1968, in violation
15 of section 25110 of the Corporations Code. Pursuant to section 25532 of the Corporate Securities
16 Law of 1968 Gary Depew, Matthew McQuade, Avalon Family Films, Inc., Avalon Family
17 Entertainment, Inc., and Avalon Productions II, LLC, are hereby ordered to desist and refrain from
18 the further offer or sale in the State of California of securities, including but not limited to units of
19 limited liability interests in Avalon Productions II, LLC., unless and until qualification has been made
20 under the law or unless exempt.

21 The California Corporations Commissioner is further of the opinion that Gary Depew,
22 Matthew McQuade, Avalon Family Films, Inc., Avalon Family Entertainment, Inc., and Avalon
23 Productions II, LLC offered and sold securities, including but not limited to units of limited liability
24 interests in Avalon Productions II, LLC, by means of written and oral communications including
25 untrue statements of material fact and omissions of material fact in violation of section 25401 of the
26 Corporations Code. Pursuant to section 25532 of the Corporate Securities Law of 1968, Gary
27 Depew, Matthew McQuade, Avalon Family Films, Inc., Avalon Family Entertainment, Inc., and
28 Avalon Productions II, LLC are hereby ordered to desist and refrain from offering, or selling or

1 buying or offering to buy any security in the State of California, including but not limited to units of
2 limited liability interests in limited liability companies, by means of any written or oral
3 communication which includes an untrue statement of a material fact or omits to state a material fact
4 necessary in order to make the statements made, in the light of the circumstances under which they
5 were made, not misleading.

6 This Order is necessary, in the public interest, for the protection of investors and consistent
7 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

8 Dated: May 9, 2008
9 Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

11 By _____
12 ALAN S. WEINGER
13 Lead Corporations Counsel

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