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

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:

Kevin L. Lawrence and Health Maintenance Centers,  
Inc., their employees and agents

Respondents

SDO - 26 - 01

SUMMARY ORDER TO CEASE AND DESIST

Case No. 00-05-186

Kevin L. Lawrence and  
Health Maintenance Centers, Inc.

THE STATE OF WASHINGTON TO:

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Kevin L. Lawrence and Health Maintenance Centers, Inc., their employees and agents have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**BACKGROUND**

I.

Kevin L. Lawrence is a Bainbridge Island, Washington resident. He is the CEO, president and founder of Health Maintenance Centers, Inc. Kevin L. Lawrence is a former securities salesperson. Lawrence was employed with the Waddell and Reed, a registered brokerage firm from 1990 to 1992.

SUMMARY ORDER TO CEASE AND DESIST

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II.

Health Maintenance Centers, Inc. is a Washington corporation formed in May 1995. The corporation operates a health and fitness business.

**HEALTH MAINTENANCE CENTERS, INC. STOCK OFFERING**

III.

From 1997 through at least March, 2001, Health Maintenance Centers (HMC) and Kevin Lawrence, acting in concert and through their employees and agents (collectively referred to as Respondents), have offered and/or sold stock of HMC to over 1,100 investors. Over 600 of the investors are Washington State residents. There are also investors from approximately 24 other states. The stock was sold at \$1 per share with a \$5,000 minimum purchase. In offering the stock, Respondents told investors that they were going to develop health and fitness centers. Certain investors were told that they would be able to exchange their Health Maintenance Centers, Inc. shares for those of another company that was soon to be a publicly listed company. Some investors were told that, for every share of Health Maintenance Centers, Inc. stock purchased, they would receive four shares of Znetix, Inc., also known as Project X, that was to go public. Znetix is a Washington company incorporated in 1999 that was founded by Kevin Lawrence. Znetix is in the business of medical and fitness research; developing medical and fitness centers called "Human Performance Centers"; and the design, manufacture and sale of training equipment. Investors were told that they could expect to double or even quadruple the value of their investment when the acquiring company went public. Respondents have raised approximately \$9,000,000 from the sale of the stock.

Respondents failed to provide prospective investors with prospectus information and material information regarding the company's offering, such as: (1) how investors' funds were to be used; (2) the risks of the investment; (3) and financial statements of the company. Investors were not provided with material information regarding Znetix, including, but not limited to, financial statements or information of the company. Respondents misled investors by disseminating information that Znetix anticipated going public within several months and did

1 not adequately disclose the risk that Znetix might not be able to complete a public offering within a reasonable  
2 time. Znetix did not go public as represented to investors.

3 IV.

4 Health Maintenance Centers, Inc. is not currently registered to sell its offering of securities in the state of  
5 Washington and has not previously been so registered.

6 V.

7 The Securities Administrator finds that the continued offering of securities by Health Maintenance  
8 Centers, Inc. and Kevin L. Lawrence in the manner described in Tentative Findings of Fact III and IV presents a  
9 threat to the investing public.

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

11 **CONCLUSIONS OF LAW**

12 I.

13 The offer and/or sale of stock in Health Maintenance Centers, Inc. as described above constitutes the offer  
14 and/or sale of a security as defined in RCW 21.20.005(10) and (12).

15 II.

16 The offer and/or sale of said securities are in violation of RCW 21.20.140 because no registration for such  
17 offer and/or sale is on file with the Administrator of Securities, state of Washington.

18 III.

19 The offer and/or sale of said securities was made in violation of RCW 21.20.010 because Respondents  
20 misrepresented material facts and omitted facts necessary in order to make their statements, in light of the  
21 circumstances in which they were made, not misleading.

IV.

The Securities Administrator finds that an emergency exists, that the continued violations of RCW 21.20.140 and RCW 21.20.010 constitutes a threat to the investing public, and that a summary order to cease and desist from those violations is in the public interest and necessary for the protection of the investing public.

**SUMMARY ORDER**

Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Kevin L. Lawrence, Health Maintenance Centers, Inc., their agents and employees each shall cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

It is further SUMMARILY ORDERED that Kevin L. Lawrence, Health Maintenance Centers, Inc., their agents, and employees each shall cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

**AUTHORITY AND PROCEDURE**

This Order is entered pursuant to the provisions of 21.20.390 and is subject to the provisions of Chapter 34.05 RCW. Respondents Kevin L. Lawrence and Health Maintenance Centers, Inc. may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the Summary Order To Cease And Desist permanent as to that respondent.

**CONTINUING INVESTIGATION**

The Securities Division is continuing to investigate the acts and practices of the Respondents to determine the full extent of the violations of the Securities Act that have occurred in this matter.

1 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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3 DATED this 9th day of April, 2001.

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8 DEBORAH R. BORTNER  
9 Securities Administrator

10 Approved By:

Presented By:

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13 Michael E. Stevenson  
14 Chief of Enforcement

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17 Martin Cordell  
18 Senior Enforcement Attorney

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25 SUMMARY ORDER TO CEASE AND DESIST