

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

IN THE MATTER OF DETERMINING) Order No. S-12-1119-15-CO01
whether there has been a violation of the)
Securities Act of Washington by:)
)
Allstar Fitness, LLC;) CONSENT ORDER
Bobby G. Padgett, II;)
BGP III, LLC;)
BGP II, LLC;)
West Seattle Fitness, LLC;)
Harrison Square Fitness, Inc.;)
)
)
Respondents.)

INTRODUCTION

On December 19, 2014, the Securities Administrator of the state of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs, Order Number S-12-1119-14-SC01, against Respondents Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions and Respondents Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc. do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc. neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

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

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

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

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

20 5. West Seattle Fitness, LLC (“West Seattle Fitness”) was a Washington limited liability company
21 formed in December 1999 to manage the Allstar Fitness club in West Seattle. Between 2001 and 2007,
22 West Seattle Fitness offered, sold, and issued unsecured promissory notes to raise funds for the development
23 and operation of the Allstar Fitness clubs. West Seattle Fitness became inactive in April 2014.
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1 6. Harrison Square Fitness, Inc. (“Harrison Square”) was a Washington corporation incorporated in
2 March 1994 to manage an Allstar Fitness club in Seattle that originally did business as Queen Anne Health
3 & Fitness (hereinafter, the “Queen Anne club”). In 1994, Harrison Square offered, sold, and issued
4 unsecured promissory notes to raise funds for the development and operation of the Queen Anne club.
5 Harrison Square became inactive in July 2009.

6 **Failure to Comply with Securities Division Subpoena**

7 7. In November 2012, the Securities Division initiated an investigation into Padgett and entities
8 associated with the Allstar Fitness clubs. On May 13, 2013, the Securities Division issued Subpoena to
9 Testify No. S-12-1119-13-ST01, which required Padgett to appear and give sworn testimony at the offices
10 of the Securities Division on June 6, 2013. On June 5, 2013, Padgett’s attorney requested that the testimony
11 be rescheduled due to the attorney’s illness. On July 8, 2013, the Securities Division issued Subpoena to
12 Testify No. S-12-1119-13-ST02, which required Padgett to appear and give sworn testimony on July 23,
13 2013. At Padgett’s request, the Securities Division subsequently agreed to reschedule the testimony to
14 August 29, 2013.
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16 8. On August 28, 2013, through his attorney, Padgett notified the Securities Division that he would not
17 appear for testimony and stated that he “cannot agree to have his statements recorded and transcribed.” The
18 Securities Division informed Padgett that, in order to comply with the subpoena, Padgett would have to
19 appear and give testimony that was under oath and on the record. On August 29, 2013, Padgett failed to
20 appear for testimony.

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

5 **Nature of the Offering**

6 *Overview*

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

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

19 12. Between 1993 and 2013, Padgett opened and then closed, sold, or relinquished ownership of eight
20 Allstar Fitness clubs. Padgett opened his first two fitness clubs in Seattle in 1993 and 1994. By the end of
21 2003, Padgett had opened five Allstar Fitness clubs: four in Seattle and one in Woodinville, Washington. In
22 the summer of 2004, Padgett sold his share of the Woodinville club and opened an Allstar Fitness in
23 Monroe, Washington.
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1 13. By the summer of 2009, Padgett had five Allstar Fitness clubs: three in Seattle, one in Tacoma, and
2 one in Portland, Oregon. Between 2009 and early 2013, Padgett lost or relinquished ownership of the
3 remaining five Allstar Fitness clubs after disputes with the clubs' landlords regarding tenant improvements
4 or failure to pay rent. Padgett also attempted, but failed, to open Allstar Fitness clubs in Arlington,
5 Washington and Issaquah, Washington.

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

11 *Harrison Square and West Seattle Fitness Promissory Notes*

12 15. Between 1994 and 2007, Padgett, Harrison Square, and West Seattle Fitness offered and sold at least
13 \$360,000 of promissory notes to ten Washington investors. Padgett solicited investments through
14 conversations with members of the Queen Anne club and the West Seattle club. Padgett also solicited
15 investments from a group interested in using space in the West Seattle club. Padgett did not screen potential
16 investors to determine whether they were financially sophisticated or accredited investors. At least two of
17 the investors described above were non-accredited at the time Padgett sold them the investment.
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19 16. Padgett did not provide investors or offerees with information regarding the investment or the Allstar
20 Fitness clubs. Investors did not receive any disclosure documents or an offering memorandum; they only
21 received the promissory note. Padgett failed to disclose material information to investors including, but not
22 limited to, the financial condition of the Allstar Fitness clubs, operating history, whether earlier promissory
23 notes had been repaid, and the general and specific risks of investing in a fitness club.
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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

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

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

20. When the extended promissory notes came due, Padgett did not repay investors their principal. Instead, investors received another offer for a promissory note extension. Some investors received an explicit extension offer and signed a promissory note extension each time their notes came due. Other investors simply continued to receive the interest payments they had been receiving before their notes came due. At least seven of the investors described above accepted an offer to extend their promissory note, and at

1 least six of these investors had their promissory notes extended multiple times. As of the date of this
2 Statement of Charges, none of these extended promissory notes have been repaid.

3 *2005-2007 Allstar Fitness, LLC Promissory Note Offering*

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

10 22. Between approximately July 2005 and March 2007, Padgett and Allstar Fitness, LLC sold at least
11 \$275,000 of promissory notes to seven Washington investors under this offering. At least one of the
12 investors was non-accredited at the time Padgett and Allstar Fitness, LLC sold her the investment.

13 23. The PPM that Padgett and Allstar Fitness, LLC provided to investors contained misleading
14 statements regarding the financial condition of the Allstar Fitness clubs. While the PPM included financial
15 statements and disclosed some of the risks of investing in the Allstar Fitness clubs, it failed to disclose that,
16 at the time of the offer, Padgett, Harrison Square, and West Seattle Fitness had extended at least three
17 promissory notes multiple times. The PPM also failed to disclose that four Allstar Fitness clubs in Seattle
18 were subject to liens for nonpayment of more than \$465,000 of state and federal taxes.

19 24. Padgett and Allstar Fitness, LLC failed to provide investors with material information regarding
20 Padgett’s personal guarantee including, but not limited to, Padgett’s personal financial condition, the
21 amount of debt Padgett had personally guaranteed, and the number of equipment leases, building leases, and
22 other business contracts Padgett had personally guaranteed. Further, Padgett and Allstar Fitness, LLC failed
23 to disclose to investors that by August 2005, Padgett was personally liable for more than \$260,000 of
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1 federal payroll taxes and that by August 2006, Padgett was personally liable for more than \$450,000 of
2 federal payroll taxes.

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

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

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

22 28. In the fall of 2009, Padgett signed a lease agreement for a building in Arlington. In order to develop
23 the space into an Allstar Fitness, the other party to the lease provided funds to pay for tenant improvements
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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.
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1 32. Padgett, Allstar Fitness, LLC, and BGP II provided the investor with a PPM that contained
2 misleading statements regarding the financial condition of the Allstar Fitness clubs. The PPM
3 underrepresented the amount of existing promissory notes by about \$200,000, and it failed to disclose that,
4 at the time of the offer, Padgett and related entities had extended at least eleven promissory notes multiple
5 times. The PPM also failed to disclose material information regarding the financial condition of the Allstar
6 Fitness clubs including, but not limited to, that the Olive Way club owed more than \$2 million in past-due
7 rent, that the Olive Way club's landlord determined how revenue was distributed between the Allstar Fitness
8 clubs, and that Padgett failed to open an Allstar Fitness in Arlington after Padgett misappropriated funds
9 provided by another party.

10 *Additional Allstar Fitness Club Closures*

11 33. In or around June and September 2011, Padgett turned over ownership of each of the downtown
12 Seattle clubs to the Olive Way club's landlord. The Allstar Fitness clubs had not been able to pay the more
13 than \$2 million the Olive Way club owed its landlord in past-due rent. In partial settlement of the landlord's
14 claims, Padgett transferred ownership of the two clubs in downtown Seattle to the Olive Way club's
15 landlord.
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17 34. In the summer of 2012, Padgett relinquished ownership of the Tacoma club. The Tacoma club had
18 not been paying its full rent since 2008. In the winter of 2012, the club's landlord filed a lawsuit claiming
19 that the Tacoma club owed \$1.3 million in past-due rent. In or around June 2012, in settlement of the
20 lawsuit, Padgett turned over ownership of the Tacoma club to a third party.

21 *Failure to Pay Promissory Note Investors*

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

4 *2012 BGP III Promissory Note Offering*

5 36. Between approximately February 2012 and July 2012, Padgett and BGP III offered and sold at least
6 \$265,000 of promissory notes to approximately 50 Washington investors. Padgett and BGP III offered the
7 investment through multiple postcards mailed to the 7,000 members of the West Seattle club. Padgett also
8 posted the investment offer on allstarfitness.com.

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

14 38. Padgett and BGP III failed to provide investors and offerees with material information regarding the
15 investment including, but not limited to, financial statements, operating history, and the general and specific
16 risks of investing in a fitness club. Padgett and BGP III failed to disclose to investors that, at the time of the
17 offer, 16 investors held \$685,000 of promissory notes sold by Padgett and related entities. Padgett and BGP
18 III also failed to disclose that in or around 2009, Padgett had failed in his attempt to open an Allstar Fitness
19 in Arlington, Washington.

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

3 40. Padgett used \$150,000 of BGP III investor funds to post part of a court bond staying the eviction of
4 the West Seattle club. Padgett used more than \$45,000 of BGP III investor funds to pay for expenses
5 associated with the Allstar Fitness clubs in West Seattle, Tacoma and Portland. Padgett also made a \$15,000
6 payment toward his personal taxes, a \$15,000 payment toward legal fees for the West Seattle club, and a
7 \$15,000 payment to the former landlord of the Tacoma club. In June 2012, Padgett received \$5,000 for a
8 “management fee” that Padgett failed to disclose to investors.

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

16 42. Padgett made misleading statements to BGP III investors regarding the downtown Seattle Allstar
17 Fitness clubs. Some investors were aware that one or both of the downtown Seattle clubs had closed. In
18 response to at least one prospective investor asking about the closure, Padgett represented that Padgett sold
19 a downtown Allstar Fitness because the difficult parking caused a decline in club membership. In reality,
20 Padgett turned over ownership of both downtown Seattle clubs to the Olive Way club’s landlord in partial
21 settlement of a rent dispute with the landlord.
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23 43. Padgett made misleading statements to BGP III investors regarding the status of a rent dispute with
24 the Tacoma club’s landlord. In response to at least one prospective investor asking about the dispute,
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1 Padgett represented that the rent dispute would be resolved in Padgett's favor. Padgett did not disclose that
2 the Tacoma club had been paying reduced rent since 2008, and that a rent dispute with the Olive Way club's
3 landlord had resulted in Padgett turning over ownership of two Allstar Fitness clubs.

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

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

11 45. On August 27, 2012, less than two months after Padgett sold the last BGP III promissory note, the
12 West Seattle club filed for bankruptcy. The West Seattle club's landlord had filed a lawsuit in the spring of
13 2012 claiming more than \$700,000 in past-due rent after the club fell behind on its rent in 2010 and 2011.

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

17 47. In October 2012, after the first BGP III interest payments were due, BGP III investors received a
18 letter from Padgett explaining that there had been a delay in the acquisition of the club in Issaquah. Padgett
19 did not disclose to investors that he had filed for bankruptcy on behalf of the West Seattle club, and he did
20 not disclose to investors that the West Seattle club was the last remaining Allstar Fitness club. Instead,
21 Padgett asked that the interest payments he owed to BGP III investors be postponed until later in the year.
22 By the time the BGP III investors received this letter, only \$787.06 of BGP III investor funds remained.
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1 48. In February 2013, Padgett was barred from the West Seattle club by the bankruptcy trustee. In
2 March 2013, the bankruptcy court approved the sale of the West Seattle club. The new owner of the West
3 Seattle club did not honor the \$3,000 membership credit that BGP III investors received with their
4 promissory note investments. As of the date of this Statement of Charges, none of the BGP III promissory
5 notes described above have been repaid.

6 **Registration Status**

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

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

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

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

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

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

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

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

22 56. At the time of the Allstar Fitness, LLC offering, Regulation D, Rule 506 prohibited an issuer or any
23 person acting on behalf of an issuer from offering or selling securities by any form of general solicitation.
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1 Allstar Fitness, LLC and its agents offered and sold investments by mailing multiple offers to members of
2 the West Seattle club, and by posting an offer on allstarfitness.com, a website open to the public. These
3 actions violated the general solicitation provisions of Regulation D, Rule 506.
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5 Based upon the above Findings of Fact, the following Conclusions of Law are made:
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7 **CONCLUSIONS OF LAW**

8 1. The offer and/or sale of unsecured promissory notes as described above constitutes the offer
9 and/or sale of a security as defined by RCW 21.20.005(14) and RCW 21.20.005(17).
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11 2. Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle
12 Fitness, LLC; and Harrison Square Fitness, Inc. each violated RCW 21.20.140 because, as set forth in the
13 Findings of Fact, Respondents offered and/or sold securities for which no registration is on file with the
14 Securities Administrator, and for which no valid claim of exemption exists.

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

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

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

IT IS AGREED AND ORDERED that Respondents Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc., their agents, and their employees each shall cease and desist from violating RCW 21.20.140, the securities registration section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondent Bobby G. Padgett, II shall cease and desist from violating RCW 21.20.040, the salesperson and broker-dealer registration section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondents Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc., their agents, and their employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

IT IS FURTHER AGREED that Respondents Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc. entered into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Allstar Fitness, LLC; Bobby G. Padgett, II; BGP III, LLC; BGP II, LLC; West Seattle Fitness, LLC; and Harrison Square Fitness, Inc. each waive their right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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Signed this 14th day of February 2015.

Signed by:
Allstar Fitness, LLC

Signed by:

/s/

Bobby G. Padgett, II
Manager

/s/

Bobby G. Padgett, II; Individually

Signed by:
BGP III, LLC

Signed by:
BGP II, LLC

/s/

Bobby G. Padgett, II
Manager

/s/

Bobby G. Padgett, II
Manager

Signed by:
West Seattle Fitness, LLC

Signed by:
Harrison Square Fitness, Inc.

/s/

Bobby G. Padgett, II
Manager

/s/

Bobby G. Padgett, II
CEO

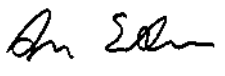
SIGNED and ENTERED this 18th day of February 2015.



William M. Beatty
Securities Administrator

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Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Holly Mack-Kretzler
Financial Legal Examiner

Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor