

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."

