

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No.: S-10-424-11-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
) OF LAW AND FINAL ORDER TO CEASE AND DESIST,
Columbia City Cinema, Inc.;) IMPOSE FINES, AND RECOVER COSTS
Paul Doyle)
)
)
Respondents.

THE STATE OF WASHINGTON TO: Columbia City Cinema, Inc.;
Paul Doyle

On December 2, 2010, the Securities Administrator of the State of Washington issued Stop Order Denying Effectiveness of Application for Registration and Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Impose Fines, and Recover Costs S-10-424-10-SO01, hereinafter referred to as "Stop Order," against Respondents Columbia City Cinema, Inc. and Paul Doyle. The Stop Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing" and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing," was served on Respondents Columbia City Cinema, Inc. and Paul Doyle on December 4, 2010. The Notice of Opportunity for Hearing advised Respondents, Columbia City Cinema, Inc. and Paul Doyle, that a written application for an administrative hearing on the Stop Order must be received within twenty days from the date of receipt of the notice. Paul Doyle, individually and on behalf of Columbia City Cinema, Inc., waived the right to a hearing in this matter, and, in lieu thereof, submitted a written statement for consideration by the Securities Administrator.

After considering the written statement, the Securities Administrator makes the following findings of fact and conclusions of law.

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST, IMPOSE
FINES, AND RECOVER COSTS

1
2 **FINDINGS OF FACT**

3 Respondents

4 1. Columbia City Cinema, Inc. (CCC, Inc.) is a Washington corporation established on September
5 21, 2010. During the period of time relevant to this Final Order, CCC, Inc. maintained a principal place of
6 business is 4816 Rainier Avenue South, Seattle, Washington 98118.

7 2. Paul Doyle (Doyle) is a Washington resident. Doyle is the Chief Executive Officer and Chief
8 Operating Officer of CCC, Inc. On June 7, 2011, Doyle filed for Chapter 7 bankruptcy in United States
9 Bankruptcy Court for the Western District of Washington.

10 Registration of common stock of Columbia City Cinema, Inc.

11 3. On September 27, 2010, an application for registration was filed with the Securities Division under
12 RCW 21.20.210 for an offering of \$450,000 worth of common stock in CCC, Inc. The business of CCC,
13 Inc. was the operation of a “3-screen neighborhood cinema showing first run movies” located in Seattle.
14 Prior to filing the application for registration discussed in this Final Order, Doyle is believed to have
15 operated his cinema business as at least two different entities, Columbia City Cinema, LLC (CCC, LLC) and
16 Columbia City Cinema Limited Liability Company, LLC. According to an internal memorandum dated April
17 15, 2010, Doyle converted CCC, LLC into CCC, Inc.

18 4. The Small Company Offering Registration (SCOR) Disclosure Document (Form U-7) submitted by
19 CCC, Inc. was substantially incomplete. The Form U-7 is the registration application and principal disclosure
20 document to be used in a SCOR offering. The Form U-7 submitted by CCC, Inc. did not adequately describe
21 the company’s business or the risks involved in investing in CCC, Inc. Moreover, the Form U-7 did not
22 discuss the outstanding debt issued by CCC, LLC and/or Doyle on behalf of his cinema business.
23

24 5. On October 4, 2010, the Securities Division responded by letter to CCC, Inc.’s application for
25

1 registration. The letter indicated that the materials submitted were materially incomplete. Doyle was
2 instructed to submit a complete application, including, but not limited to, financial statements for CCC, Inc.,
3 and documentation of authorized capital stock. Furthermore, based upon financial statements submitted to
4 the Securities Division which appeared to indicate that CCC, LLC had raised over \$150,000 through the
5 issuance of promissory notes to individuals, the letter requested a list of previous securities offerings,
6 amounts raised, and an explanation as to with which exemption(s) from registration those offerings
7 complied. The Securities Division further requested that CCC, Inc. submit a written statement waiving
8 effectiveness under RCW 21.20.230. Doyle submitted a written statement waiving effectiveness on October
9 13, 2010.

10 6. On October 19, 2010, the Securities Division received a revised application for registration from
11 CCC, Inc. The revised application for registration failed to address the request for information concerning
12 the issuance of promissory notes by CCC, LLC. On November 2, 2010, the Securities Division responded to
13 CCC, Inc.'s revised application for registration. The Securities Division again asked Doyle to identify in
14 writing the exemption(s) under which the CCC, LLC promissory notes were offered and sold, and requested
15 all promotional and disclosure materials provided to potential investors in connection with the offer and sale
16 of the promissory notes. CCC, Inc.'s counsel submitted a written response to the Securities Division on
17 December 1, 2010, regarding the offer and sale of promissory notes by CCC, LLC. However, this was not
18 addressed in the Form U-7 submitted on October 19, 2010.

19 7. On December 6, 2010, the Securities Division received a second revised application for registration
20 from CCC, Inc. The revised application for registration failed to address the request for information
21 concerning the issuance of promissory notes by CCC, LLC. On December 16, 2010, the Securities Division
22 responded to CCC, Inc.'s second revised application for registration. The Securities Division again asked
23 Doyle to identify in writing the exemption(s) under which the CCC, LLC promissory notes were offered and
24

1 sold. The Securities Division's response also identified a number of substantive and disclosure concerns for
2 CCC, Inc. to rectify.

3 8. On April 11, 2011, the Securities Division received a third revised application for registration from
4 CCC, Inc. The revised application for registration failed to address the request for information concerning
5 the issuance of promissory notes by CCC, LLC. On April 25, 2011, the Securities Division responded to
6 CCC, Inc.'s revised application for registration. The Securities Division again asked Doyle to identify in
7 writing the exemption(s) under which the CCC, LLC promissory notes were offered and sold. The Securities
8 Division's response also identified a number of substantive and disclosure concerns for CCC, Inc. to rectify.

9 9. On May 6, 2011, Doyle withdrew CCC, Inc.'s application for registration.

10 Offering of common stock in Columbia City Cinema, Inc.

11 10. Beginning no later than November 1, 2010, CCC, Inc. maintained the website
12 www.columbiacitycinema.com ("website"). As of November 30, 2010, there was a section on the main
13 page of the website headed "We need to sell 50,000 shares of stock by January 1 or we close." The main
14 page also stated that CCC, Inc. would contact investors when its offering was approved. Moreover, a
15 potential investor could view an "Offering Brochure" (brochure), subscription agreement, and "Stock Order
16 Form."

17
18 11. On November 29, 2010, King 5 News of Seattle (King 5) presented a story about CCC, Inc. and its
19 financial struggles. The story appeared on both King 5's newscast and its website, www.king5.com.
20 According to King 5, "Doyle is asking people to buy shares in the theater" and said the theater needed help
21 to stay open. The newscast showed a sign posted in the theater headed "Want Stock?" that instructed
22 interested customers to leave their contact information at the box office.

23 12. On November 29, 2010, the Seattle Post-Intelligencer (Seattle PI) presented a story about CCC,
24

1 Inc.'s offering of common stock. According to the Seattle PI, Doyle was hoping to raise \$50,000 by the end
2 of the year, and "the theater was about half way to its goal."

3 13. The website and brochure failed to disclose the risks inherent in investing in CCC, Inc., including
4 but not limited to, the risks associated with holding a minority stake in a corporation. According to the
5 Form U-7 submitted by CCC, Inc. at the time of the Stop Order, a potential investor who purchased 100%
6 of the offering would own 48% of CCC, Inc., while Doyle would own 52%. However, neither the website
7 nor the brochure discussed what percentage of CCC, Inc.'s shares was being made available for purchase
8 by the public. Furthermore, the website represented that investors' "money is safe" and that CCC, Inc.
9 stock is a stock "that pays for itself."

10 14. The brochure stated that CCC, Inc. was selling its stock to "pay down a huge debt." However, the
11 brochure did not explain the size of the debt, the creditor(s), or the debt's terms.

12 15. The brochure stated that once CCC, Inc.'s debt was eliminated, the business would "rock." The
13 brochure did not discuss the possibility of further financial difficulties arising after the debt had been
14 eliminated.

15 16. The brochure stated that investor funds will be used for "debt reduction, operating capital, and
16 installation of a sprinkler system." The brochure did not explain the percentage of investor funds that would
17 have been dedicated to each purpose.

18 17. The brochure stated that CCC, Inc. had a "successful track record" and that "[b]usiness has always
19 been good." However, CCC, Inc. failed to provide financial statements to potential investors to substantiate
20 those claims. In fact, the profit and loss statement submitted to the Division by CCC, Inc. for the period
21 between January through June 2010 showed a loss from operations of over \$18,000. Furthermore, CCC,
22 Inc. failed to disclose the outstanding promissory notes issued by CCC, LLC and/or Doyle, and the
23 potential liability of CCC, Inc. on those notes.
24

1 18. The brochure stated that “if [CCC, Inc.] make[s] money, you make money.” However, CCC, Inc.
2 did not disclose its dividend policy.

3 19. The brochure stated that “the offering is authorized...by the State of Washington.” However, as of
4 the date of the Stop Order, CCC, Inc.’s application for registration was pending and no permit had been
5 issued.

6 20. CCC, Inc.’s offering materials did not disclose material information regarding Doyle’s business
7 background, such as his track record as a cinema operator, or his qualifications for running a business.

8 Registration Status

9 21. Columbia City Cinema, Inc. is not currently registered to sell its securities in the State of
10 Washington and has not previously been so registered.

11 22. Paul Doyle is not currently registered as a securities salesperson or broker-dealer in the State of
12 Washington and has not previously been so registered.

13 **CONCLUSIONS OF LAW**

14 Based upon the Findings of Fact, the following Conclusions of Law are made:

- 15
- 16 1. The offer of the investments described above constitutes the offer of a security as defined at RCW
17 21.20.005(10) and (12).
 - 18 2. Respondents Columbia City Cinema, Inc. and Paul Doyle violated RCW 21.20.140, the securities
19 registration provision of the Securities Act because they offered securities for which there was no effective
20 registration on file with the Securities Administrator.
 - 21 3. Respondent Paul Doyle violated RCW 21.20.040 by offering said securities while not registered as
22 a securities salesperson or broker-dealer in the State of Washington.
 - 23 4. The offer of said securities violated RCW 21.20.010 because, as set forth in the Tentative Findings
24 of Fact, Respondents made misstatements of material facts or omitted to state material facts necessary in

1 order to make the statements made, in light of the circumstances under which they were made, not
2 misleading.

3 5. The statement in the brochure that “the offering is authorized...by the State of Washington”
4 violated RCW 21.20.360 by representing that the Director of the Department of Financial Institutions had
5 passed upon the merits of the offering of securities.

6 **FINAL ORDER**

7 Based upon the foregoing and finding it in the public interest:

8 IT IS HEREBY ORDERED that Respondents Columbia City Cinema, Inc. and Paul Doyle, their
9 agents and employees each shall cease and desist from offering and/or selling securities in any manner in
10 violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

11 IT IS FURTHER ORDERED that Respondents Columbia City Cinema, Inc. and Paul Doyle, their
12 agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of
13 the Securities Act of Washington.

14 IT IS FURTHER ORDERED that Respondent Paul Doyle, his agents and employees each shall cease
15 and desist from violating RCW 21.20.040, the broker-dealer and securities salesperson registration section of
16 the Securities Act of Washington.

17 IT IS FURTHER ORDERED that Respondents Columbia City Cinema, Inc. and Paul Doyle, their
18 agents and employees each shall cease and desist from violating RCW 21.20.360.

19 IT IS FURTHER ORDERED that Respondents Columbia City Cinema, Inc. and Paul Doyle shall
20 be jointly and severally liable for and pay the Securities Division’s investigative costs in the amount of
21 \$1,000.
22

23 **AUTHORITY AND PROCEDURE**

1 This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is
2 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to petition
3 the superior court for judicial review of this agency action under the provisions of Chapter 34.05 RCW. For
4 the requirements for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW
5 21.20.395, a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall treat the
6 Order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded,
7 enforced, or satisfied in like manner.

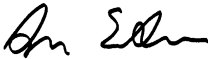
8
9 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

10 SIGNED and ENTERED this 22nd day of August 2011.

11
12
13 

14 William M. Beatty
15 Securities Administrator

16 Approved by:

17 

18
19 Suzanne Sarason
20 Chief of Enforcement

Presented by:

21 

22 Edward R. Thunen
23 Financial Legal Examiner

Presented by:

24 

25 Jiyoung C. Kwon
Financial Legal Examiner

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST, IMPOSE
FINES, AND RECOVER COSTS

8

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division

PO Box 9033
Olympia WA 98507-9033
360-902-8760