

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

IN THE MATTER OF DETERMINING ) Order No. S-12-1119-14-SC01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE OF  
Allstar Fitness, LLC; ) INTENT TO ENTER ORDER TO CEASE AND  
Bobby G. Padgett, II; ) DESIST, TO IMPOSE FINES, AND TO CHARGE  
BGP III, LLC; ) COSTS  
BGP II, LLC; )  
West Seattle Fitness, LLC; )  
Harrison Square Fitness, Inc.; )  
Respondents. )

THE STATE OF WASHINGTON TO: Allstar Fitness, LLC  
Bobby G. Padgett, II  
BGP III, LLC  
BGP II, LLC  
West Seattle Fitness, LLC  
Harrison Square Fitness, Inc.

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc. have each violated the Securities Act of Washington. These violations justify the entry of an order of the Securities Administrator against each respondent to cease and desist from such violations under RCW 21.20.390, to impose fines under RCW 21.20.395, and to charge costs under RCW 21.20.390. The Securities Administrator finds as follow:

**TENTATIVE FINDINGS OF FACT**

**Respondents**

1. Allstar Fitness, LLC was a Washington limited liability company formed in April 2005 to act as parent company to entities that managed several fitness clubs doing business as Allstar Fitness. Allstar Fitness, LLC was originally named Allstar Fitness Capital, LLC. Between 2005 and 2011, Allstar Fitness, LLC offered, sold, and issued unsecured promissory notes to raise funds for the development and operation of the Allstar Fitness clubs. Allstar Fitness, LLC became inactive in August 2011.

1 Bobby G. Padgett, II (“Padgett”) is a Washington State resident and founder of the Allstar Fitness  
2 clubs. Padgett was the sole owner and CEO or manager of entities associated with managing and developing  
3 the Allstar Fitness clubs, including Allstar Fitness, LLC; BGP III, LLC; BGP II, LLC; West Seattle Fitness,  
4 LLC; and Harrison Square Fitness, Inc.

5 3. BGP III, LLC (“BGP III”) was a Washington limited liability company formed in January 2005 to  
6 engage in real estate development and property management. In 2012, BGP III offered, sold, and issued  
7 unsecured promissory notes to raise funds for the development of a proposed Allstar Fitness club in  
8 Issaquah, Washington that was never completed. BGP III became inactive in May 2013.

9 4. BGP II, LLC (“BGP II”) was a Washington limited liability company formed in September 2004 to  
10 engage in real estate development and property management. In 2010, BGP II offered, sold, and issued an  
11 unsecured promissory note to raise funds for the development of the Allstar Fitness club in Portland,  
12 Oregon. BGP II became inactive in January 2014.

13 5. West Seattle Fitness, LLC (“West Seattle Fitness”) was a Washington limited liability company  
14 formed in December 1999 to manage the Allstar Fitness club in West Seattle. Between 2001 and 2007,  
15 West Seattle Fitness offered, sold, and issued unsecured promissory notes to raise funds for the development  
16 and operation of the Allstar Fitness clubs. West Seattle Fitness became inactive in April 2014.

17 6. Harrison Square Fitness, Inc. (“Harrison Square”) was a Washington corporation incorporated in  
18 March 1994 to manage an Allstar Fitness club in Seattle that originally did business as Queen Anne Health  
19 & Fitness (hereinafter, the “Queen Anne club”). In 1994, Harrison Square offered, sold, and issued  
20 unsecured promissory notes to raise funds for the development and operation of the Queen Anne club.  
21 Harrison Square became inactive in July 2009.

### 22 Failure to Comply with Securities Division Subpoena

23 7. In November 2012, the Securities Division initiated an investigation into Padgett and entities  
24 associated with the Allstar Fitness clubs. On May 13, 2013, the Securities Division issued Subpoena to  
25 Testify No. S-12-1119-13-ST01, which required Padgett to appear and give sworn testimony at the offices  
of the Securities Division on June 6, 2013. On June 5, 2013, Padgett’s attorney requested that the testimony  
be rescheduled due to the attorney’s illness. On July 8, 2013, the Securities Division issued Subpoena to  
Testify No. S-12-1119-13-ST02, which required Padgett to appear and give sworn testimony on July 23,  
2013. At Padgett’s request, the Securities Division subsequently agreed to reschedule the testimony to  
August 29, 2013.

1 8. On August 28, 2013, through his attorney, Padgett notified the Securities Division that he would not  
2 appear for testimony and stated that he “cannot agree to have his statements recorded and transcribed.” The  
3 Securities Division informed Padgett that, in order to comply with the subpoena, Padgett would have to  
4 appear and give testimony that was under oath and on the record. On August 29, 2013, Padgett failed to  
5 appear for testimony.

6 9. On August 14, 2014, the Securities Division filed a *Petition Pursuant to RCW 34.05.588(2) and*  
7 *RCW 21.20.380(4) for Order Compelling Compliance with Agency Subpoena* and a *Motion for an Order to*  
8 *Show Cause* in King County Superior Court. On August 15, 2014, the King County Superior Court ordered  
9 Padgett to appear before the court and show cause why he had not complied with the Securities Division’s  
10 subpoena to testify, and why the court should not issue an order compelling Padgett’s compliance with the  
11 subpoena. In September 2014, more than one year after he was originally scheduled to testify, Padgett  
12 notified the Securities Division that he would comply with the subpoena. On October 8, 2014, Padgett  
13 appeared and gave his sworn testimony at the Securities Division.

### 14 **Nature of the Offering**

#### 15 *Overview*

16 10. Starting in or around 1994 and continuing through July 2012, Padgett offered and sold at least \$1.14  
17 million of unregistered and unsecured promissory notes to approximately 70 Washington residents. Padgett  
18 offered the promissory notes to thousands of Allstar Fitness club members through general solicitation  
19 including letters, newsletters that were disseminated by e-mail, and investment offerings that were made on  
20 the company’s website, allstarfitness.com.

21 11. In the majority of his offerings, Padgett did not screen potential investors to determine whether they  
22 were financially sophisticated or accredited investors. Many investors were non-accredited at the time  
23 Padgett sold them the investment. Most investors received little or no information regarding the Allstar  
24 Fitness clubs or the investment. In some circumstances, Padgett misrepresented the financial condition of  
25 the Allstar Fitness clubs to prospective investors. As of the date of this Statement of Charges, Padgett and  
his wholly owned entities have defaulted on approximately \$950,000 of promissory notes held by 66  
Washington investors.

12. Between 1993 and 2013, Padgett opened and then closed, sold, or relinquished ownership of eight  
Allstar Fitness clubs. Padgett opened his first two fitness clubs in Seattle in 1993 and 1994. By the end of  
2003, Padgett had opened five Allstar Fitness clubs: four in Seattle and one in Woodinville, Washington. In

1 the summer of 2004, Padgett sold his share of the Woodinville club and opened an Allstar Fitness in  
2 Monroe, Washington.

3 13. By the summer of 2009, Padgett had five Allstar Fitness clubs: three in Seattle, one in Tacoma, and  
4 one in Portland, Oregon. Between 2009 and early 2013, Padgett lost or relinquished ownership of the  
5 remaining five Allstar Fitness clubs after disputes with the clubs' landlords regarding tenant improvements  
6 or failure to pay rent. Padgett also attempted, but failed, to open Allstar Fitness clubs in Arlington,  
7 Washington and Issaquah, Washington.

8 14. Between 1994 and 2011, Padgett sold at least \$875,000 of promissory notes to 20 Washington  
9 investors. The promissory notes were issued by Harrison Square, West Seattle Fitness, Allstar Fitness, LLC,  
10 and BGP II. The promissory notes had interest rates ranging from 10% to 20% and terms between 12  
11 months and 48 months. Some promissory notes were personally guaranteed by Padgett. Many investors  
12 received free fitness club memberships for the life of their promissory note investment.

13 *Harrison Square and West Seattle Fitness Promissory Notes*

14 15. Between 1994 and 2007, Padgett, Harrison Square, and West Seattle Fitness offered and sold at least  
15 \$360,000 of promissory notes to ten Washington investors. Padgett solicited investments through  
16 conversations with members of the Queen Anne club and the West Seattle club. Padgett also solicited  
17 investments from a group interested in using space in the West Seattle club. Padgett did not screen potential  
18 investors to determine whether they were financially sophisticated or accredited investors. At least two of  
19 the investors described above were non-accredited at the time Padgett sold them the investment.

20 16. Padgett did not provide investors or offerees with information regarding the investment or the Allstar  
21 Fitness clubs. Investors did not receive any disclosure documents or an offering memorandum; they only  
22 received the promissory note. Padgett failed to disclose material information to investors including, but not  
23 limited to, the financial condition of the Allstar Fitness clubs, operating history, whether earlier promissory  
24 notes had been repaid, and the general and specific risks of investing in a fitness club.

25 17. In or around 2001, Padgett personally guaranteed at least \$50,000 of West Seattle Fitness promissory  
notes that were sold to three Washington investors. Padgett and West Seattle Fitness failed to provide  
investors with material information regarding Padgett's personal guarantee including, but not limited to,  
Padgett's personal financial condition, the amount of debt that Padgett had personally guaranteed, and the  
number of equipment leases, building leases, and other business contracts Padgett had personally  
guaranteed.

*Promissory Note Extensions*

1 18. When the Harrison Square and West Seattle Fitness promissory notes came due, Padgett offered  
2 many investors an extension of their notes, instead of repaying the principal. The term of the extended  
3 promissory notes ranged from 12 to 36 months, and investors received the same interest rate as the initial  
4 promissory note. Investors with promissory note extensions also continued to receive free membership at  
5 the Allstar Fitness clubs.

6 19. At the time of the extension offer, Padgett, Harrison Square, and West Seattle Fitness did not  
7 provide investors with any disclosure documents or information regarding the financial condition of the  
8 Allstar Fitness clubs. Padgett, Harrison Square, and West Seattle Fitness also failed to disclose to offerees  
9 how many other promissory notes had been extended, whether previously extended notes had been repaid,  
10 and whether Allstar Fitness could repay the principal at the time the extension was offered.

11 20. When the extended promissory notes came due, Padgett did not repay investors their principal.  
12 Instead, investors received another offer for a promissory note extension. Some investors received an  
13 explicit extension offer and signed a promissory note extension each time their notes came due. Other  
14 investors simply continued to receive the interest payments they had been receiving before their notes came  
15 due. At least seven of the investors described above accepted an offer to extend their promissory note, and at  
16 least six of these investors had their promissory notes extended multiple times. As of the date of this  
17 Statement of Charges, none of these extended promissory notes have been repaid.

*2005-2007 Allstar Fitness, LLC Promissory Note Offering*

18 21. Starting in or around June 2005, Padgett and Allstar Fitness, LLC offered a promissory note  
19 investment to members of the West Seattle club. Padgett and Allstar Fitness, LLC solicited investments  
20 through multiple letters mailed to the 7,000 members of the West Seattle club, and through a posting on  
21 allstarfitness.com. Prospective investors received a private placement memorandum (“PPM”) and other  
22 documents regarding the investment. Promissory notes sold under this offering were personally guaranteed  
23 by Padgett.

24 22. Between approximately July 2005 and March 2007, Padgett and Allstar Fitness, LLC sold at least  
25 \$275,000 of promissory notes to seven Washington investors under this offering. At least one of the  
investors was non-accredited at the time Padgett and Allstar Fitness, LLC sold her the investment.

26 23. The PPM that Padgett and Allstar Fitness, LLC provided to investors contained misleading  
statements regarding the financial condition of the Allstar Fitness clubs. While the PPM included financial  
statements and disclosed some of the risks of investing in the Allstar Fitness clubs, it failed to disclose that,

1 at the time of the offer, Padgett, Harrison Square, and West Seattle Fitness had extended at least three  
2 promissory notes multiple times. The PPM also failed to disclose that four Allstar Fitness clubs in Seattle  
3 were subject to liens for nonpayment of more than \$465,000 of state and federal taxes.

4 24. Padgett and Allstar Fitness, LLC failed to provide investors with material information regarding  
5 Padgett's personal guarantee including, but not limited to, Padgett's personal financial condition, the  
6 amount of debt Padgett had personally guaranteed, and the number of equipment leases, building leases, and  
7 other business contracts Padgett had personally guaranteed. Further, Padgett and Allstar Fitness, LLC failed  
8 to disclose to investors that by August 2005, Padgett was personally liable for more than \$260,000 of  
9 federal payroll taxes and that by August 2006, Padgett was personally liable for more than \$450,000 of  
10 federal payroll taxes.

11 25. As with the Harrison Square and West Seattle Fitness promissory notes, Allstar Fitness, LLC note  
12 holders were offered an extension when their notes came due. While some investors received an Allstar  
13 Fitness balance sheet with the extension offer, Padgett and Allstar Fitness, LLC failed to disclose to  
14 investors material information regarding the financial condition of the Allstar Fitness clubs and the  
15 extension offer. At least six of these investors accepted an extension of their promissory note, and their  
16 notes have been extended multiple times. As of the date of this Statement of Charges, none of the extended  
17 promissory notes have been repaid.

18 26. In the fall of 2007, Padgett closed the Allstar Fitness club in Monroe after competition in the area  
19 caused a reduction in club membership. In the fall of 2008, Padgett closed the Queen Anne club after the  
20 fitness club filed a lawsuit against the club's landlord. The lawsuit claimed that the Queen Anne club's  
21 membership growth had "declined substantially over recent years" due to the landlord's failure to remedy  
22 water coming into the fitness club. In settling the lawsuit, the parties terminated the Queen Anne club's  
23 lease, and Padgett closed the fitness club.

24 27. By mid-2009, the Allstar Fitness on Olive Way in downtown Seattle ("Olive Way club") owed more  
25 than \$2 million in past-due rent. In late 2009, after failing to negotiate a reduction in the rent, Padgett  
26 entered into a cash management agreement with the landlord of the Olive Way club. The agreement allowed  
27 the landlord to determine how revenue from three Allstar Fitness clubs would be distributed between the  
28 Allstar Fitness clubs. At the landlord's direction, the Olive Way club received Allstar Fitness revenue to the  
29 detriment of the other Allstar Fitness clubs.

30 28. In the fall of 2009, Padgett signed a lease agreement for a building in Arlington. In order to develop  
31 the space into an Allstar Fitness, the other party to the lease provided funds to pay for tenant improvements

1 to the building. In or around late 2009, Padgett's wholly owned entity used at least \$247,750 of these funds  
2 to pay various vendors for labor, material, and other items that benefited Padgett and his entities and were  
3 unrelated to tenant improvements to the building in Arlington. In 2011, the other party terminated the lease  
4 and Padgett acknowledged that he and his entities owed more than \$2.4 million to the other party. Padgett  
5 never opened an Allstar Fitness in Arlington.

6 *2009 Allstar Fitness, LLC Promissory Note Offering*

7 29. In or around 2009, Padgett and Allstar Fitness, LLC sold \$225,000 of promissory notes to three  
8 Washington investors. Padgett and Allstar Fitness, LLC solicited investments through letters mailed to the  
9 7,000 members of the West Seattle club, and through conversations with West Seattle club members.  
10 Padgett and Allstar Fitness, LLC did not screen prospective investors to determine whether they were  
11 financially sophisticated or accredited investors, and at least one of the investors was non-accredited at the  
12 time Padgett and Allstar Fitness, LLC sold him the investment.

13 30. Padgett and Allstar Fitness, LLC did not provide these promissory note investors with a PPM or  
14 other documents related to the investment; investors only received a promissory note. Padgett and Allstar  
15 Fitness, LLC failed to disclose to investors material information regarding the investment including, but not  
16 limited to, the financial condition of the Allstar Fitness clubs, operating history, whether earlier promissory  
17 notes had been repaid, and the general and specific risks of investing in a fitness club.

18 *2010 BGP II Promissory Note*

19 31. In or around the fall of 2010, Padgett, Allstar Fitness, LLC, and BGP II offered and sold a \$15,000  
20 promissory note to a Washington investor. The investor had responded to an offer in a newsletter e-mailed  
21 to Tacoma club members. The investor was non-accredited at the time Padgett, Allstar Fitness, LLC, and  
22 BGP II sold him the investment.

23 32. Padgett, Allstar Fitness, LLC, and BGP II provided the investor with a PPM that contained  
24 misleading statements regarding the financial condition of the Allstar Fitness clubs. The PPM  
25 underrepresented the amount of existing promissory notes by about \$200,000, and it failed to disclose that,  
at the time of the offer, Padgett and related entities had extended at least eleven promissory notes multiple  
times. The PPM also failed to disclose material information regarding the financial condition of the Allstar  
Fitness clubs including, but not limited to, that the Olive Way club owed more than \$2 million in past-due  
rent, that the Olive Way club's landlord determined how revenue was distributed between the Allstar Fitness  
clubs, and that Padgett failed to open an Allstar Fitness in Arlington after Padgett misappropriated funds  
provided by another party.

*Additional Allstar Fitness Club Closures*

33. In or around June and September 2011, Padgett turned over ownership of each of the downtown Seattle clubs to the Olive Way club's landlord. The Allstar Fitness clubs had not been able to pay the more than \$2 million the Olive Way club owed its landlord in past-due rent. In partial settlement of the landlord's claims, Padgett transferred ownership of the two clubs in downtown Seattle to the Olive Way club's landlord.

34. In the summer of 2012, Padgett relinquished ownership of the Tacoma club. The Tacoma club had not been paying its full rent since 2008. In the winter of 2012, the club's landlord filed a lawsuit claiming that the Tacoma club owed \$1.3 million in past-due rent. In or around June 2012, in settlement of the lawsuit, Padgett turned over ownership of the Tacoma club to a third party.

*Failure to Pay Promissory Note Investors*

35. In or around late 2011, many of the promissory note investors described above stopped receiving interest payments on their notes. By January 2012, Padgett had received demands for repayment from at least two investors holding three promissory notes totaling \$235,000. Despite these demands, the investors' principal was not repaid. As of the date of this Statement of Charges, Padgett, Harrison Square, West Seattle Fitness, Allstar Fitness, LLC, and BGP II have failed to pay \$685,000 of promissory notes held by 16 Washington investors.

*2012 BGP III Promissory Note Offering*

36. Between approximately February 2012 and July 2012, Padgett and BGP III offered and sold at least \$265,000 of promissory notes to approximately 50 Washington investors. Padgett and BGP III offered the investment through multiple postcards mailed to the 7,000 members of the West Seattle club. Padgett also posted the investment offer on allstarfitness.com.

37. Padgett offered prospective investors a \$5,000 promissory note with an 8% annual return. Investors also received a \$3,000 credit toward their Allstar Fitness membership fees. For many investors, this credit was the equivalent of approximately three to five years of club membership. Padgett did not screen potential investors to determine whether they were financially sophisticated or accredited investors. At least 24 of the BGP III investors were non-accredited at the time Padgett sold them the investment.

38. Padgett and BGP III failed to provide investors and offerees with material information regarding the investment including, but not limited to, financial statements, operating history, and the general and specific risks of investing in a fitness club. Padgett and BGP III failed to disclose to investors that, at the time of the offer, 16 investors held \$685,000 of promissory notes sold by Padgett and related entities. Padgett and BGP



1 III also failed to disclose that in or around 2009, Padgett had failed in his attempt to open an Allstar Fitness  
2 in Arlington, Washington.

3 39. Padgett made misleading statements and omitted material information regarding the use of BGP III  
4 investor proceeds. Padgett represented to investors that he was selling the promissory notes to acquire an  
5 existing fitness club in Issaquah, Washington and develop it into an Allstar Fitness club. In fact, Padgett  
6 spent a substantial portion of the funds raised from BGP III investors for purposes unrelated to the  
7 acquisition or operation of a fitness club in Issaquah.

8 40. Padgett used \$150,000 of BGP III investor funds to post part of a court bond staying the eviction of  
9 the West Seattle club. Padgett used more than \$45,000 of BGP III investor funds to pay for expenses  
10 associated with the Allstar Fitness clubs in West Seattle, Tacoma and Portland. Padgett also made a \$15,000  
11 payment toward his personal taxes, a \$15,000 payment toward legal fees for the West Seattle club, and a  
12 \$15,000 payment to the former landlord of the Tacoma club. In June 2012, Padgett received \$5,000 for a  
13 “management fee” that Padgett failed to disclose to investors.

14 41. Padgett made misleading statements to BGP III investors regarding the financial condition of Allstar  
15 Fitness. Padgett provided investors with promissory notes that were printed on Allstar Fitness stationary,  
16 which listed five Allstar Fitness clubs along the bottom of the page. At the time of the offering, Padgett did  
17 not own the two clubs in downtown Seattle, which were listed on the notes. In addition, there were disputes  
18 concerning the three other clubs. The Tacoma club’s landlord had filed a lawsuit claiming \$1.3 million in  
19 past-due rent, the Portland club was in a dispute with its landlord regarding tenant improvements, and the  
20 West Seattle club had fallen behind on its rent. Padgett failed to disclose this to BGP III investors.

21 42. Padgett made misleading statements to BGP III investors regarding the downtown Seattle Allstar  
22 Fitness clubs. Some investors were aware that one or both of the downtown Seattle clubs had closed. In  
23 response to at least one prospective investor asking about the closure, Padgett represented that Padgett sold  
24 a downtown Allstar Fitness because the difficult parking caused a decline in club membership. In reality,  
25 Padgett turned over ownership of both downtown Seattle clubs to the Olive Way club’s landlord in partial  
settlement of a rent dispute with the landlord.

43. Padgett made misleading statements to BGP III investors regarding the status of a rent dispute with  
the Tacoma club’s landlord. In response to at least one prospective investor asking about the dispute,  
Padgett represented that the rent dispute would be resolved in Padgett’s favor. Padgett did not disclose that  
the Tacoma club had been paying reduced rent since 2008, and that a rent dispute with the Olive Way club’s  
landlord had resulted in Padgett turning over ownership of two Allstar Fitness clubs.

1 44. Padgett misrepresented to BGP III investors the performance of earlier promissory note offerings.  
2 Padgett represented to several investors that he had raised money from club members in the past, and that  
3 investors were always repaid. In reality, Padgett and related entities owed \$685,000 to 16 unsecured  
4 promissory note holders at the time Padgett was soliciting BGP III investors. Further, within six months of  
5 the BGP III offer, at least two promissory note investors had unsuccessfully demanded the return of their  
6 principal.

7 *Allstar Fitness Club Closures and Failure to Pay Investors*

8 45. On August 27, 2012, less than two months after Padgett sold the last BGP III promissory note, the  
9 West Seattle club filed for bankruptcy. The West Seattle club's landlord had filed a lawsuit in the spring of  
10 2012 claiming more than \$700,000 in past-due rent after the club fell behind on its rent in 2010 and 2011.

11 46. Soon after the West Seattle club filed for bankruptcy, Padgett relinquished ownership of the Portland  
12 club in or around September 2012. At the time, the Portland club was in a dispute with its landlord  
13 regarding tenant improvements and was subject to civil judgments totaling almost \$100,000.

14 47. In October 2012, after the first BGP III interest payments were due, BGP III investors received a  
15 letter from Padgett explaining that there had been a delay in the acquisition of the club in Issaquah. Padgett  
16 did not disclose to investors that he had filed for bankruptcy on behalf of the West Seattle club, and he did  
17 not disclose to investors that the West Seattle club was the last remaining Allstar Fitness club. Instead,  
18 Padgett asked that the interest payments he owed to BGP III investors be postponed until later in the year.  
19 By the time the BGP III investors received this letter, only \$787.06 of BGP III investor funds remained.

20 48. In February 2013, Padgett was barred from the West Seattle club by the bankruptcy trustee. In  
21 March 2013, the bankruptcy court approved the sale of the West Seattle club. The new owner of the West  
22 Seattle club did not honor the \$3,000 membership credit that BGP III investors received with their  
23 promissory note investments. As of the date of this Statement of Charges, none of the BGP III promissory  
24 notes described above have been repaid.

25 **Registration Status**

49. Respondent Allstar Fitness, LLC is not currently registered to offer or sell its securities in the state of  
Washington, and it has not previously been so registered.

50. Respondent Bobby G. Padgett, II is not currently registered as a securities salesperson or broker-  
dealer in the state of Washington, and he has not previously been so registered.

51. Respondent BGP III, LLC is not currently registered to offer or sell its securities in the state of  
Washington, and it has not previously been so registered.

1 52. Respondent BGP II, LLC is not currently registered to offer or sell its securities in the state of  
Washington, and it has not previously been so registered.

2 53. Respondent West Seattle Fitness, LLC is not currently registered to offer or sell its securities in the  
3 state of Washington, and it has not previously been so registered.

4 54. Respondent Harrison Square Fitness, Inc. is not currently registered to offer or sell its securities in  
5 the state of Washington, and it has not previously been so registered.

6 *Failure to Comply With Regulation D, Rule 506*

7 55. On June 9, 2005, Padgett filed with the Securities Division a claim of exemption from registration on  
8 behalf of Allstar Fitness, LLC under Regulation D, Rule 506 and WAC 460-44A-506.

9 56. At the time of the Allstar Fitness, LLC offering, Regulation D, Rule 506 prohibited an issuer or any  
10 person acting on behalf of an issuer from offering or selling securities by any form of general solicitation.  
11 Allstar Fitness, LLC and its agents offered and sold investments by mailing multiple offers to members of  
12 the West Seattle club, and by posting an offer on allstarfitness.com, a website open to the public. These  
13 actions violated the general solicitation provisions of Regulation D, Rule 506.

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

15 **CONCLUSIONS OF LAW**

16 1. The offer and/or sale of unsecured promissory notes as described above constitutes the offer  
and/or sale of a security as defined by RCW 21.20.005(14) and RCW 21.20.005(17).

17 2. Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle  
18 Fitness, LLC; and Harrison Square Fitness, Inc. have each violated RCW 21.20.140 because, as set forth in  
19 the Tentative Findings of Fact, Respondents offered and/or sold securities for which no registration is on file  
with the Securities Administrator, and for which no valid claim of exemption exists.

20 3. Bobby G. Padgett, II has violated RCW 21.20.040 by offering and/or selling said securities  
21 while not being registered as a securities salesperson or broker-dealer in the state of Washington.

22 4. Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle  
23 Fitness, LLC; and Harrison Square Fitness, Inc. have each violated RCW 21.20.010 because, as set forth in  
24 the Tentative Findings of Fact, Respondents made untrue statements of material fact or omitted to state  
25 material facts necessary to make the statements made, in light of the circumstances under which they were  
made, not misleading.

1                   **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

2                   Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and  
3                   Conclusions of Law, the Securities Administrator intends to order that Respondent Bobby G. Padgett, II  
4                   shall cease and desist from violations of RCW 21.20.040, and that Respondents Allstar Fitness, LLC; Bobby  
5                   G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc.  
6                   each shall cease and desist from violations of RCW 21.20.010 and RCW 21.20.140.

7                   **NOTICE OF INTENT TO IMPOSE A FINE**

8                   Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions  
9                   of Law, the Securities Administrator intends to order that Respondents Allstar Fitness, LLC; Bobby G.  
10                  Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc. shall  
11                  be jointly and severally liable for and shall pay an administrative fine of \$30,000.

12                  **NOTICE OF INTENT TO CHARGE COSTS**

13                  Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of  
14                  Law, the Securities Administrator intends to order that Respondents Allstar Fitness, LLC; Bobby G.  
15                  Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc. shall  
16                  be jointly and severally liable for and shall pay the costs, fees, and other expenses incurred in the  
17                  administrative investigation and hearing of this matter, in an amount not less than \$12,500.

18                  **AUTHORITY AND PROCEDURE**

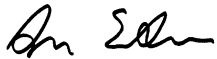
19                  This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is  
20                  subject to the provisions of Chapter 34.05 RCW. The respondents, Allstar Fitness, LLC; Bobby G. Padgett,  
21                  II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc., may each  
22                  make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND  
23                  OPPORTUNITY FOR HEARING accompanying this Order. If a respondent does not make a hearing  
24                  request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of  
25                  Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that  
                    respondent, to impose any fines sought against that respondent, and to charge any costs sought against that  
                    respondent.

Signed and Entered this 19th day of December 2014.



William M. Beatty  
Securities Administrator

Approved by:



Suzanne Sarason  
Chief of Enforcement

Presented by:



Holly Mack-Kretzler  
Financial Legal Examiner

Reviewed By:



Robert Kondrat  
Financial Legal Examiner Supervisor