

Presented to the Court by the foreman of the Grand Jury in open Court, in the presence of the Grand Jury and FILED in The U.S. DISTRICT COURT at Seattle, Washington.

July 31 2002
BRUCE RIFKIN, Clerk
By Heather Ament-Zachary Deputy

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

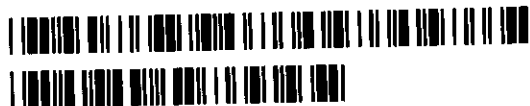
v.

KEVIN L. LAWRENCE,

Defendant.

NO **CR02-260R**

INDICTMENT



CR 02-00260 #00000001

THE GRAND JURY CHARGES THAT:

I.

COUNT 1
(Conspiracy)

From in or about 1995, and continuing thereafter until the present, at Seattle, Bellevue, and Bambridge Island, at other places within the Western District of Washington, and elsewhere, the defendant, KEVIN L. LAWRENCE, together with other persons known and unknown to the Grand Jury, 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:

A. INTRODUCTION

1. Health Maintenance Centers, Inc., ("HMC") was incorporated in Washington State on or about 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 about October 30, 2000. At all times material to this Indictment, defendant

1 KEVIN L. LAWRENCE was the founder and principal officer of HMC. Beginning at a
2 time unknown but at least by in or around 1997, Donavon C. Claflin was the Treasurer of
3 HMC and the authorized signer for many of the bank accounts associated with HMC.
4 From in or around September 2000 through in or around January 2002, Kevin McCarthy
5 was the head of HMC's investor relations department. The Articles of Incorporation for
6 HMC provided that the corporate purposes of HMC were "[t]o operate health and
7 exercise clubs, and related facilities" and "[t]o engage in any business, trade or activity
8 which may be conducted lawfully by a corporation organized under the Washington State
9 Business Corporation Act." The Articles of Incorporation for HMC also provided that
10 "[t]his corporation is authorized to issue 10,000 shares of common stock and each share
11 shall have a par value of \$1.00." On February 5, 1997, HMC filed Articles of
12 Amendment that provided, among other things, that "[t]his corporation is authorized to
13 issue 15,000,000 shares of common stock and each share shall have a par value of \$1.00."
14 On or about December 26, 2001, HMC ceased to exist as a Washington State corporation
15 and merged with a Delaware corporation known as HMC Acquisition Corp., a wholly-
16 owned subsidiary of Znetix, Inc. Also on or about December 26, 2001, HMC Acquisition
17 Corp. changed its name to Health Maintenance Centers, Inc.

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

23 3. From in or about 1995 through in or about January 2002, HMC, Project X,
24 and Znetix, and affiliated entities, through various sales agents and at the direction of
25 defendant KEVIN L. LAWRENCE, and other persons known and unknown to the Grand
26 Jury, solicited and received in excess of \$60 million from investors. At no time were the
27 offers and sales of securities issued by HMC, Project X, Znetix, and affiliated entities
28 registered with the United States Securities and Exchange Commission, the State of

1 Washington Department of Financial Institutions, Securities Division, or with the
2 securities regulatory authorities in any other state.

3 4. On or about April 9, 2001, the State of Washington Department of Financial
4 Institutions, Securities Division, issued a Summary Order to Cease and Desist against
5 HMC and defendant KEVIN L. LAWRENCE. The Cease and Desist Order, among other
6 things, barred defendant KEVIN L. LAWRENCE and HMC (including HMC's
7 employees, officers and directors) from selling securities through fraudulent
8 representations and material omissions, and in violation of the Washington State statutes
9 providing for the registration of securities prior to their offer and sale.

10 5. Cascade Pointe LLC was a limited liability company formed in Washington
11 State on or about May 2, 2001. Cascade Pointe of Arizona LLC was a limited liability
12 company formed in Arizona on or about August 8, 2001. Cascade Pointe of Nevis LLC
13 was a limited liability company established in the Carribean nation of Nevis on or about
14 July 26, 2001¹ Clifford G. Baird was the manager of Cascade Pointe from on or about
15 June 22, 2001, through in or around January 2002. From on or about May 2, 2001,
16 through in or around January 2002, defendant KEVIN L. LAWRENCE, along with Kevin
17 McCarthy and other persons known and unknown to the Grand Jury, secretly controlled
18 and directed the activities of Cascade Pointe.

19 6. From on or about May 2, 2001, through in or around January 2002, Cascade
20 Pointe, through various sales agents and at the direction of defendant KEVIN L.
21 LAWRENCE and others known and unknown to the Grand Jury, solicited and received in
22 excess of \$12 million from investors. At no time were the offers and sales of securities
23 issued by Cascade Pointe and affiliated entities registered with the United States
24 Securities and Exchange Commission, the State of Washington Department of Financial
25 Institutions, Securities Division, or with the securities regulatory authorities in any other
26 state.

27
28 ¹ Cascade Pointe LLC, Cascade Pointe of Arizona LLC, and Cascade Pointe of Nevis
LLC are collectively referenced in this Indictment as "Cascade Pointe."

1 **B. OBJECTS OF THE CONSPIRACY**

2 The objects of the conspiracy were as follows.

3 1. To unlawfully, knowingly, and willfully, directly and indirectly, by the use
4 of means and instrumentalities of interstate commerce, and of the mails, use and employ,
5 in connection with the purchases and sales of securities, manipulative and deceptive
6 devices and contrivances, by (a) employing devices, schemes, and artifices to defraud;
7 (b) making untrue statements of material facts and omitting to state material facts
8 necessary to make the statements made, in light of the circumstances in which they were
9 made, not misleading; and (c) engaging in acts, practices, and courses of business which
10 operated and would operate as a fraud and deceit upon other persons, in violation of
11 Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal
12 Regulations, Section 240.10b-5;

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

18 3. To knowingly and willfully use and cause the United States mail and
19 interstate couriers to be used in furtherance and execution of a scheme and artifice to
20 defraud, and a scheme and artifice for obtaining money and property by means of false
21 and fraudulent pretenses, representations and promises, in violation of Title 18,
22 United States Code, Section 1341;

23 4. To conduct and attempt to conduct financial transactions affecting interstate
24 commerce involving the proceeds of specified unlawful activities, that is mail fraud, wire
25 fraud, and securities fraud, knowing that the property involved in the financial
26 transactions represented the proceeds of some form of unlawful activity, and knowing
27 that the transactions were designed in whole and in part to conceal and disguise the
28 nature, the location, the source, the ownership, and the control of the proceeds of

1 specified unlawful activities, in violation of Title 18, United States Code, Section
2 1956(a)(1)(B)(i),

3 5. To transport, transmit, and transfer, and attempt to transport, transmit, and
4 transfer, monetary instruments and funds from places in the United States to and through
5 places outside the United States, and to places in the United States from and through
6 places outside the United States, knowing that the monetary instruments and funds
7 involved in the transportations, transmissions, and transfers represented the proceeds of
8 some form of unlawful activity, and knowing that such transportations, transmissions, and
9 transfers were designed in whole and in part to conceal and disguise the nature, the
10 location, the source, the ownership, and the control of the proceeds of specified unlawful
11 activities, that is, securities fraud, wire fraud, and mail fraud, in violation of Title 18,
12 United States Code, Section 1956(a)(2)(B)(1); and

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

19 C. MANNER AND MEANS OF THE CONSPIRACY

20 1. It was a part of the conspiracy and scheme to defraud that defendant
21 KEVIN L. LAWRENCE, and other persons known and unknown to the Grand Jury,
22 knowingly and willfully offered and sold, caused to be offered and sold, and aided and
23 abetted the offer and sale of, securities issued by HMC, Project X, Znetix, Cascade
24 Pointe, and affiliated entities to thousands of investors located in Washington State and
25 other states by means of false and fraudulent statements, representations, promises, and
26 pretenses, including, but not limited to, the false and fraudulent statements that:
27
28

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

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

7 c. Znetix shares would be valued at substantially more than one dollar
8 per share after the IPO,

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

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

13 f. HMC and Znetix had developed proprietary medical and fitness
14 software and equipment which would generate substantial revenues;

15 g. Znetix had sold or would shortly sell licenses for approximately one
16 million dollars apiece to operate health and fitness clubs throughout the United States;

17 h. leading sports and entertainment figures had agreed to purchase or
18 license health and fitness clubs from Znetix;

19 i. defendant KEVIN L. LAWRENCE had previously been employed
20 with the firm Morgan Stanley in Japan;

21 j. Znetix would receive \$500 million from an investor group from
22 China;

23 k. Znetix or an affiliate had or was about to obtain a contract with the
24 United States Department of Defense worth millions or even billions of dollars;

25 l. defendant KEVIN L. LAWRENCE owned millions of shares in
26 HMC and had to sell a substantial portion of these shares because securities regulators
27 would not allow him to hold a majority interest in both HMC and Znetix;

28

1 m. defendant KEVIN L. LAWRENCE was not receiving any
2 compensation from HMC and Znetix;

3 n. funds received from investors in Znetix would be placed in an
4 escrow account and released to Znetix only after Znetix fulfilled the fundraising goals set
5 forth in its private placement memorandum,

6 o. Cascade Pointe was a private investment firm under management
7 separate and apart from HMC;

8 p. Cascade Pointe was one of the nation's leading private investment
9 firms, and employed investment strategies based on "diversification" and "rock-solid
10 financials";

11 q. Cascade Pointe would and had the ability to fund, by means of cash
12 or lines of credit, a "rescission offer" to be made by HMC to its investors, which
13 rescission offer would afford HMC investors the opportunity to choose between a refund
14 of their investments or keeping their investments with HMC in place, and was a final step
15 before the Znetix IPO;

16 r. the rescission offer, and therefore the Znetix IPO, was imminent;

17 s. Cascade Pointe would operate health and fitness clubs in Arizona
18 and in international locations such as Japan, and would receive tens of millions of dollars
19 of revenue; and

20 t. investors who received "units" in Cascade Pointe would receive
21 more than one share of HMC in exchange for each unit, and would later receive four
22 shares of Znetix for each HMC share.

23 2. It was a part of the conspiracy and scheme to defraud that in the offer and
24 sale of the securities issued by HMC, Project X, Znetix, Cascade Pointe, and affiliated
25 entities, defendant KEVIN L. LAWRENCE, and other persons known and unknown to
26 the Grand Jury, knowingly and willfully failed to truthfully and accurately disclose in a
27 registration statement, prospectus, private placement memorandum or in any other form
28 material facts, including but not limited to:

1 a. the uses to which investors' money would be put, including that
2 investors' money had been and would be used to purchase millions of dollars worth of
3 luxury cars, boats, homes, and other items for the personal use of defendant KEVIN L.
4 LAWRENCE and other persons known and unknown to the Grand Jury,

5 b. the financial condition of HMC, Project X, Znetix, Cascade Pointe,
6 and affiliated entities;

7 c. the lack of financial controls at HMC, Project X, Znetix, Cascade
8 Pointe, and affiliated entities;

9 d. the compensation to be received by defendant KEVIN L.
10 LAWRENCE, and others associated with HMC, Project X, Znetix, Cascade Pointe, and
11 affiliated entities;

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

14 f. that Znetix could not receive funds under its purported \$500 million
15 "debenture contract" with an investment group from China unless Znetix first made \$500
16 million available to that investment group;

17 g. that HMC had sold more than its authorized amount of shares.

18 3. It was a part of the conspiracy and scheme to defraud that defendant
19 KEVIN L. LAWRENCE, and other persons known and unknown to the Grand Jury, used
20 funds received from investors for personal use, including for purchases of luxury cars,
21 boats, homes, jewelry, and other items, and for other purposes not disclosed to investors.

22 4. It was a part of the conspiracy and scheme to defraud that defendant
23 KEVIN L. LAWRENCE, and other persons known and unknown to the Grand Jury,
24 established and used a series of shell companies in Nevada, in the Caribbean nation of
25 Nevis, and elsewhere, to promote the scheme and to conceal the ownership and control of
26 funds.

27 5. It was a part of the conspiracy and scheme to defraud that defendant
28 KEVIN L. LAWRENCE, and other persons known and unknown to the Grand Jury, used

1 millions of dollars of investor funds to promote the scheme by sponsoring hydroplane and
2 offshore racing boats, the Seattle Mariners major league baseball team and other
3 prominent organizations and events, by hosting lavish parties in Los Angeles and
4 elsewhere, and by paying professional sports stars to wear items imprinted with the Znetix
5 logo

6 6. It was a part of the conspiracy and scheme to defraud that defendant
7 KEVIN L. LAWRENCE, and other persons known and unknown to the Grand Jury, paid
8 employees, consultants, and sales agents of Znetix, Project X, HMC, Cascade Pointe, and
9 affiliated entities outrageously high salaries, commissions, and other compensation,
10 including in the form of cash, homes, and luxury cars, to work, wittingly and unwittingly,
11 in furtherance of the conspiracy and scheme to defraud.

12 7. It was a part of the conspiracy and scheme to defraud to mislead and
13 attempt to mislead the State of Washington, the United States Securities and Exchange
14 Commission, and others with regard to the activities of HMC, Project X, Znetix, Cascade
15 Pointe, and those affiliated with them.

16 8. It was a part of the conspiracy and scheme to defraud that defendant
17 KEVIN L. LAWRENCE, and other persons known and unknown to the Grand Jury,
18 employed multi-level marketing techniques and various sales agents to offer and sell the
19 securities of HMC, Project X, Znetix, Cascade Pointe and affiliated entities, to over five
20 thousand investors located throughout the United States

21 9. It was a part of the conspiracy and scheme to defraud that defendant
22 KEVIN L. LAWRENCE, and other persons known and unknown to the Grand Jury,
23 lulled and attempted to lull investors, through oral and written communications
24 containing false and misleading statements, into believing that their investments with
25 HMC, Project X, Znetix, Cascade Pointe, and affiliated entities would result in the
26 creation of significant wealth.

1 D. OVERT ACTS

2 In furtherance of the conspiracy, and to promote the objects thereof, defendant
3 KEVIN L. LAWRENCE, and other persons known and unknown to the Grand Jury,
4 committed and caused to be committed, among others, the overt acts described in Counts
5 2 through 64 of this Indictment, and the following:

6 1. On or about August 27, 1997, defendant KEVIN L. LAWRENCE signed
7 check number 1146 in the amount of \$25,263.33, drawn on a U.S. Bank account in the
8 name of American HMC LLC, payable to John Green for a 1990 Donzi Black Widow
9 boat.

10 2. On or about April 10, 1998, defendant KEVIN L. LAWRENCE signed
11 check number 1661 in the amount of \$5,830.34, drawn on a U.S. Bank account in the
12 name of American HMC LLC, payable to "Brothers" for a 1997 Bombardier jet ski
13 watercraft.

14 3. On or about April 10, 1998, defendant KEVIN L. LAWRENCE signed
15 check number 1659 in the amount of \$7,226.15, drawn on a U.S. Bank account in the
16 name of American HMC LLC, payable to "Brothers" for a 1998 Bombardier jet ski
17 watercraft.

18 4. On or about March 26, 1999, defendant KEVIN L. LAWRENCE signed
19 check number 7664 in the amount of \$93,337.05, drawn on a U.S. Bank account in the
20 name of Health Maintenance Centers, Inc., payable to Fitzgerald Motor Sports for a 1999
21 Dodge Viper automobile.

22 5. On or about April 12, 1999, defendant KEVIN L. LAWRENCE signed
23 check number 7707 in the amount of \$51,648.00, drawn on a U.S. Bank account in the
24 name of Health Maintenance Centers, Inc., payable to Fitzgerald Motor Sports for a 1994
25 Dodge Viper automobile.

26 6. On or about June 6, 1999, defendant KEVIN L. LAWRENCE signed check
27 number 7731 in the amount of \$37,435.17, drawn on a U.S. Bank account in the name of
28

1 Health Maintenance Centers, Inc., payable to Courtesy Ford for a 1999 Ford F350 pickup
2 truck.

3 7. On or about August 18, 1999, defendant KEVIN L. LAWRENCE signed
4 check number 7749 in the amount of \$108,500, drawn on a U.S. Bank account in the
5 name of Health Maintenance Centers, Inc., payable to John Hennessy for work performed
6 on defendant KEVIN L. LAWRENCE's vehicles.

7 8. On or about August 19, 1999, defendant KEVIN L. LAWRENCE signed
8 check number 7793 in the amount of \$119,950, drawn on a U.S. Bank account in the
9 name of Health Maintenance Centers, Inc., payable to David Golder for a 1996 Dodge
10 Viper automobile.

11 9. On or about February 24, 2000, defendant KEVIN L. LAWRENCE
12 authorized a wire transfer in the amount of \$66,000, from a U.S. Bank account in the
13 name of Health Maintenance Centers, Inc., to Roby Autogroup, Inc., for a 1999 Ferrari
14 F355 CV Spider automobile.

15 10 On or about March 30, 2000, defendant KEVIN L. LAWRENCE
16 authorized a wire transfer in the amount of \$292,652, from a U.S. Bank account in the
17 name of Health Maintenance Centers, Inc., to National Auto Wholesale for a 2000
18 Cigarette boat.

19 11. On or about June 15, 2000, defendant KEVIN L. LAWRENCE sent a
20 memorandum to "The Qualified Investor" in which he stated:

21 Znetix, Inc., a Washington corporation, is acquiring HMC,
22 Inc (d.b.a. Human Performance Centers) with a stock
23 purchase. The valuation of HMC, Inc. has been accepted by
24 the Board of Directors of Znetix, Inc. Znetix, Inc. offers to
25 HMC, Inc. for consideration of its value, four (4) shares of
26 Znetix, Inc. Common Stock, or equivalent, for every one (1)
27 share of HMC, Inc. Common Stock. This conversion is
28 applicable to all shareholders with the date of record from
January 1, 1999 through the present.

12. On or about June 16, 2000, defendant KEVIN L. LAWRENCE
countersigned a letter addressed to him from Keith Falls of SPI Silver Pointe Investments
LLC ("Silver Pointe"), pursuant to which defendant KEVIN L. LAWRENCE represented

1 that Silver Pointe would be able to exchange 400,000 HMC shares for 1,600,000 shares
2 of Znetix, and that "[1]t will be announced next week that Znetix, Inc. will be offered in
3 an IPO later this year and based on today's market conditions you and your board of
4 advisors expect a low end strike price to be between \$12-20 dollars per share."

5 13. On or about June 26, 2000, defendant KEVIN L. LAWRENCE caused the
6 purchase of a U.S. Bank cashier's check in the amount of \$25,000, payable to Europa for
7 a 2000 Mercedes Benz 500CV automobile.

8 14. On or about August 11, 2000, defendant KEVIN L. LAWRENCE
9 authorized a wire transfer in the amount of \$325,000, from a U.S. Bank account in the
10 name of Health Maintenance Centers, Inc., to Lake Cumberland Marine for a 1999
11 Cigarette boat.

12 15. On or about September 10, 2000, defendant KEVIN L. LAWRENCE
13 signed check number 8402 in the amount of \$135,755, drawn on a U.S. Bank account in
14 the name of Health Maintenance Centers, Inc., dba Kevin Lawrence, Inc., payable to
15 Europa International, Inc., for a 2000 Mercedes Benz 500CV automobile.

16 16. On or about September 15, 2000, defendant KEVIN L. LAWRENCE sent a
17 memorandum to Gary Engen, an investor, answering two questions posed by that investor
18 as follows:

19 The answers to your two general questions are as follows:

20 1 What type of escrow account are the Znetix private
21 placement funds held in?

22 Znetix private placement funds are in the control of the legal
23 firms handling our stock offering. When Znetix receives
24 funds, the checks are photocopied and one is sent to the Stock
25 Transfer Company, Znetix holds one and the original check is
26 controlled by the legal group. When Znetix has finished
27 raising its offering amount, the legal group will file with the
28 SEC in each of the states the funding came from. When this
intern [sic] mechanics if [sic] finished, the funds are released
to Znetix to be used as described in its private placement
memorandum. This process is very strict and allows no gray
area. That is why there are three independent entities, which
control the access to funds and stock. One is the legal group,
one is Znetix and one is the Stock Transfer Company.

1 2. What is the likelihood that an action could slow or stop
2 the funds from being released to Znetix?

3 There is virtually no situation to stop the funds from being
4 released. It is a very closely monitored process and the funds
5 belong to Znetix from the onset. The escrow system is just
6 one step more secure than that of a real estate escrow account
7 and that step being the legal control of the account. However,
8 it is no different than a real estate account when it comes to
9 the release of the funds. The funds belong to the parties
10 involved in the transaction, not the escrow or legal
11 companies, therefore when the documentation is signed, the
12 funds are available.

13 I allow two weeks or so to give the parties involved time to
14 finish the internal paperwork shuffling that happens in all
15 business transactions. Also, I always assume absenteeism due
16 to sickness and such as well as mail and bank slow downs.
17 Having contingencies built into the time schedule is prudent
18 when dealing with more than one individual. This is why I
19 always give two weeks as a buffer for any working
20 arrangements dealing with escrows or SEC funding
21 assignments.

22 Conclusion:

23 I am so secure about the absolute conclusion of the Znetix
24 funds release I will warrant or pledge my entire ownership in
25 Znetix as well as my personal assets against the event
26 happening as I have depicted.

27 Thank you for your help and call me if you have further
28 questions.

17. On or about October 18, 2000, defendant KEVIN L. LAWRENCE
authorized a wire transfer in the amount of \$25,000, from a U.S. Bank account in the
name of Health Maintenance Centers, Inc., to Motorcars International, Inc., for a 2001
Lamborghini Diablo automobile.

18 On or about November 7, 2000, defendant KEVIN L. LAWRENCE
authorized check number 3022 in the amount of \$100,000, drawn on an account of
Project X, Inc., at U.S. Bank, payable to Land Title for property in Poulsbo, Washington.

19. On or about November 15, 2000, defendant KEVIN L. LAWRENCE
authorized check number 3014 in the amount of \$100,000, drawn on an account at U.S.
Bank, in the name of Project X, Inc., payable to the wife of an individual affiliated with
Znetix located in Los Angeles, California.

1 20. On or about December 27, 2000, defendant KEVIN L. LAWRENCE
2 caused the purchase of cashier's check number 5021882717 in the amount of \$25,000,
3 with funds from a U.S Bank account in the name of Project X, Inc., payable to Executive
4 Auto Consultants for a 2000 Mercedes G500 automobile.

5 21. On or about January 5, 2001, defendant KEVIN L. LAWRENCE
6 authorized a wire transfer in the amount of \$90,000, from a U.S. Bank account in the
7 name of Project X, Inc., to a bank account held by Plaza Motor Company for a 2001
8 Porsche 911 Carrera Cabriolet.

9 22. On or about February 9, 2001, defendant KEVIN L. LAWRENCE
10 authorized a wire transfer in the amount of \$20,000, from a First Mutual Bank account in
11 the name of Health Maintenance Centers, Inc.- American Integrated Health, to Bank of
12 Hawaii in Honolulu for credit to an account in the name of Title Guaranty Escrow
13 Services.

14 23. On or about February 9, 2001, defendant KEVIN L. LAWRENCE
15 authorized an unnumbered counter check in the amount of \$12,999.21, drawn on a First
16 Mutual Bank account in the name of Health Maintenance Centers, Inc.- American
17 Integrated Health, payable to Executive Auto Consultants for accessories for a 2000
18 Mercedes Benz G500 automobile.

19 24 On or about February 14, 2001, defendant KEVIN L. LAWRENCE
20 authorized check number 1014 in the amount of \$5000, drawn on a First Mutual Bank
21 account in the name of Health Maintenance Centers, Inc.- American Integrated Health,
22 payable to Executive Auto for a 2000 Mercedes Benz G500 automobile.

23 25. On or about February 26, 2001, defendant KEVIN L. LAWRENCE
24 authorized a wire transfer in the amount of \$85,000, from a First Mutual Bank account in
25 the name of Health Maintenance Centers, Inc.- American Integrated Health, payable to
26 Executive Auto Consultants for a 2000 Mercedes Benz G500 automobile.

27 26. On or about March 1, 2001, defendant KEVIN L. LAWRENCE signed
28 check number 5146 in the amount of \$80,000, drawn on a Bank of America account in

1 the name of Bainbridge Human Performance Center PLLC, for the purchase of cashier's
2 check number 3410121573, which was used for property in Princeville, Hawaii.

3 27. On or about March 23, 2001, defendant KEVIN L. LAWRENCE
4 authorized a wire transfer in the amount of \$725,000, from a First Mutual Bank account
5 in the name of Health Maintenance Centers, Inc.- American Integrated Health, to Title
6 Guaranty Escrow Services for property in Princeville, Hawaii.

7 28. On or about March 26, 2001, defendant KEVIN L. LAWRENCE
8 authorized a wire transfer in the amount of \$90,000, from a First Mutual Bank account in
9 the name of Health Maintenance Centers, Inc.- American Integrated Health, to Hall
10 Pantera, Inc., for a 1972 DeTomaso Pantera automobile.

11 29. On or about March 27, 2001, defendant KEVIN L. LAWRENCE
12 authorized a wire transfer in the amount of \$600,000, from a First Mutual Bank account
13 in the name of Health Maintenance Centers, Inc.- American Integrated Health, to
14 SkyPrints for a residence for a Znetix fundraiser located in St. Louis, Missouri.

15 30 On or about March 27, 2001, defendant KEVIN L. LAWRENCE
16 authorized a wire transfer in the amount of \$124,653, from a First Mutual Bank account
17 in the name of Health Maintenance Centers, Inc.-American Integrated Health, to a bank
18 account held by Steve Taub, Inc., for the purchase of a 2001 Porsche 911 Cabriolet for
19 the wife of an individual affiliated with Znetix located in Los Angeles, California.

20 31. On or about April 6, 2001, defendant KEVIN L. LAWRENCE authorized a
21 wire transfer in the amount of \$174,698.75, from a First Mutual Bank account in the
22 name of Health Maintenance Centers, Inc.- American Integrated Health, to The Bank of
23 Nova Scotia, Nassau, Bahamas, for account number 6077-18 in the name of Graham,
24 Thompson & Co.

25 32. On or about April 17, 2001, defendant KEVIN L. LAWRENCE authorized
26 check number 1096 in the amount of \$330,000, drawn on a First Mutual Bank account in
27 the name of Health Maintenance Centers, Inc.- American Integrated Health, payable to
28 Lido Jewelry for the purchase of a seven carat diamond ring.

1 33. On or about May 2, 2001, defendant KEVIN L. LAWRENCE and other
2 persons known and unknown to the Grand Jury caused the formation of Cascade Pointe
3 LLC as a Washington State limited liability company.

4 34. On or about June 26, 2001, defendant KEVIN L. LAWRENCE and
5 Clifford G. Baird signed a "letter of intent" purporting to commit Cascade Pointe to
6 provide \$35 million to fund a rescission offer to be made by HMC to investors.

7 35 On or about June 26, 2001, Clifford G Baird sent a letter to Cascade Pointe
8 investors requesting that the investors not "discuss any information relating to Cascade
9 Pointe, HMC, or Znetix with any party whatsoever," and requesting that the investors sign
10 a non-disclosure agreement, which would allow them to receive "a research report
11 regarding Znetix" written by "Sanjoy Bhattacharya [sic], a former analyst with Goldman
12 Sachs & Company."

13 36. On or about July 2, 2001, Clifford G. Baird received a letter from Julie S.
14 Mills falsely stating that Palledium Capital Partners, Ltd., of Nevis would provide
15 Cascade Pointe with a \$5 million line of credit for an up front fee of \$175,000.

16 37. On or about July 2, 2001, a wire transfer was authorized in the amount of
17 \$250,000, with funds from Bank of America account number 62577507 in the name of
18 Cascade Pointe LLC, to Silverdale State Bank, for account number 04022995 in the name
19 of Bainbridge HPC.

20 38. On or about July 5, 2001, persons affiliated with Cascade Pointe known and
21 unknown to the Grand Jury established a web site known as www.cascadepointe.com
22 with content that included the false statements that Cascade Pointe was one of the nation's
23 leading private investment firms and employed investment strategies based on
24 "diversification" and "rock-solid financials."

25 39. On or about July 11, 2001, Clifford G Baird received a letter from Julie S.
26 Mills falsely stating that Rutherford, York & Baxter, Ltd., of Nevis would provide
27 Cascade Pointe with a \$10 million line of credit for an up front fee of \$200,000.

28

1 40. On or about July 11, 2001, Clifford G. Baird sent a letter to investors
2 stating, among other things, "[p]lease read the enclosed summary and analysis of Znetix
3 as done by a former Goldman Sachs analyst. This should really excite you."

4 41. On or about July 12, 2001, Clifford G. Baird sent a letter to investors falsely
5 stating, among other things, that:

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

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

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

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

15 42. On or about July 12, 2001, Clifford G. Baird received a letter from Julie S.
16 Mills falsely stating that Winfield & Brundidge Investments, Inc., of Nevis would provide
17 Cascade Pointe with a \$10 million line of credit for an up front fee of \$150,000.

18 43. On or about July 12, 2001, Kevin McCarthy sent an e-mail message to
19 Clifford G. Baird and others stating "[h]ere are the lines of credit. I plan to email these to
20 Nevis tonight for them to fax back signed tomorrow and fedex originals. Let me know if
21 you have any changes."

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

25 45. On or about July 16, 2001, Clifford G. Baird sent a letter to investors falsely
26 stating, among other things, that:

27 a. "On Friday night last, July 13, I signed the final agreement to acquire
28 HMC, Inc. rescission stock, some assets and some liabilities. This agreement now gives

1 HMC the ability to start its rescission process by providing the funding necessary for
2 HMC to purchase back shares as requested"; and

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

5 46. On or about July 16, 2001, Clifford G. Baird received a letter from Julie S
6 Mills falsely stating that Nurrell Marcos Capital, Ltd., of Nevis would provide Cascade
7 Pointe with a \$10 million line of credit for an up front fee of \$150,000.

8 47. On or about July 20, 2001, defendant KEVIN L. LAWRENCE had a
9 telephone conversation with Kevin McCarthy in which they discussed having the Acting
10 Controller of Cascade Pointe provide false information regarding Cascade Pointe in
11 response to an inquiry by the State of Washington Department of Financial Institutions,
12 Securities Division.

13 48. On or about July 21, 2001, Clifford G. Baird sent an e-mail message to
14 investors stating, among other things, that:

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

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

22 49. On or about July 24, 2001, Clifford G. Baird sent a letter to investors,
23 stating, among other things, that Cascade Pointe would be moving its "legal venue" to the
24 Carribean nation of Nevis, and that on or around August 15, 2001, Cascade Pointe would
25 be "retaining the services of an investment banker like Bear Stearns or Stifel, Nicolaus to
26 assist us in raising money to build the facilities."

27 50. On or about July 27, 2001, a wire transfer was authorized in the amount of
28 \$200,000, from Bank of America account number 62577507, in the name of Cascade

1 | Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name of
2 | Health Maintenance Centers, Inc.

3 | 51. On or about July 27, 2001, a wire transfer was authorized in the amount of
4 | \$26,550, from Bank of America account number 62577507, in the name of Cascade
5 | Pointe LLC, to SKNA National Bank, for account number 04022995, in the name of
6 | Nevis American Trust, for credit to Cascade Pointe of Nevis LLC.

7 | 52. On or about August 2, 2001, a wire transfer was authorized in the amount
8 | of \$100,000, from Bank of America account number 62577507, in the name of Cascade
9 | Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name of
10 | Health Maintenance Centers, Inc.

11 | 53. On or about August 2, 2001, a wire transfer was authorized in the amount
12 | of \$100,000, from Bank of America account number 62577507, in the name of Cascade
13 | Pointe LLC, to SKNA National Bank, for account number 04022995, in the name of
14 | Nevis American Trust, for credit to Lemur Capital, Ltd.

15 | 54. On or about August 3, 2001, a wire transfer was authorized in the amount
16 | of \$500,000, from Bank of America account number 62577507, in the name of Cascade
17 | Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name of
18 | Health Maintenance Centers, Inc.

19 | 55. On or about August 6, 2001, the Acting Controller of Cascade Pointe sent a
20 | letter to Martin Cordell, a securities enforcement attorney with the State of Washington
21 | Department of Financial Institutions, Securities Division, in which the Acting Controller
22 | falsely stated, among other things, that Cascade Pointe's organizers became familiar with
23 | HMC, Znetix, and affiliates in the following way:

24 | LLC members have been researching opportunities with
25 | companies like HMC and Znetix. During their research, they
26 | became aware of the problems HMC was experiencing with
27 | your department. Cascade Pointe viewed HMC's problem as
28 | a potential opportunity. Contact was made with appropriate
 personnel at HMC to begin discussions, which has led us to
 where we are today. The purpose of Cascade Pointe is to
 pursue the acquisition of HMC stock.

1 56. On or about August 7, 2001, a wire transfer was authorized in the amount
2 of \$300,000, from Bank of America account number 62577507, in the name of Cascade
3 Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name of
4 Health Maintenance Centers, Inc.

5 57. On or about August 8, 2001, a wire transfer was authorized in the amount
6 of \$150,000, from Bank of America account number 62577507, in the name of Cascade
7 Point LLC, to Wells Fargo Bank Nevada N.A., for account number 924927726, in the
8 name of Eceuro RC Corp.

9 58. On or about August 9, 2001, defendant KEVIN L. LAWRENCE and
10 Clifford G. Baird executed an "Amended and Restated Stock Purchase Agreement" that
11 purportedly committed Cascade Pointe to provide \$55 million to fund a rescission offer to
12 be made by HMC to investors.

13 59. On or about August 9, 2001, a wire transfer was authorized in the amount
14 of \$50,000, from Bank of America account number 62577507, in the name of Cascade
15 Pointe LLC, to SKNA National Bank, for account number 04022995, in the name of
16 Nevis American Trust for credit to Gibraltar Capital Partners.

17 60. On or about August 10, 2001, a wire transfer was authorized in the amount
18 of \$200,000, from Bank of America account number 62577507, in the name of Cascade
19 Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name of
20 Health Maintenance Centers, Inc.

21 61. On or about August 17, 2001, a wire transfer was authorized in the amount
22 of \$100,000, from Bank of America account number 62577507, in the name of Cascade
23 Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name of
24 Health Maintenance Centers, Inc.

25 62. On or about August 17, 2001, a wire transfer was authorized in the amount
26 of \$100,000, from Bank of America account number 62577507, in the name of Cascade
27 Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name of
28 Health Maintenance Centers, Inc.

1 63. On or about August 21, 2001, a wire transfer was authorized in the amount
2 of \$375,000, from Bank of America account number 62577507, in the name of Cascade
3 Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name of
4 Health Maintenance Centers, Inc.

5 64. On or about August 23, 2001, the Acting Controller of Cascade Pointe sent
6 a memorandum to Clifford G. Baird, which Baird distributed to investors, stating among
7 other things, that the Acting Controller had a lengthy telephone conference with
8 defendant KEVIN L. LAWRENCE, who provided the following information:

9 a. "HMC filed the Registration Statement with the State of Washington
10 relative to the rescission"; and

11 b. "Znetix is proceeding in an expedited manner to file its S-1. The
12 expectation is that it will be completed and filed within the next few weeks."

13 65. On or about August 28, 2001, Kevin McCarthy sent an e-mail message to
14 Clifford G. Baird and the Acting Controller of Cascade Pointe stating, among other
15 things, that McCarthy had received messages from defendant KEVIN L. LAWRENCE,
16 and an "action item" based on those messages was to "[t]ry to get \$2 to \$3 million in this
17 week and another \$1 mill minimum next week."

18 66. On or about September 5, 2001, a wire transfer was authorized in the
19 amount of \$10,000, from Bank of America account number 62577507, in the name of
20 Cascade Pointe LLC, to SKNA National Bank account number 04022995, in the name of
21 Nevis American Trust, for credit to Gibraltar Capital Partners.

22 67. On or about September 6, 2001, a wire transfer was authorized in the
23 amount of \$200,000, from Bank of America account number 62577507, in the name of
24 Cascade Pointe LLC, to Wells Fargo Bank, for account number 3515689010, in the name
25 of Health Maintenance Centers, Inc.

26 68. On or about September 7, 2001, Clifford G. Baird received a letter from
27 J. Michelle Williams falsely stating that Lloyd's & Lloyd's Financial, Ltd., of Nevis would
28 provide Cascade Pointe with a \$10 million line of credit for an up front fee of \$150,000.

1 69. On or about September 14, 2001, defendant KEVIN L. LAWRENCE sent a
2 letter to Znetix shareholders stating that:

3 I would like you to know that at the time of this printing I
4 have a Debenture Contract for \$500M from an investor group
5 from China. The additional funding of foreign money,
6 approximately \$500M, will be used primarily for acquisitions,
7 predictive medicine, and technology developments both
8 domestic and international. This contract is to be executed
9 and as details are available we will forward them to you. This
10 process should be coming to a conclusion in the near future

11 70. On or about September, 18, 2001, a wire transfer was authorized in the
12 amount of \$25,000, from Bank of America account number 62577507, in the name of
13 Cascade Pointe LLC, to The Bank of Nevis International for account number
14 574074998241, in the name of Nevis American Trust, for credit to Alliance Advisory
15 Group.

16 71. On or about September 18, 2001, a wire transfer was authorized in the
17 amount of \$25,000, from Bank of America account number 62577507, in the name of
18 Cascade Pointe LLC, to ABN Amro Bank N.V. for account number 026009580, in the
19 name of Nevis American Trust, for credit to River Johnson Investors.

20 72. On or about September 21, 2001, a wire transfer was authorized in the
21 amount of \$60,000, from Bank of America account number 62577507, in the name of
22 Cascade Pointe LLC, to ABN Amro Bank for account number 8298685, in the name of
23 Nevis American Trust, for credit to Alliance Advisory Group.

24 73. On or about September 21, 2001, a wire transfer was authorized in the
25 amount of \$50,000, from Bank of America account number 62577507, in the name of
26 Cascade Pointe LLC, to The Bank of Nevis International for account number
27 574074998241, in the name of Nevis American Trust, for credit to River Johnson
28 Investors.

 74. On or about September 24, 2001, a wire transfer was authorized in the
amount of \$40,000, from Bank of America account number 62577507, in the name of
Cascade Pointe LLC, to The Bank of Nevis International, for account number

1 574074998241, in the name of Nevis American Trust, for credit to Alliance Advisory
2 Group.

3 75 On or about September 26, 2001, a wire transfer was authorized in the
4 amount of \$25,000, from Bank of America account number 62577507, in the name of
5 Cascade Pointe LLC, to The Bank of Nevis International, for account number
6 574074998241, in the name of Nevis American Trust, for credit to Cascade Pointe of
7 Nevis.

8 76. On or about September 27, 2001, a wire transfer was authorized in the
9 amount of \$35,000, from Bank of America account number 62577507, in the name of
10 Cascade Pointe LLC, to The Bank of Nevis International, for account number
11 574074998241, in the name of Nevis American Trust, for credit to Cascade Pointe of
12 Nevis.

13 77 On or about September 30, 2001, defendant KEVIN L. LAWRENCE
14 signed an agreement with Global Project and Development, Ltd., providing that Znetix
15 would have to make \$500 million available to that company in order to receive \$500
16 million.

17 78. On or about October 2, 2001, a wire transfer was authorized in the amount
18 of \$30,000, with funds from Bank of America account number 62577507, in the name of
19 Cascade Pointe LLC, to The Bank of Nevis International, for account number
20 574074998241, in the name of Nevis American Trust, for credit to Alliance Advisory
21 Group.

22 79. On or about October 2, 2001, a wire transfer was authorized in the amount
23 of \$30,000 with funds from Bank of America account number 62577507, in the name of
24 Cascade Pointe LLC, to The Bank of Nevis International, for account number
25 574074998241, in the name of Nevis American Trust, for credit to River Johnson
26 Investors.

1 80. On or about October 10, 2001, defendant KEVIN L. LAWRENCE falsely
2 stated under oath during a deposition taken by the SEC that Znetix or an affiliate had a
3 contract with the Department of Defense.

4 81. On or about October 10, 2001, defendant KEVIN L. LAWRENCE falsely
5 stated under oath during a deposition taken by the SEC that he had no relationship with
6 Cascade Pointe.

7 82. On or about October 11, 2001, defendant KEVIN L. LAWRENCE falsely
8 stated under oath during a deposition taken by the SEC that he did not know Randy
9 Becker, the manager of Cascade Pointe from on or about May 2, 2001, through on or
10 about June 21, 2001.

11 83. On or about October 11, 2001, defendant KEVIN L. LAWRENCE falsely
12 stated under oath during a deposition taken by the SEC that he was anticipating that
13 Znetix would receive \$500 million from a Chinese-based investor group, but that he was
14 unaware of the details of the deal.

15 84 On or about October 24, 2001, funds in the amount of \$100,000 were
16 withdrawn for the purchase of cashier's check number 8590332204, from Bank of
17 America account number 62577507, in the name of Cascade Pointe LLC, made payable
18 to Health Maintenance Centers, and deposited into Wells Fargo Bank, for account number
19 3515689010, in the name of Health Maintenance Centers, Inc.

20 85. On or about October 31, 2001, defendant KEVIN L. LAWRENCE
21 authorized a wire transfer in the amount of \$70,904.02, from a Wells Fargo Bank account
22 in the name of Health Maintenance Centers, Inc., dba HPC, to Pacific NW Title for the
23 purchase of property in Poulsbo, Washington.

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

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

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

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

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

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

16 92. On or about November 27, 2001, funds in the amount of \$50,000 were
17 withdrawn for the purchase of cashier's check number 8590336146 with funds from Bank
18 of America account number 62577507, in the name of Cascade Pointe LLC, and
19 deposited into Wells Fargo Bank, for account number 3515689010, in the name of Health
20 Maintenance Centers, Inc.

21 93. On or about December 7, 2001, a wire transfer was authorized in the
22 amount of \$50,000, with funds from Bank of America account number 62577507, in the
23 name of Cascade Pointe LLC, to The Bank of Nevis International, for account number
24 574074998241, in the name of Nevis American Trust, for credit to Lemur Capital, Ltd.

25 94. On or about December 17, 2001, Clifford G. Baird sent a facsimile
26 transmission to defendant KEVIN L. LAWRENCE that included a letter from Vanessa
27 Rawlins to defendant KEVIN L. LAWRENCE stating that "Cascade Pointe of Nevis,
28 LLC is anticipating a significant deposit of funds earmarked as an investment in our

1 company. In accordance with our agreement and at your request, we will be immediately
2 transferring said funds to the transitional account of HMC, Inc."

3 95. On or about December 19, 2001, a wire transfer was authorized in the
4 amount of \$50,000, with funds from Bank of America account number 62577507, in the
5 name of Cascade Pointe LLC, to bank account number 004962707081 in the name of
6 Night Wind Enterprises, Ltd.

7 96. On or about January 8, 2002, funds in the amount of \$105,000 were
8 withdrawn for the purchase of a cashier's check, from Bank of America account number
9 62577507, in the name of Cascade Pointe LLC.

10 97. On or about January 8, 2002, defendant KEVIN L. LAWRENCE sent by
11 facsimile transmission to Thomas Odegaard, an investor, a letter from Palledium Capital
12 Partners, Ltd., dated December 10, 2001, and a letter from Nurrel Marcos Capital, Ltd.,
13 dated December 11, 2001; both such letters falsely stated that the \$10 million lines of
14 credit that these Nevis entities would supposedly provide to Cascade Pointe had been
15 "extended."

16 98. On or about January 16, 2002, funds in the amount of \$50,000 were
17 withdrawn for the purchase of a cashier's check from Bank of America account number
18 62577507, in the name of Cascade Pointe LLC.

19 99. On or about January 18, 2002, funds in the amount of \$85,000 were
20 withdrawn for the purchase of a cashier's check, from Bank of America account number
21 62577507, in the name of Cascade Pointe LLC.

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

23 II.

24 COUNTS 2 through 25
25 (Securities Fraud)

26 1. Sections A, C, and D of Part I of this Indictment are incorporated in this
27 paragraph as if fully set forth herein.

2. On or about the dates set forth below, at Bellevue, Seattle, and Bainbridge Island, at other places within the Western District of Washington, and elsewhere, the defendant, KEVIN L. LAWRENCE, together with other persons known and unknown to the Grand Jury, unlawfully, knowingly, and willfully, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, did use and employ, in connection with the purchases and sales of securities issued to the investors listed below, manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon other persons. Each investment set forth below constitutes a representative sample of the purchase and sale of securities through the use by defendant KEVIN L. LAWRENCE of such manipulative and deceptive devices and contrivances, and a separate count of this Indictment, as follows:

Count	Date	Investor	Investment
2	August 29, 1999	James Grace, Bellevue, WA	Purchase of 5,000 shares in HMC
3	October 7, 1999	Christopher Teem, Kirkland, WA	Purchase of 10,000 shares in HMC
4	December 7, 1999	Joe Marvelle, Sequim, WA	Purchase of 10,000 shares in HMC
5	December 7 1999	Michael Hardy, Sequim, WA	Purchase of 15,000 shares in HMC
6	February 21, 2000	Dana Milkie and Colleen Poole, Issaquah, WA	Purchase of 20,000 shares in HMC
7	April 18, 2000	Liberty Unlimited Corp. Management, Issaquah, WA	Purchase of 500,000 shares in Project X

Count	Date	Investor	Investment
8	May 5, 2000	Liberty Utld. Management Trust Account for Sundance Assoc., Issaquah, WA	Purchase of 80,000 shares in HMC
9	August 10, 2000	David Nahirny, Houston, TX	Purchase of 25,000 shares in HMC
10	August 23, 2000	Greg Arrellano, Redwood City, CA	Purchase of 10,000 shares in HMC
11	September 2, 2000	Bill Cassas, Newport Beach, CA	Purchase of 15,000 shares in HMC
12	September 25, 2000	Bill Cassas, Newport Beach, CA	Purchase of 10,000 shares in HMC
13	November 10, 2000	Gary Engen, Yakima, WA	Purchase of 12,500 shares in HMC
14	January 12, 2001	First Security Funding, Bellevue, WA	Purchase of 107,000 shares in Znetix
15	February 1, 2001	Paul Einan, Scottsdale, AZ	Purchase of 10,000 shares in HMC
16	February 1, 2001	Jonathan Greenspahn, Naples, FL	Purchase of 100,000 shares in Znetix
17	February 16, 2001	Hugh Yap, Marysville, WA	Purchase of 26,200 shares in HMC
18	March 7, 2001	Mark and Kay Meitzer, Madison, WI	Purchase of 9,000 shares in HMC
19	March 19, 2001	Julene Daniels, Portland, OR	Purchase of 3,000 shares in HMC
20	April 2, 2001	Michael and Bernadette Etko, Big Bear Lake, CA	Purchase of 14,000 shares in HMC
21	April 9, 2001	Thomas Riccolo, Morris, IL	Purchase of 10,000 shares in Znetix
22	April 13, 2001	Michael Esber, Phoenix, AZ	Purchase of 22,200 shares in HMC
23	June 14, 2001	Greg Arrellano, Redwood City, CA	Purchase of 10,000 units of Cascade Pointe
24	August 18, 2001	Keith Falls, Arlington, TX	Purchase of 100,000 shares of HMC
25	September 4, 2001	Jason Smith, Cape Coral, FL	Purchase of 50,000 units of Cascade Pointe

1 All in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a),
2 Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United States
3 Code, Section 2.

4 III.

5 COUNTS 26 through 36
6 (Wire Fraud)

7 1. Sections A, C, and D of Part I of this Indictment are incorporated in this
8 paragraph as if fully set forth herein.

9 2. On or about the dates set forth below, at Bellevue, Seattle, and Bainbridge
10 Island, at other places within the Western District of Washington, and elsewhere, the
11 defendant, KEVIN L. LAWRENCE, together with other persons known and unknown to
12 the Grand Jury, having devised and intended to devise the above-described scheme and
13 artifice to defraud, and for obtaining money and property by means of false and
14 fraudulent pretenses, representations, and promises, did, for the purpose of executing such
15 scheme or artifice, knowingly and willfully transmit and cause to be transmitted, by wire
16 communication in interstate and foreign commerce, the writings, signs, signals, pictures,
17 and sounds described below, each of which constitutes a representative sample of the use
18 of wire communications in interstate and foreign commerce in furtherance of the scheme
19 and artifice to defraud and a separate count of this Indictment, as follows.

Count	Date	Sender	Sent To	Description of Item
26	August 1, 2000	Tom Trombaugh, Bank One, Coppell, TX	Project X, U.S. Bank, Seattle, WA	Wire transfer of funds in the amount of \$1,000,000
27	September 8, 2000	Keith Falls, Wells Fargo Bank, Arlington, TX	HMC, U.S. Bank, Seattle, WA	Wire transfer of funds in the amount of \$82,000
28	November 10, 2000	Kenneth Morgante, Pavilion State Bank, Leroy, NY	HMC, U.S. Bank, Bellevue, WA	Wire transfer of funds in the amount of \$20,000

Count	Date	Sender	Sent To	Description of Item
29	June 8, 2001	Robert Norton, Wells Fargo Bank, Twin Falls, ID	Cascade Pointe, Bank of America, Bellevue, WA	Wire transfer of funds in the amount of \$25,000
30	June 29, 2001	Susanne J. Pederson, Monona, WI	Bainbridge Human Performance, Silverdale State Bank, Silverdale, WA	Wire transfer of funds in the amount of \$10,000
31	July 25, 2001	Mark Heffernan, Arlington Heights, IL	Cascade Pointe, Bank of America, Bellevue, WA	Wire transfer of funds in the amount of \$20,000
32	July 26, 2001	Keith and Sue Rezin, Standard Bank & Trust, Evergreen Park, IL	Cascade Pointe, Bank of America, Bellevue, WA	Wire transfer of funds in the amount of \$50,000
33	July 28, 2001	Nick Singh, Wells Fargo Bank, Aliso Viejo, CA	Cascade Pointe, Bank of America, Bellevue, WA	Wire transfer of funds in the amount of \$100,000
34	June 18, 2001	Linda Bossom, Bank One, Joliet, IL	Cascade Pointe, Bank of America, Bellevue, WA	Wire transfer of funds in the amount of \$50,000
35	July 31, 2001	Kenn Davin, The Bankers Bank, Norris, TN	Cascade Pointe, Bank of America, Bellevue, WA	Wire transfer of funds in the amount of \$110,000
36	January 15, 2002	Michael Esber, Bank of America, Peoria, AZ	Cascade Pointe, Bank of America, Bellevue, WA	Wire transfer of funds in the amount of \$10,000

All in violation of Title 18, United States Code, Sections 1343 and 2.

IV.

COUNTS 37 through 50
(Mail Fraud)

1. Sections A, C, and D of Part I of this Indictment are incorporated here by reference as if fully set forth herein.
2. On or about the dates set forth below, at Bellevue, Seattle, and Bainbridge Island, at other places within the Western District of Washington, and elsewhere, the defendant, KEVIN L. LAWRENCE, together with other persons known and unknown to the Grand Jury, having devised and intended to devise the above-described scheme and

1 artifice to defraud, and for obtaining money and property by means of false and
 2 fraudulent pretenses, representations, and promises, did, for the purpose of executing such
 3 scheme and artifice and attempting so to do, knowingly and willfully send and deliver,
 4 cause to be sent and delivered, by the United States Postal Service and other private and
 5 commercial interstate carriers according to the directions thereon, the items listed below,
 6 each of which constitutes a representative sample of the use of the mails in furtherance of
 7 the scheme and artifice to defraud and a separate count of this Indictment, as follows:

Count	Date	Sent From	Sent To	Description of Item
37	June 29, 1999	Asa Sarver, Gallatin Gateway, MT	HMC, Washington	\$6,000 check made payable to HMC
38	August 31, 1999	HMC, Bellevue, WA	Mark Jennings, Kirkland, WA	Stock certificate in the amount of 4,000 shares in HMC
39	January 18, 2000	Kevin Lawrence, Bainbridge Island, WA	Mark Schuster, Kirkland, WA	Letter regarding HMC transfer of assets to Project X
40	September 9, 2000	HMC, Redmond, WA	Mark Schuster, Kirkland, WA	Stock certificate in the amount of 4,000 shares in HMC
41	October 2, 2000	HMC, Washington	Salvatore Zambito, Suquamish, WA	Stock certificate in the amount of 14,500 shares in HMC
42	October 6, 2000	HMC, Redmond, WA	Steven Gerdes, Lynnwood, WA	Stock certificate in the amount of 25,000 shares in HMC
43	October 23 2000	Billy & Sandy Jamison, Colorado	HMC, Washington	\$30,000 check made payable to HMC
44	October 31, 2000	Sean Chaflin, Grand Rapids, MI	HMC, Bellevue, WA	\$9,000 check made payable to HMC
45	January 31, 2001	Leonard & Gayle Deddo, Santa Cruz, CA	Al Lacson, Kirkland, WA	\$10,000 check made payable to HMC

Count	Date	Sent From	Sent To	Description of Item
46	March 26, 2001	Nati Salvidar, Big Springs, TX	Al Lacson, Kirkland, WA	\$5,000 check made payable to HMC
47	April 9, 2001	Wayne Franklin, Vancouver, WA	HMC, c/o Al Lacson, Kirkland, WA	\$30,000 check made payable to HMC
48	May 23, 2001	Robert Norton, Twin Falls, ID	Kevin McCarthy, Bellevue, WA	\$50,000 check made payable to HMC
49	May 29, 2001	HMC, Bellevue, WA	Colleen James, Portage, WI	HMC Promissory Note in the amount of \$25,000
50	July 9, 2001	Jason and Karae Smith, Cape Coral, FL	Cascade Pointe, Washington	\$10,000 check made payable to Cascade Pointe

All in violation of Title 18, United States Code, Sections 1341 and 2.

V.

COUNTS 51 through 55
(Money Laundering)

1. On or about the dates set forth below, within the Western District of Washington, and elsewhere, the defendant, KEVIN L. LAWRENCE, together with other persons known and unknown to the Grand Jury, did knowingly and willfully conduct and attempt to conduct the financial transactions set forth below affecting interstate and foreign commerce, which involved the proceeds of specified unlawful activities, that is, mail fraud, wire fraud, and securities fraud, knowing that such transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activities, and that while conducting and attempting to conduct such financial transactions knew that the property involved in the financial transactions, that is funds and monetary instruments in the amounts set forth below, represented the proceeds of some form of unlawful activity; each transaction

1 identified below constitutes a representative sample of such financial transactions and a
2 separate count of this Indictment, as follows:

3	Count	Date	Description of Financial Transaction
4	51	August 10, 2001	Withdrawal of funds in the amount of \$50,000 from Wells Fargo Bank account number 3515689010 in Bellevue, Washington, in the name of Health Maintenance Centers, Inc., dba HPC, by check number 11062 payable to Night Wind Enterprises, Ltd.
7	52	August 10, 2001	Withdrawal of funds in the amount of \$50,000 from Wells Fargo Bank account number 3515689010 in Bellevue, Washington, in the name of Health Maintenance Centers, Inc., dba HPC, by check number 11063 payable to Night Wind Enterprises, Ltd.
10	53	November 27, 2001	Wire transfer of funds in the amount of \$150,000 from First Southern Bancorp account number 80063015 in Kentucky, in the name of Lake Cumberland Marine LLC, deposited to Bank of Hawaii account number 1447165 in Hawaii, in the name of Tradewinds Southwest, Inc.
13	54	December 4, 2001	Wire transfer of funds in the amount of \$50,000 from First Southern Bancorp account number 80063015 in Kentucky, in the name of Lake Cumberland Marine LLC, deposited to Bank of Hawaii account number 1447165 in Hawaii, in the name of Tradewinds Southwest, Inc.
17	55	December 26, 2001	Wire transfer of funds in the amount of \$400,000 from Somerset National Bank in Kentucky, deposited to Bank of Hawaii account number 1447165 in Hawaii in the name of Tradewinds Southwest, Inc.

19 All in violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2

20 VI.

21 COUNTS 56 through 64

22 (Engaging in Monetary Transactions with Proceeds of Unlawful Activity)

23 1. On or about the dates set forth below, within the Western District of
24 Washington, and elsewhere, the defendant, KEVIN L. LAWRENCE, together with other
25 persons known and unknown to the Grand Jury, did knowingly and willfully engage and
26 attempt to engage in the monetary transactions set forth below by, through, and to the
27 financial institutions identified below, which monetary transactions affected interstate and
28 foreign commerce, in criminally derived property of a value greater than \$10,000, such

1 property having been derived from specified unlawful activities, that is mail fraud, wire
2 fraud, and securities fraud; each deposit of funds set forth below constitutes a
3 representative sample of such monetary transactions and a separate count of this

4 Indictment, as follows:

5	Count	Date	Description of Financial Transaction
6	56	August 14, 2000	Deposit of cashier's check number 5021882267 in the amount of \$88,570, drawn on funds from U.S. Bank account 153500122400, in Bainbridge Island, Washington, in the name of Health Maintenance Centers, Inc., to U.S. Bank account number 153590383896 in the name of National Alliance, Inc., Management Trust Account for Performance Consult.
10	57	September 1, 2000	Deposit of cashier's check number 5022187023 in the amount of \$26,180, drawn on funds from U.S. Bank account 153500122400, in Bainbridge Island, Washington, in the name of Health Maintenance Centers, Inc. to U.S. Bank account number 153590383896 in the name of National Alliance, Inc., Management Trust Account for Performance Consult.
14	58	February 9, 2001	Deposit of check number 1005 in the amount of \$28,880, drawn on First Mutual Bank account number 00724025200, in Bellevue, Washington, in the name of HMC Inc, - American Integrated Health, to U.S. Bank account number 153590383896 in the name of National Alliance, Inc., Management Trust Account for Performance Consult.
18	59	February 13, 2001	Deposit of check number 1013 in the amount of \$64,360, drawn on First Mutual Bank account number 00724025200, in Bellevue, Washington, in the name of HMC Inc, - American Integrated Health, to U.S. Bank account number 153590383896 in the name of National Alliance, Inc., Management Trust for Performance Consult.
22	60	February 27, 2001	Deposit of check number 1032 in the amount of \$22,450, drawn on First Mutual Bank account number 00724025200, in Bellevue, Washington, in the name of HMC Inc, - American Integrated Health, to U.S. Bank account number 153590383896 in the name of National Alliance, Inc., Management Trust Account for Performance Consult.
26	61	March 8, 2001	Deposit of check number 1047 in the amount of \$143,000, drawn on First Mutual Bank account number 00724025200, in Bellevue, Washington, in the name of HMC Inc, - American Integrated Health, to U.S. Bank account number 153590383896 in the name of National Alliance, Inc., Management Trust Account for Performance Consult.

Count	Date	Description of Financial Transaction
62	March 22, 2001	Deposit of check number 1064 in the amount of \$19,650, drawn on First Mutual Bank account number 00724025200, in Bellevue, Washington, in the name of HMC Inc, - American Integrated Health, to U.S. Bank account number 153590383896 in the name of National Alliance, Inc., Management Trust Account for Performance Consult.
63	April 2, 2001	Deposit of check number 1072 in the amount of \$119,871.38, drawn on First Mutual Bank account number 00724025200, in Bellevue, Washington, in the name of HMC Inc, - American Integrated Health, to U.S. Bank account number 153590383896 in the name of National Alliance, Inc., Management Trust Account for Performance Consult.
64	April 16, 2001	Deposit of check number 1092 drawn on First Mutual Bank account number 00724025200, in Bellevue, Washington, in the name of HMC Inc, - American Integrated Health, in the amount of \$31,066 to U.S. Bank account number 153590383896 in the name of National Alliance, Inc. Management Trust Account for Performance Consult.

All in violation of Title 18, United States Code, Sections 1957 and 2.

VII.

CRIMINAL FORFEITURE ALLEGATIONS

Upon conviction of the offenses charged in Counts 1 through 50 of this Indictment, defendant KEVIN L LAWRENCE shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any property constituting or derived from proceeds obtained directly or indirectly as a result of the such offense, including but not limited to the following:

1. One (1) Brequet Type XX Men's Watch, Model No. 4227;
2. One (1) Rolex Oyster Men's Watch;
3. One (1) Tag Heuer Men's Watch, Model #WG1120-KO;
4. Five (5) Swords, more fully described as follows:
 - a. one (1) sword with a large lion face guard (larger of the two), maker unknown;
 - b. one (1) Jemadar dagger by Jose De Braga;

- 1 c. one (1) sword with a large lion guard (smaller of the two), maker
2 unknown;
- 3 d. one (1) Bektran dagger by Jose DeBraga; and
- 4 e. one (1) Vektran sword by Jose DeBraga;
- 5 5. One (1) 1978 Mako vessel, serial # MRK106070478M25 & EZ Loader
6 trailer, VIN # 1ZE1S428PAN24310;
- 7 6. One (1) 1999 Yamaha Wave Runner jet ski, Serial # YAMA4636C999, and
8 1999 Shore Land'r trailer, VIN #1MDH1MJ17XA066535;
- 9 7 One (1) 2001 Ferrari F-1 360 Modena Spyder, VIN #ZFFYT53A210123121,
10 or the proceeds from the interlocutory sale of the 2001 Ferrari F-1 360 Modena Spyder;
- 11 8. One (1) 1990 Donzi vessel, Serial # DMRA083L990, and 1991 Trail Rite
12 boat trailer, VIN # 1T0BS10TXMS115882;
- 13 9. One (1) 2000 Mercedes-Benz G-Wagen Brabus Cabriolet,
14 VIN # WDBEG4069Y7121043;
- 15 10. One (1) 2000 AM General Hummer 4 door, VIN # 137ZA843XYE190060;
- 16 11. One (1) 1996 Black AM General Hummer, VIN #137ZA9038TE170751,
- 17 12. One (1) 2001 Ducati 996SPC Motorcycle, VIN # ZDM1SB5T31B010092;
- 18 13. One (1) 2001 Yamaha YFM 600 Grizzly ATV,
19 VIN # JY4AJ02Y31A003778;
- 20 14. One (1) 2001 Yamaha YFM 600 Grizzly ATV,
21 VIN # JY4AJ02Y91A004658;
- 22 15. One (1) 1972 De Tomaso Pantera, VIN # THPNLJ02144; and
- 23 16. One (1) 1983 De Tomaso Pantera, VIN # THPNAR09259.

24 If any of the above-described forfeitable property, as a result of any act or
25 omission of the defendant:

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27 //

28 //

- 1 (a) cannot be located upon the exercise of due diligence;
- 2 (b) has been transferred or sold to, or deposited with, a third party;
- 3 (c) has been placed beyond the jurisdiction of the Court;
- 4 (d) has been substantially diminished in value; or
- 5 (e) has been commingled with other property which cannot be divided
- 6 without difficulty;

7 it is the intent of the United States, pursuant to Title 21, United States Code,
8 Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek
9 forfeiture of any other property of said defendant up to the value of the forfeitable
10 property described above.


11 A TRUE BILL:
12 DATED: 7/31/02

13 
14 FOREPERSON

15 
16 MARK BARTLETT
17 Acting United States Attorney

18 
19 FLOYD SHORT
20 Assistant United States Attorney

21 
22 RICHARD E. COHEN
23 Assistant United States Attorney

24 
25 YE-TING WOO
26 Assistant United States Attorney

27 
28 JEFFREY B. COOPERSMITH
Assistant United States Attorney