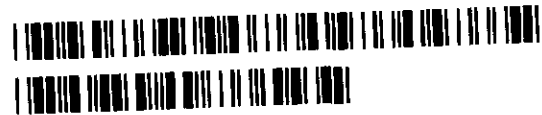


FILED _____ ENTERED _____
LODGED _____ RECEIVED _____

JUL 29 2002

AT SEATTLE
CLERK U.S. DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON



CR 02-00256 #00000004

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

v.

CLIFFORD G. BAIRD,

Defendant

No.

CR02-256 P

INFORMATION

(Felony)

FILED UNDER SEAL

THE UNITED STATES ATTORNEY CHARGES THAT:

COUNT 1
(Conspiracy)

From in or about 1995, and continuing thereafter until on or about January 23, 2002, at Bellevue, Seattle and Bainbridge Island, within the Western District of Washington, and elsewhere, the defendant, CLIFFORD G. BAIRD, together with other persons known and unknown to the United States Attorney, did unlawfully, willfully, and knowingly combine, conspire, confederate and agree among themselves and each other to commit certain offenses against the United States, as follows, defendant CLIFFORD G. BAIRD knowingly joined the conspiracy on or about June 22, 2001:

A INTRODUCTION

1 Health Maintenance Centers, Inc., ("HMC") was incorporated in Washington State on May 12, 1995, and was administratively dissolved and reinstated at various times throughout the period from on or about December 6, 1995, through on or

1 about October 30, 2000. The Articles of Incorporation for HMC provided that the
2 corporate purposes of HMC were "[t]o operate health and exercise clubs, and related
3 facilities" and "[t]o engage in any business, trade or activity which may be conducted
4 lawfully by a corporation organized under the Washington State Business Corporation
5 Act." The Articles of Incorporation for HMC also provided that "[t]his corporation is
6 authorized to issue 10,000 shares of common stock and each share shall have a par value
7 of \$1.00." On February 5, 1997, HMC filed Articles of Amendment that provided,
8 among other things, that "[t]his corporation is authorized to issue 15,000,000 shares of
9 common stock and each share shall have a par value of \$1.00." On or about
10 December 26, 2001, HMC ceased to exist as a Washington State corporation and merged
11 with a Delaware corporation known as HMC Acquisition Corp., a wholly-owned
12 subsidiary of Znetix, Inc. Also on or about December 26, 2001, HMC Acquisition Corp
13 changed its name to Health Maintenance Centers, Inc.

14 2. Project X, Inc., was incorporated in the State of Washington on
15 November 3, 1999. On October 3, 2000, Project X filed Articles of Amendment with the
16 Washington State Secretary of State changing its name to Znetix, Inc. On or about
17 September 25, 2001, Znetix, Inc., ceased to exist as a Washington State corporation and
18 merged with a Delaware corporation known as Znetix, Inc.

19 3. From in or about 1995 through in or about January, 2002, HMC, Project X,
20 and Znetix, and affiliated entities, through various sales agents and at the direction and
21 with the participation of persons known and unknown to the United States Attorney,
22 solicited and received in excess of \$50 million from investors. At no time were the offers
23 and sales of securities issued by HMC, Project X, Znetix, and affiliated entities registered
24 with the United States Securities and Exchange Commission, the State of Washington
25 Department of Financial Institutions, Securities Division, or with the securities regulatory
26 authority in any other state.

27 4. On or about April 9, 2001, the State of Washington Department of Financial
28 Institutions, Securities Division, issued a Summary Order to Cease and Desist against

1 HMC and an individual known to the United States Attorney. The Cease and Desist
2 Order, among other things, barred HMC (and its employees, officers and directors) from
3 selling securities through fraudulent representations and material omissions, and in
4 violation of the State of Washington's securities registration statute.

5 5. Cascade Pointe LLC was a limited liability company formed in Washington
6 State on or about May 2, 2001. Cascade Pointe of Arizona LLC was a limited liability
7 company formed in Arizona in or about July, 2001. Cascade Pointe of Nevis LLC was a
8 limited liability company established in the Caribbean nation of Nevis on or about July 26,
9 2001.¹ From on or about June 22, 2001, through in or about January 2002, defendant
10 CLIFFORD G. BAIRD served as the Manager of Cascade Pointe, but at all times relevant
11 to this Information, the defendant was receiving instructions concerning the management
12 of Cascade Pointe from persons affiliated with HMC and Znetix known and unknown to
13 the United States Attorney.

14 6 From on or about May 2, 2001, through in or about January 2002, persons
15 known and unknown to the United States Attorney affiliated with Cascade Pointe,
16 including defendant CLIFFORD G. BAIRD from on or about June 22, 2001, through in
17 or about January 2002, solicited and received in excess of \$12 million from investors. At
18 no time were the offers and sales of securities issued by Cascade Pointe and affiliated
19 entities registered with the United States Securities and Exchange Commission, the State
20 of Washington Department of Financial Institutions, Securities Division, or with the
21 securities regulatory authority in any other state.

22 B. OBJECTS OF THE CONSPIRACY

23 The objects of the conspiracy were as follows:

24 1. To unlawfully, knowingly, and willfully, directly and indirectly, by the use
25 of means and instrumentalities of interstate commerce, and of the mails, use and employ,
26 in connection with the purchases and sales of securities, manipulative and deceptive
27

28 ¹ Cascade Pointe LLC, Cascade Pointe of Arizona LLC, and Cascade Pointe of Nevis
LLC are collectively referenced in this Information as "Cascade Pointe."

1 devices and contrivances, by (a) employing devices, schemes, and artifices to defraud;
2 (b) making untrue statements of material facts and omitting to state material facts
3 necessary to make the statements made, in light of the circumstances in which they were
4 made, not misleading; and (c) engaging in acts, practices, and courses of business which
5 operated and would operate as a fraud and deceit upon other persons, in violation of
6 Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal
7 Regulations, Section 240.10b-5;

8 2. To knowingly and willfully transmit and cause to be transmitted by wire
9 communication in interstate and foreign commerce writings, signs, signals, pictures, and
10 sounds in furtherance of a scheme and artifice to defraud and for obtaining money and
11 property by means of false and fraudulent pretenses, representations, and promises, in
12 violation of Title 18, United States Code, Section 1343;

13 3. To knowingly and willfully use and cause the United States mail and
14 interstate couriers to be used in furtherance and execution of a scheme and artifice to
15 defraud investors in HMC, Project X, Znetix, Cascade Pointe, and affiliated entities, and
16 a scheme and artifice for obtaining money and property of said investors by means of
17 false and fraudulent pretenses, representations and promises, in violation of Title 18,
18 United States Code, Section 1341,

19 4. To conduct and attempt to conduct financial transactions affecting interstate
20 commerce involving the proceeds of specified unlawful activity (mail fraud, wire fraud,
21 and securities fraud), knowing that the property involved in the financial transactions
22 represented the proceeds of some form of unlawful activity, and knowing that the
23 transactions were designed in whole and in part to conceal or disguise the nature, the
24 location, the source, the ownership, and the control of the proceeds of specified unlawful
25 activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i);

26 5. To transport, transmit, and transfer, and attempt to transport, transmit, and
27 transfer, monetary instruments and funds from places in the United States to and through
28 places outside the United States, and to places in the United States from and through

1 places outside the United States, knowing that the monetary instruments and funds
2 involved in the transportations, transmissions, and transfers represented the proceeds of
3 some form of unlawful activity, and knowing that such transportations, transmissions, and
4 transfers were designed in whole or in part to conceal or disguise the nature, the location,
5 the source, the ownership, and the control of the proceeds of specified unlawful activity,
6 in violation of Title 18, United States Code, Section 1956(a)(2)(B)(i); and

7 6. To knowingly and willfully engage and attempt to engage monetary
8 transactions by, through, or to financial institutions, which monetary transactions affected
9 interstate and foreign commerce, in criminally derived property of a value greater than
10 \$10,000, such property having been derived from specified unlawful activities, that is
11 mail fraud, wire fraud, and securities fraud, in violation of Title 18, United States Code,
12 Section 1957.

13 C. MANNER AND MEANS OF THE CONSPIRACY

14 1. It was a part of the conspiracy and scheme to defraud that defendant
15 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
16 offered and sold, and caused to be offered and sold, and aided and abetted the offer and
17 sale of, securities issued by HMC, Project X, Znetix, and Cascade Pointe to thousands of
18 investors located in Washington State and many other states by means of false and
19 fraudulent statements, representations, promises, and pretenses, including, but not limited
20 to, the false and fraudulent statements that.

21 a. investors who purchased the securities of HMC for one dollar per
22 share would receive four shares of Znetix for each share of HMC at the point when
23 Znetix purchased or merged with HMC;

24 b. Znetix would imminently engage in an Initial Public Offering
25 ("IPO"), after which Znetix securities could be freely traded on exchanges such as
26 NASDAQ,

27 c. Znetix shares would be valued at substantially more than one dollar
28 per share after the IPO;

1 d. Znetix had retained prominent investment banking and underwriting
2 firms who were working on the IPO;

3 e. Znetix had filed or would very shortly file a registration statement
4 with the United States Securities and Exchange Commission;

5 f. Znetix was in a "quiet period" just prior to the IPO;

6 g. HMC and Znetix had developed proprietary medical and fitness
7 software and equipment which would generate substantial revenues;

8 h. Znetix had sold or would shortly sell licenses for approximately
9 \$1 million apiece to operate health and fitness clubs throughout the United States;

10 i. leading sports and entertainment figures had agreed to franchise
11 health and fitness clubs from Znetix;

12 j. a health and fitness club owned by a company affiliated with HMC
13 and located on Bainbridge Island, Washington, was profitable;

14 k. Znetix would receive \$500 million from an investor group from
15 China;

16 l. Cascade Pointe was a private investment firm founded and under
17 management by individuals who were not affiliated with HMC and Znetix;

18 m. Cascade Pointe was one of the nation's leading private investment
19 firms, and believed in "diversification" and investments based on "rock-solid financials,"

20 n. Cascade Pointe would and had the ability to fund, by means of cash
21 or lines of credit, a "rescission offer" to be made by HMC to its investors, which
22 rescission offer was a final step before the Znetix IPO and would afford HMC investors
23 the opportunity to choose between a refund of their investments or keeping their
24 investment with HMC in place;

25 o. the rescission offer, and therefore the Znetix IPO, was imminent;

26 p. Cascade Pointe would operate health and fitness clubs in Arizona
27 and in international locations such as Japan, and would receive tens of millions of dollars
28 of revenue;

1 q. funds received from investors in Znetix would be placed in an
2 escrow account;

3 r. investors who received "units" in Cascade Pointe would receive
4 more than one share of HMC stock for each unit, and would later receive four shares of
5 Znetix for each HMC share;

6 s. Znetix had or was about to obtain a contract with the U.S.
7 Department of Defense worth billions of dollars;

8 t. Various shell corporations established in the Carribean nation of
9 Nevis would provide tens of millions of dollars in the form of lines of credit to Cascade
10 Pointe;

11 u. Cascade Pointe investors would receive million of shares in HMC
12 after the rescission offer to be made by HMC.

13 2. It was a part of the conspiracy and scheme to defraud that in the offer and
14 sale of the securities issued by HMC, Project X, Znetix, and Cascade Pointe, defendant
15 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
16 knowingly and willfully failed to truthfully and accurately disclose in a registration
17 statement, prospectus, private placement memorandum or in any other form material
18 facts, including but not limited to:

19 a. the uses to which investors' money would be put;

20 b. the financial condition of the HMC, Project X, Znetix, and Cascade
21 Pointe;

22 c. the lack of financial controls at HMC, Project X, Znetix, and
23 Cascade Pointe;

24 d. the compensation to be received by defendants and others associated
25 with HMC, Project X, Znetix, and Cascade Pointe;

26 e. that HMC, Project X, Znetix, and Cascade Pointe were under
27 common management and control;

28 f. that HMC had sold more than its authorized amount of shares.

1 3. It was a part of the conspiracy and scheme to defraud that defendant
2 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
3 used millions of dollars of funds received from investors for personal use, and for other
4 purposes not disclosed to investors.

5 4. It was a part of the conspiracy and scheme to defraud that defendant
6 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
7 established and used a series of shell companies in the United States, in the Caribbean
8 nation of Nevis, and elsewhere, to promote the scheme and to conceal the ownership and
9 control of funds,

10 5. It was a part of the conspiracy and scheme to defraud that the
11 coconspirators used millions of dollars of investor funds to promote the scheme by
12 sponsoring hydroplane and offshore racing boats, the Seattle Mariners major league
13 baseball team, and other prominent organizations and events, by hosting lavish parties in
14 Los Angeles and elsewhere, and by paying professional sports stars to wear items
15 imprinted with the Znetix logo.

16 6. It was a part of the conspiracy and scheme to defraud that defendant
17 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
18 paid employees and consultants of Znetix, HMC, Cascade Pointe, and related entities
19 outrageously high salaries, commissions, and other compensation to work, wittingly or
20 unwittingly, in furtherance of the conspiracy and scheme to defraud.

21 7. It was a part of the conspiracy and scheme to defraud that the
22 coconspirators misled and attempted to mislead the State of Washington, the U.S.
23 Securities and Exchange Commission, and others with regard to the activities of HMC,
24 Znetix, Cascade Pointe, and those affiliated with them;

25 8. It was a part of the conspiracy and scheme to defraud that the conspirators
26 employed multi-level marketing techniques and various sales agents to sell the securities
27 of HMC, Znetix, and Cascade Pointe to over five thousand investors throughout the
28 United States.

1 9. It was a part of the conspiracy and scheme to defraud that defendant
2 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
3 lulled and attempted to lull investors, through oral and written communications
4 containing false and misleading statements, into believing that their investments with
5 HMC, Znetix, Cascade Pointe, and related entities, would result in the creation of
6 significant wealth.

7 D. OVERT ACTS

8 In furtherance of the conspiracy, and to promote the objects thereof, defendant
9 CLIFFORD G. BAIRD and others known and unknown to the United States Attorney
10 committed and caused to be committed, among others, the following overt acts:

11 1. On or about May 2, 2001, persons affiliated with HMC and Znetix who are
12 known to the United States Attorney caused the formation of Cascade Pointe, LLC, as a
13 Washington State limited liability company.

14 2. On or about June 26, 2001, defendant CLIFFORD G. BAIRD and a person
15 affiliated with HMC known to the United States Attorney executed a "letter of intent"
16 purporting to commit Cascade Pointe to provide \$35 million to fund a rescission offer to
17 be made by HMC to investors.

18 3. On or about July 2, 2001, defendant CLIFFORD G. BAIRD received a
19 letter from Julie S. Mills falsely stating that Palledium Capital Partners, Ltd., of Nevis
20 would provide Cascade Pointe with a \$5 million line of credit for an up front fee of
21 \$175,000.

22 4. On or about July 11, 2001, defendant CLIFFORD G. BAIRD received a
23 letter from Julie S. Mills falsely stating that Rutherford, York & Baxter, Ltd., of Nevis
24 would provide Cascade Pointe with a \$10 million line of credit for an up front fee of
25 \$200,000.

26 5. On or about July 12, 2001, defendant CLIFFORD G. BAIRD received a
27 letter from Julie S. Mills falsely stating that Winfield & Brundidge Investments, Inc., of
28

1 Nevis would provide Cascade Pointe with a \$10 million line of credit for an up front fee
2 of \$150,000.

3 6. On or about July 12, 2001, defendant CLIFFORD G. BAIRD sent a letter to
4 investors stating, among other things, that:

5 a. the contract between HMC and Cascade Pointe "discloses in excess
6 of \$60 million in promissory notes due to HMC, Inc. by other companies;"

7 b. Cascade Pointe "has been awarded the state of Arizona by Znetix
8 The anticipated annual revenues will be between \$50 million and \$100 million within the
9 first five years of operation;"

10 c. Cascade Pointe "will also be participating in some portion of the
11 international markets of the Znetix rollout;" and

12 d. Cascade Pointe "has secured a \$50 million line of credit from several
13 private money groups "

14 7. On or about July 16, 2001, defendant CLIFFORD G. BAIRD sent a letter to
15 investors stating, among other things, that:

16 a. "On Friday night last, July 13, I signed the final agreement to acquire
17 HMC, Inc. rescission stock, some assets and some liabilities. This agreement now gives
18 HMC the ability to start its rescission process by providing the funding necessary for
19 HMC to purchase back shares as requested"; and

20 b. "With the retaining of a couple of new Fund Managers as
21 consultants, we should be able to finish our \$50 million round by the end of the week."

22 8. On or about July 16, 2001, defendant CLIFFORD G. BAIRD received a
23 letter from Kim Singh falsely stating that Hawkins & Holland, Inc., of Nevis would
24 provide Cascade Pointe with a \$10 million line of credit for an up front fee of \$250,000.

25 9. On or about July 16, 2001, defendant CLIFFORD G. BAIRD received a
26 letter from Julie S. Mills falsely stating that Nurrell Marcos Capital, Ltd., of Nevis would
27 provide Cascade Pointe with a \$10 million line of credit for an up front fee of \$150,000.
28

1 10. On or about July 21, 2001, defendant CLIFFORD G. BAIRD sent an e-mail
2 message to investors stating, among other things, that:

3 a. "We are now negotiating to participate in a new foreign opportunity.
4 We are entering discussions for the very real possibility of Cascade Pointe participating in
5 the licensing of over 150 health club/fitness centers in Tokyo, Japan. This just continues
6 to increase your future income stream as a founding member"; and

7 b "This past week someone gave me a great metaphor about this
8 journey we have been on. He suggested it was like an Olympic marathon and we have
9 just entered the Olympic stadium - Wow?"

10 11. On or about July 24, 2001, defendant CLIFFORD G. BAIRD sent a letter
11 to investors, stating, among other things, that Cascade Pointe would be moving its "legal
12 venue" to the Caribbean nation of Nevis, and that on or around August 15, 2001, Cascade
13 Pointe would be "retaining the services of an investment banker like Bear Stearns or
14 Stiffel, Nicolaus to assist us in raising money to build the facilities."

15 12. On or about August 9, 2001, defendant CLIFFORD G. BAIRD and a
16 person affiliated with HMC known to the United States Attorney executed an "Amended
17 and Restated Stock Purchase Agreement" purporting to commit Cascade Pointe to
18 provide \$55 million to fund a rescission offer to be made by HMC to investors.

19 13. On or about September 7, 2001, defendant CLIFFORD G. BAIRD received
20 a letter from J. Michelle Williams falsely stating that Lloyd's & Lloyd's Financial, Ltd., of
21 Nevis would provide Cascade Pointe with a \$10 million line of credit for an up front fee
22 of \$150,000.

23 14. On November 2, 2001, a wire transfer in the amount of \$40,500,
24 representing funds obtained from investors, was received by Cascade Pointe from an
25 account controlled by John Brust at Royal American Bank.

26 15. On November 2, 2001, funds in the amount of \$125,000 were withdrawn
27 from a bank account controlled by Cascade Pointe for the purchase of cashier's check
28 number 0604963566 payable to HMC.

1 16. On November 7, 2001, funds in the amount of \$50,000 were withdrawn
2 from a bank account controlled by Cascade Pointe for the purchase of cashier's check
3 number 8590333743 payable to HMC.

4 17. On November 9, 2001, funds in the amount of \$100,000 were withdrawn
5 from a bank account controlled by Cascade Pointe for the purchase of cashier's check
6 number 8590333968 payable to HMC.

7 18. On November 20, 2001, funds in the amount of \$140,000 were withdrawn
8 from a bank account controlled by Cascade Pointe for the purchase of cashier's check
9 number 8590335507 payable to HMC.

10 19. On November 26, 2001, funds in the amount of \$125,000 were withdrawn
11 from a bank account controlled by Cascade Pointe for the purchase of cashier's check
12 number 8590336083 payable to HMC.

13 20. On November 26, 2001, funds in the amount of \$100,000 were withdrawn
14 from a bank account controlled by Cascade Pointe for the purchase of cashier's check
15 number 8590335912 payable to HMC.

16 21. On December 7, 2001, a wire transfer of funds in the amount of \$50,000,
17 was sent from a Bank of America account in the name of Cascade Pointe LLC to ABN
18 Amro Bank, for the benefit of Lemur Capital, Ltd., an entity established in the Carribean
19 nation of Nevis and controlled by defendant CLIFFORD G. BAIRD..

20 22. On January 16, 2002, funds in the amount of \$50,000 were withdrawn from
21 a bank account controlled by Cascade Pointe for the purchase of a cashier's check payable
22 to HMC.

23 //

24 //

25 //

26 //

27 //


28 //

1 23. On January 18, 2002, funds in the amount of \$85,000 were withdrawn from a bank
2 account controlled by Cascade Pointe for the purchase of a cashier's check payable to
3 HMC.

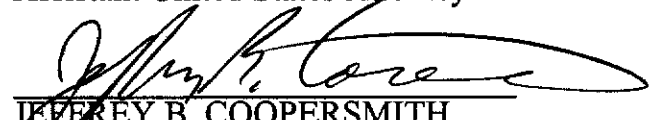
4 All in violation of Title 18, United States Code, Section 371.

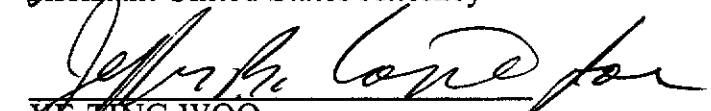
5 DATED this ____ day of July, 2002.


6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28


MARK BARTLETT
Acting United States Attorney


for FLOYD SHORT
Assistant United States Attorney


JEFFREY B. COOPERSMITH
Assistant United States Attorney


YE-TING WOO
Assistant United States Attorney


RICHARD E. COHEN
Assistant United States Attorney