

UNITED STATES DISTRICT COURT  
FOR THE  
DISTRICT OF COLORADO

Civil Action No. \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JEFFORY D. SHIELDS (a/k/a JEFFREY D. SHIELDS) and  
GEODYNAMICS, INC. (f/k/a or d/b/a GEODYNAMICS EXPLORATION, INC.),

Defendants,

And

GEODYNAMICS, INC. JOHNSTON'S CORNER #1 and #2 JOINT VENTURE (d/b/a  
GEODYNAMICS EXPLORATION, INC. JOHNSTON'S CORNER 1 & 2),  
GEODYNAMICS, INC. HUSKIES #1 JOINT VENTURE (d/b/a HUSKIES NUMBER 1 JOINT  
VENTURE),  
GEODYNAMICS EXPLORATION, INC. TRUMPETER #1 and #2 JOINT VENTURE (d/b/a  
FLORIBAMA – TRUMPETER 1&2 JV; TRUMPETER JV 1&2 – CARBOTEC;  
TRUMPETER JV 1&2 – GEODYNAMICS),  
GEODYNAMICS, INC. EVDA #1 JOINT VENTURE (d/b/a EVDA JOINT VENTURE),  
HUSKIES LEASEHOLD JOINT VENTURE,  
FLORIBAMA OIL CORPORATION,  
CARBOTEC, INC.,  
TRITON ENERGY ASSET MANAGEMENT, INC.,  
T.E.A.M. PROPERTY MANAGEMENT, LLC,  
S & P ENERGY, LLC,  
AURUM ENERGY ASSOCIATES, LLC, and  
UNUM, LLC,

Relief Defendants.

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**COMPLAINT**

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Plaintiff, United States Securities and Exchange Commission (“SEC”), states and alleges as follows against Defendants Jeffery D. Shields (“Shields”) and Geodynamics, Inc. (“Geodynamics”) and against the Relief Defendants:

## **I. SUMMARY**

1. Shields and Geodynamics have defrauded over 60 investors of at least \$5 million since January 2010 through fraudulent and unregistered securities offerings of interests in four oil and gas investments, attracting investors through boiler-room cold-calls. They continue to seek new investors in their fraudulent scheme. In connection with their securities offerings, Shields and Geodynamics represent that investors’ funds will be used to drill oil and gas wells, and that these investments will return profits of up to a 548% annualized return. But investors have seen no returns on their investments and Defendants’ claims about how investors’ funds are used are false. Shields has used investor deposits as a personal slush fund, taking over \$2 million to pay for personal expenses, including a Learjet, luxury vehicles, travel, designer clothing, sporting events, rent for homes in Colorado and Florida, home furnishings, electronics, jewelry, and cash withdrawals and transfers to personal accounts.

2. Beyond the \$2 million of investors’ money Shields has used as a slush fund, he and Geodynamics have diverted about \$2 million for excessive administrative expenses at more than a dozen Geodynamics-affiliated entities that Shields controls, and paid undisclosed sales commissions of up to 15% to Geodynamics’ boiler-room staff and to Shields. Shields’ misappropriation is so extensive that Geodynamics does not have sufficient funds to complete the oil and gas drilling work contemplated in the initial offering materials, having spent just over \$600,000 of the \$5 million raised from investors on drilling wells. Shields has attempted to conceal this by, among other things, over-subscribing the offerings and by using funds raised for

later offerings to pay expenses related to earlier offerings. Geodynamics' situation was so dire at the end of 2010 that Shields had to pawn one of the luxury cars he purchased with investor funds just to make payroll. Since then, Geodynamics has fraudulently raised significantly more funds from investors.

3. In periodic conference calls with investors, Shields continues to misrepresent operational status and amounts spent thus far on drilling, thereby inducing investors to contribute even more money for "completion," "pipeline," and "special" assessments, and to invest in other securities offerings. But to date, Geodynamics has not completed the "turnkey" oil and gas drilling operations it promised, it does not have the funds to do so, and no wells have produced commercial quantities of oil or gas. Instead, additional funds raised under these false pretenses are being misappropriated by Shields, or used for preliminary drilling work that was supposed to have been accomplished with investors' initial investments.

4. In an effort to evade federal and state securities regulations, Shields and Geodynamics claim that their securities offerings are "joint ventures," not securities, and they have offered interests in the following four "joint ventures:" Geodynamics, Inc. Johnston's Corner #1 and #2 Joint Venture ("Johnston's Corner"); Geodynamics, Inc. Huskies #1 Joint Venture ("Huskies"); Geodynamics Exploration, Inc. Trumpeter #1 and #2 Joint Venture ("Trumpeter"); and Geodynamics, Inc. EVDA #1 Joint Venture ("EVDA") (collectively "the Geodynamics Securities"). In fact, these "joint ventures" are securities offerings under federal law.

5. Geodynamics' offerings of interests in the Geodynamics Securities are not registered with the SEC or exempt from registration. And Shields has not been registered as a

broker-dealer with the SEC or associated with a broker-dealer registered with the SEC during his sales of the Geodynamics Securities.

6. Defendants' fraud is ongoing. Shields and Geodynamics are currently raising initial funds for EVDA, and they solicited investors for purported "completion funds" for Trumpeter as recently as July 2011, and for Huskies as recently as June 2011.

7. The SEC brings this civil enforcement action seeking preliminary and permanent injunctions, disgorgement plus pre-judgment and post-judgment interest, and civil penalties for violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), 77q(a)]; Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) and 78o(a)]; and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5]. The SEC also seeks an asset freeze, an accounting, and other relief. Finally, the SEC also seeks to recover from the Relief Defendants all assets transferred to them that are traceable to investor monies raised by Shields and Geodynamics.

## **II. JURISDICTION AND VENUE**

8. The SEC brings this civil enforcement action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

9. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), (e) and 78aa].

10. Venue lies in this Court pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act [15 U.S.C. §§ 77v(a) and 78aa], and 28 U.S.C. § 1391(b)(1) & (2). Certain of the transactions, acts, practices, and courses of business constituting the

violations of law alleged herein occurred within this judicial district. Defendant Geodynamics is a Colorado corporation with its principal place of business in Colorado, and Defendant Shields resides in Colorado. Defendants offered and sold securities from boiler rooms in Colorado.

11. In connection with the transactions, acts, practices, and courses of business described in this Complaint, Defendants, directly and indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the means and instruments of transportation or communication in interstate commerce.

### III. DEFENDANTS

12. **Jeffory D. Shields (a/k/a Jeffrey D. Shields)**, age 46, is a resident of Larkspur, Colorado. Shields previously sold interests in oil and gas projects for other companies, including for one issuer that the Securities Commissioner for the State of Colorado sued for fraud. However, he has never been registered with the SEC as a broker-dealer or associated with a broker-dealer registered with the SEC. Shields has a criminal record that includes felony narcotics possession and other offenses. Shields refused to testify in the SEC's investigation, citing his Fifth Amendment privilege against self-incrimination in response to all substantive questions.

13. **Geodynamics, Inc. (f/k/a or d/b/a Geodynamics Exploration, Inc.)** ("**Geodynamics**"), is a Colorado corporation with its principal place of business in Centennial, Colorado. Shields exercises complete control over the operations of the company. Geodynamics is the Managing Venturer of each of Geodynamics purported joint ventures. The company has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act. Geodynamics has never been registered with the SEC as a broker-dealer. At

Shields' direction, funds raised from investors in the Geodynamics Securities have been transferred to and commingled in Geodynamics bank accounts.

#### IV. RELIEF DEFENDANTS

14. **Johnston's Corner** purports to be a Texas joint venture, managed by Geodynamics, with its principal place of business in Centennial, Colorado. Interests in this "joint venture" are securities offerings under federal law. Geodynamics has not registered an offering of securities under the Securities Act or a class of securities under the Exchange Act relating to the sale of interests in Johnston's Corner. At Shields' direction, and for no recognizable consideration, funds raised from investors in the other Geodynamics Securities have been transferred to and commingled in Johnston's Corner bank accounts. Johnston's Corner has no legitimate claim to such funds.

15. **Huskies** purports to be a Texas joint venture, managed by Geodynamics, with its principal place of business in Centennial, Colorado. Interests in this "joint venture" are securities offerings under federal law. Geodynamics has not registered an offering of securities under the Securities Act or a class of securities under the Exchange Act relating to the sale of interests in Huskies. At Shields' direction, and for no recognizable consideration, funds raised from investors in the other Geodynamics Securities have been transferred to and commingled in Huskies bank accounts. Huskies has no legitimate claim to such funds.

16. **Trumpeter** purports to be a Texas joint venture, managed by Geodynamics, with its principal place of business in Centennial, Colorado. Interests in this "joint venture" are securities offerings under federal law. Geodynamics has not registered an offering of securities under the Securities Act or a class of securities under the Exchange Act relating to the sale of interests in Trumpeter. At Shields' direction, and for no recognizable consideration, funds raised

from investors in the other Geodynamics Securities have been transferred to and commingled in Trumpeter bank accounts. Trumpeter has no legitimate claim to such funds.

17. **EVDA** purports to be a Texas joint venture, managed by Geodynamics, with its principal place of business in Centennial, Colorado. Interests in this “joint venture” are securities offerings under federal law. Geodynamics has not registered an offering of securities under the Securities Act or a class of securities under the Exchange Act relating to the sale of interests in EVDA. At Shields’ direction, and for no recognizable consideration, funds purportedly raised for EVDA have been transferred to Geodynamics and commingled with funds raised from investors in other Geodynamics Securities. EVDA has no legitimate claim to such funds.

18. **Huskies Leasehold Joint Venture**, purports to be a joint venture, managed by Shields, with its principal place of business in Centennial, Colorado. At Shields’ direction, and for no recognizable consideration, funds raised from investors in the other Geodynamics Securities have been transferred to and commingled in Huskies Leasehold Joint Venture bank accounts. Huskies Leasehold Joint Venture has no legitimate claim to such funds.

19. **Floribama Oil Corporation (“Floribama”)**, is a Florida corporation with its principal place of business in Pensacola, Florida. Shields controls Floribama. At Shields’ direction, and for no recognizable consideration, funds raised from investors in the Geodynamics Securities have been transferred to and commingled in Floribama bank accounts. Floribama has no legitimate claim to such funds.

20. **Carbotec, Inc. (“Carbotec”)**, is a Colorado corporation with its principal place of business in Centennial, Colorado. Shields controls Carbotec. At Shields’ direction, and for no recognizable consideration, funds raised from investors in the Geodynamics Securities have

been transferred to and commingled in Carbotec bank accounts. Carbotec has no legitimate claim to such funds.

21. **Triton Energy Asset Management, Inc. (“Triton”)**, is a Nevada corporation with its principal place of business in Centennial, Colorado. Shields controls Triton. At Shields’ direction, and for no recognizable consideration, funds raised from investors in the Geodynamics Securities have been transferred to and commingled in Triton bank accounts. Triton has no legitimate claim to such funds.

22. **T.E.A.M. Property Management, LLC, (d/b/a T.E.A.M Property Management), (“T.E.A.M.”)**, is a Colorado limited liability company with its principal place of business in Centennial, Colorado. Shields controls T.E.A.M. At Shields’ direction, and for no recognizable consideration, funds raised from investors in the Geodynamics Securities have been transferred to and commingled in T.E.A.M. bank accounts. T.E.A.M. has no legitimate claim to such funds.

23. **S & P Energy, LLC (“S & P Energy”)**, is a Colorado limited liability company with its principal place of business in Centennial, Colorado. Shields controls S & P Energy. At Shields’ direction, and for no recognizable consideration, funds raised from investors in the Geodynamics Securities have been transferred to and commingled in S & P Energy bank accounts. S & P Energy has no legitimate claim to such funds.

24. **Aurum Energy Associates, LLC (“Aurum”)**, is a Colorado limited liability company with its principal place of business in Centennial, Colorado. Shields controls Aurum. At Shields’ direction, and for no recognizable consideration, funds raised from investors in the Geodynamics Securities have been transferred to and commingled in Aurum bank accounts. Aurum has no legitimate claim to such funds.



25. **Unum, LLC (“Unum”)**, is a Colorado limited liability company with its principal place of business in Centennial, Colorado. Shields controls Unum. At Shields’ direction, and for no recognizable consideration, funds raised from investors in the Geodynamics Securities have been transferred to and commingled in Unum bank accounts. Unum has no legitimate claim to such funds.

## V. FACTS

### A. **Shields and Geodynamics Offered and Sold the Geodynamics Securities.**

#### i. **Shields Directed the Formation of Geodynamics and Affiliated Entities.**

26. Prior to his orchestration of the Geodynamics Securities offerings, Shields worked as a salesperson for several dubious oil and gas issuers, including one sued by the Colorado Securities Commissioner for fraud and unregistered securities offerings. Purporting to structure oil and gas interests as “joint ventures” is a known (though ineffective) method used to attempt to evade securities regulation. Shields apparently used what he learned at these oil and gas companies to structure Johnston’s Corner, Huskies, Trumpeter and EVDA as purported “joint ventures” in an attempt to avoid state and federal regulators’ scrutiny and enforcement. The “joint venture” agreements explicitly attempt to disclaim their status as securities, stating: “the managing venture takes the position that the joint venture interests are not securities.” But Shields did not seek out purported joint venturers for any managerial expertise in oil and gas drilling operations, or as genuine joint venturers, but sought only their money for Geodynamics’ oil and gas projects and Shields’ personal slush fund.

27. Shields controls all aspects of Geodynamics’ business, including, but not limited to: fundraising from investors; acquisition of oil and gas leases; and oil and gas drilling

operations. However, Shields formed and/or controls more than a dozen corporate entities to create the illusion that various functions were segregated and/or managed by others.

28. In approximately September 2009, Shields caused the formation of Geodynamics, and he continues to control the company and be its *de facto* chief executive officer. Shields formed or caused the formation of the Geodynamics purported “joint ventures” as follows: Johnston’s Corner (approximately January 2010); Huskies (approximately April 2010); Trumpeter (approximately August 2010); and EVDA (approximately May 2011).

29. Shields has retained *de facto* control over each of the Geodynamics purported “joint ventures” because Geodynamics serves as the “Managing Joint Venturer” for each of the them, with “all of the rights . . . of a General Partner.” As alleged below, despite their disingenuous labeling as “joint ventures,” in all respects, Shields has run the entities as limited partnerships, not as joint ventures or general partnerships. Interests in limited partnerships are securities as a matter of law.

30. Shields hired salespersons at Geodynamics to solicit prospective investors in the Geodynamics Securities through boiler-room cold-calls. In July and August 2010, respectively, Shields directed the formation of, or assumed control over, two additional sales entities: Carbotec and Floribama. Shields’ assumption of control and staffing of Carbotec and Floribama further evidences his intention to evade the federal securities laws. Salespersons at Geodynamics, Carbotec and Floribama sold the exact same investments: the Geodynamics Securities. Geodynamics and Carbotec leased office space across the street from one another in Centennial, Colorado, from which they placed sales calls. Shields confided to Geodynamics’ former president that he was willing to pay extra overhead to maintain salespersons at Geodynamics, Carbotec, and Floribama selling identical investments because Shields believed

(erroneously) that investments sold by “officers” of the “entities” qualified for exemptions to securities offering registration requirements set forth in Regulation D and Rules 504 through 506 of the Securities Act.

31. Shields formed Triton in an apparent attempt to insulate himself from the conduct of the Geodynamics, Carbotec, and Floribama sales entities. In the SEC’s investigation, Geodynamics’ chief financial officer (“CFO”) testified that Shields worked for Triton, and that Triton “manages” Geodynamics and Floribama, but she was unable to articulate what management functions Triton performed, or why it was a separate entity.

32. Shields controls Aurum. He apparently formed this entity to hold his ownership interests in the various joint ventures.

33. Shields controls S & P Energy. This entity is the purported “operator” of one or more of Geodynamics’ oil and gas wells, even though Geodynamics purportedly contracted with each of the “joint ventures” to provide “turnkey” oil and gas wells.

34. Shields controls T.E.A.M., which opened bank accounts, received funds from investors in the Geodynamics Securities, and then made payments for various office leases and personal rent payments.

35. Shields caused the formation of, owns, and controls other Geodynamics-affiliated entities that appear to have conducted little or no business operations, other than opening bank accounts and receiving funds raised from investors in the Geodynamics Securities. Those entities include Huskies Leasehold Joint Venture and Unum.

**ii. Shields Directed the Preparation of the Written Offering Materials, Offered and Sold Geodynamics Securities, and Supervised the Unregistered Brokers.**

36. Shields prepared, or directed the preparation of Geodynamics’ written offering materials, including, but not limited to, Confidential Information Memoranda (“CIMs”) and Joint

Venture Agreements (“JVAs”). Shields has ultimate control and authority over the content of the CIMs and JVAs and how the disclosures contained therein were communicated to investors.

37. The Geodynamics Securities CIMs and JVAs are nearly identical to one another, except for their respective descriptions of the oil and gas well sites, the number and price of joint venture units for sale, and the amount of funds sought from investors and corresponding estimated expenditures.

38. Geodynamics also provides investors with a “Monthly Income Conversion Table” estimating the following potentially lucrative annualized returns on their investment: Johnston’s Corner (up to 548%); Huskies (up to 380%); Trumpeter (up to 303%); and EVDA (up to 256%).

39. At Shields’ direction, Geodynamics has spent more than \$53,000 on telephone lead lists of prospective investors nationwide. Initially, Shields personally cold-called investors from his home, then sent them the written offering materials described above by U.S. Mail or interstate courier. It appears that Shields later hired and he continues to supervise boiler-room salespersons for Geodynamics, Carbotec, and Floribama. These sales persons solicit investors and offer and sell Geodynamics Securities by telephone, then Geodynamics sends them the written offering materials described above by U.S. Mail or interstate courier.

40. At times during 2010, Geodynamics, Carbotec, and Floribama combined employed more than a dozen salespersons, each making 400-500 boiler-room cold-calls per day to solicit prospective investors for the Geodynamics Securities. During 2010, Shields combined the sales staffs of Carbotec and Geodynamics, and salespersons no longer solicit investors using the name Carbotec.

41. Neither Shields nor any of the salespersons under his direction has been registered with the SEC as a broker-dealer, or associated with a broker-dealer registered with the SEC while selling the Geodynamics Securities.

42. From January 2010 through the present, Geodynamics offered and sold more than \$5 million of the Geodynamics Securities to more than 60 investors in at least 28 states. Geodynamics' sole source of funds is deposits from investors.

**B. Shields and Geodynamics Made False, Fraudulent, and Material Misrepresentations and Omissions in Connection with their Offer and Sale of the Geodynamics Securities.**

**i. Shields and Geodynamics Made False, Fraudulent, and Material Misrepresentations and Omissions About Shields' Misappropriation of Investor Funds.**

43. The Geodynamics Securities CIMs represent that investor funds will be used for oil and gas drilling operations. The "Summary of the Venture" section of the CIMs states that "the funds received . . . shall be immediately utilized by the Venture for Venture purposes."

44. Further disclosures regarding the Geodynamics Securities' use of proceeds are primarily located in the CIMs section titled "Source and Application of Proceeds." Specifically, a chart titled "Estimated Expenditures of Venture Funds" lists a "turnkey drilling price." For each of the Geodynamics Securities, the quoted "turnkey drilling price" is identical to the amount initially sought from investors. For example, the Johnston's Corner CIM contemplates raising \$1,172,000 from investors – labeled as "venturers' capital contributions" -- which equals the "turnkey drilling price" of \$1,172,000.

45. The only other line items within the "Estimated Expenditures of Venture Funds" do not contain any dollar amounts, but instead have footnotes cross-referencing two other sections of the CIMs – "Proposed Activities" and "Compensation and Reimbursement."

46. With respect to use of proceeds, the “Proposed Activities” section of the CIMs state in relevant part:

“[the joint venture] will enter into a Turnkey Drilling Contract with Geodynamics, pursuant to which Geodynamics will, among other things, pay for the Venture’s share of the costs to drill and test the Prospect Wells to a depth of [varying] feet, or sufficient to test one potentially productive zone or formation, and pay all Organizational Costs, relating thereto, all for an aggregate fixed price to the Venture.”

“[s]ubject to the terms of the Turnkey Drilling Contract, Geodynamics Exploration, and not the Venture will be responsible for all costs in excess of the Turnkey Drilling Price (if any), including Organizational Costs. Similarly, Geodynamics Exploration will be entitled to retain any portion of the Turnkey Drilling Price not utilized by it for obligations under the Turnkey Drilling Contract.”

47. This concept is reiterated in the “Compensation and Reimbursement” section of the CIMs, which stated in relevant part:

“One-Time Management Fee from Turnkey Contracts. As a fee for the day-to-day supervision and management of the affairs of the Venture, the Managing Venturer will receive an amount equal to the excess of the Turnkey Prices over the actual cost of its obligations pursuant to the Turnkey Contracts.”

48. Put simply, the written offering materials for the Geodynamics Securities represent to investors that their funds will be used to drill oil and gas wells, and that Geodynamics will only keep amounts left over if Geodynamics can drill the wells for cheaper than the “turnkey drilling price” charged to investors.

49. In verbal communications with investors, Shields and salespersons working under his direction and control reiterated the use of proceeds as alleged above.

50. But Shields’ and Geodynamics’ representations about use of funds are false, fraudulent, and materially misleading. In blatant contradiction to Geodynamics’ use of proceeds disclosures, Shields uses investor deposits as a personal slush fund and has misappropriated more than \$2 million, or about 40% of investor funds raised to date, for extravagant personal expenses

and cash withdrawals. At Shields' direction, funds raised from investors in the Geodynamics Securities directly paid for more than \$1.6 million of his personal expenses, including:

- a. Expenses associated with a private Learjet (\$747,685);
- b. Leasing or purchase of numerous luxury personal vehicles, including an Acura NSX sports car, an Audi TT, a Keystone Fifth Wheel RV, and a Mercedes Benz E Class (\$236,444);
- c. Limousine and helicopter rentals (\$31,537);
- d. Rent for Shields' residences in Colorado and Florida (\$200,206);
- e. Sporting events (\$104,734);
- f. Clothing and lingerie (\$26,434);
- g. Jewelry (\$2,062);
- h. Home furnishings (\$68,223);
- i. Electronics (\$14,987);
- j. Travel (\$39,205); and
- k. Other personal expenses.

51. *In addition* to the direct payment of more than \$1.6 million of personal expenses, Shields also pocketed more than \$467,129 from Geodynamics Securities investors in cash withdrawals, checks, or transfers to his personal bank accounts.

52. Bank account statements through approximately mid-April 2011 indicate that all of the Geodynamics Securities *combined* spent just \$613,494 on oil and gas drilling operations – less than what Shields spent on his Learjet.

53. The Geodynamics Securities CIMs disclose only one other form of compensation to Geodynamics – a specific description of Geodynamics' entitlement to modest general and

administrative business expenses. The “Compensation and Reimbursement” section of the CIMs states in relevant part:

“Monthly Reimbursement to Managing Venturer. Geodynamics shall receive, on a monthly basis, up to a maximum administrative fee of \$1,000 per month, per well, [the EVDA CIM discloses a maximum administrative fee of \$2,000 per month per well], from the Venture as an administrative fee for expenses allocable to the Venture (including office rent, geological, engineering, accounting, legal, secretarial, consultant fees, telephone, salaries, and other incidental expenses).”

54. At Shields’ direction, Geodynamics also used funds for general and administrative expenses that far exceeded those disclosed as “Monthly Reimbursement to Managing Venturer.” Bank account statements through approximately mid-April 2011 indicate that Geodynamics and its affiliated entities spent about \$2 million of investor funds for general business expenses, including, but not limited to: \$616,967 on payroll; \$201,820 on office rent; \$247,017 on legal and accounting expenses; and \$121,945 on telecommunications and Internet.

55. Investors in the Geodynamics Securities were not informed of, nor did they approve the above expenditures set forth above.

56. Shields’ misappropriation is material to investors because it has been so extensive that Geodynamics has not had sufficient funds to complete the various stages of oil and gas drilling work contemplated in the offering materials. As a result, to date, Geodynamics has not produced any commercial quantities of oil or gas, nor made any payments to investors. The company’s situation was so dire at the end of 2010 that Shields had to pawn one of the luxury cars he purchased with investor funds just to make payroll. Since that time, Geodynamics has raised significantly more funds.



**ii. Shields and Geodynamics Made False, Fraudulent, and Material Misrepresentations and Omissions About Geodynamics' Payment of Undisclosed Sales Commissions.**

57. Geodynamics did not disclose the payment of any sales commissions in its written offering materials or verbal communications with investors in the Geodynamics Securities.

58. However, at Shields' direction, Geodynamics and Floribama typically pay a 10% commission to salespersons for funds raised for the initial "turnkey drilling investment," plus a 5% commission for funds raised for subsequent, purported "well completion," "pipeline," or "special assessments."

59. Shields personally took sales commissions based upon a percentage of funds raised from investors. For example, Shields directed in an internal memorandum that he receive a 7% "primary" commission "if my [Shields'] assistance is required to close a deal," while paying a 3% commission to the "originator" salesperson.

60. At other times, Shields split total commissions as high as 15% on initial "turnkey drilling investments" by paying himself and another salesman each 7.5% of investor funds.

61. Geodynamics spent at least \$616,967 for sales commissions and payroll expenses for the Geodynamics, Carbotec, and Floribama boiler rooms. Investors were not informed of, nor did they approve these expenditures. The undisclosed commissions are material to investors because Geodynamics has diverted a substantial portion of investor funds, which were to pay for oil and gas drilling operations, for commissions. Geodynamics has not completed the "turnkey" oil and gas drilling operations it promised, and does not have the funds to do so, in part because of these commissions.

**iii. Shields and Geodynamics Made False, Fraudulent, and Material Misrepresentations and Omissions About the Over-Subscription of the Geodynamics Securities Offerings.**

62. In an effort to conceal the misappropriation of investor funds, Shields apparently directed his salespersons to over-subscribe the sale of interests in Johnston's Corner, Huskies and Trumpeter.

63. The Johnston's Corner CIM represented that 10 units were being sold, with *each unit* owning an 8.3% working interest and 6.75% net revenue interest in the contemplated oil and gas wells. However, to date, Geodynamics has sold at least 14.5 units in Johnston's Corner, which translates to having sold 120.35% of working interests in the wells.

64. The Huskies CIM represented that 10 units were being sold, with *each unit* owning an 8.3% working interest and 6.75% net revenue interest in the contemplated oil and gas wells. However, to date, Geodynamics has sold at least 13.25 units in Huskies, which translates to having sold 109.975% of working interests in the wells.

65. The Trumpeter CIM represented that five units were being sold, while a later subscription/investor chart represented that 15 units were being sold, with *each unit* owning a 5.56% working interest and 4.67% net revenue interest in the contemplated oil and gas wells. However, to date, Geodynamics has sold at least 17.32 units in Trumpeter – more than three times as many as it initially represented to investors.

66. The oversubscription of Johnston's Corner, Huskies and Trumpeter exceeded the purported working interests and net revenue interests retained by Geodynamics and third parties.

67. For example, with respect to Johnston's Corner, Geodynamics represented that a 17% working interest might be held by Geodynamics (5%) and other "independent third parties"

(12%). However, Geodynamics oversold Johnston's Corner by 4.5 units, or an additional 37.35% working interest.

68. Similarly, Geodynamics told investors in Johnston's Corner that a 15.5% net revenue interest might be held by Geodynamics (4%) and other "independent third parties" (11.5%). However, Geodynamics oversold Johnston's Corner by 4.5 units, or an additional 30.375% net revenue interest.

69. Investors were not informed of, nor did they approve the over-subscription of Johnston's Corners, Huskies, and Trumpeter. The over-subscription is material to investors because if any of the projects succeed in drilling, completing, and bringing oil and gas wells into commercial production, their working interest and net revenue interest payouts will be diluted pro-rata due to the over-subscription. The over-subscription also dilutes voting as purported joint venturers, which is supposed to be weighted based upon respective ownership interests.

**iv. Shields and Geodynamics Made False, Fraudulent, and Material Misrepresentations and Omissions About the Commingling of the Geodynamics Securities' Funds.**

70. The Geodynamics Securities CIMs each state:

"There will be no commingling of funds between the Venture and Geodynamics Exploration or any Affiliate thereof."

"There will be no loans between this Venture and any other entities controlled by the Managing Venturer or its affiliates."

71. Contrary to these clear and unequivocal representations to investors, at Shields' direction, Geodynamics not only commingled funds, but also routinely used funds raised for the various purported joint ventures to pay drilling and operational expenses of other purported joint ventures.

72. The commingling of funds has not been motivated by convenience, nor was it merely the result of sloppy bookkeeping. Instead, the commingling, and the use of funds raised by later joint ventures to pay expenses related to earlier joint ventures, has been driven by the massive scope of Shields' misappropriation.

73. The commingling of funds has been pervasive and routine. Geodynamics' CFO admitted in testimony during the SEC's investigation that there were no internal controls in place, and that she made no effort to segregate funds of the respective joint ventures. Instead, at Shields' direction, Geodynamics' CFO used funds from any available source to pay Shields' personal expenses, Geodynamics' administrative expenses, and various operational expenses as they came due.

74. For example, Geodynamics' CFO acknowledged, that at Shields' direction, funds purportedly raised for Huskies were used to pay expenses related to Johnston's Corner and Trumpeter. Similarly, Funds purportedly raised for Trumpeter were used to pay expenses related to Johnston's Corner, and for Geodynamics' overdue payroll taxes.

75. To date, Shields' commingling and misdirection of funds has enabled Geodynamics to drill wells at Johnston's Corner and Trumpeter. However, none of Geodynamics' wells has produced commercial quantities of oil or gas.

76. Investors in the Geodynamics Securities were not informed of, nor did they approve, the commingling and misdirection of funds. The commingling and misdirection is material to investors because it has left other Geodynamics "joint ventures" unable to complete the various stages of oil and gas drilling work contemplated in the offering materials.

**v. Shields and Geodynamics Made False, Fraudulent, and Material Misrepresentations and Omissions About the Operations of the Purported Geodynamics “Joint Ventures.”**

77. In periodic conference calls with investors, Shields made numerous misrepresentations as to the drilling status and other operations of the purported Geodynamics “joint ventures.”

78. With respect to Johnston’s Corner, Shields repeatedly misled investors as to the timeline for drilling the wells, and as to amounts spent thus far on drilling operations. For example, Shields made the following false statements:

- a. In approximately June 2010, Shields represented to investors prior to their initial investment that drilling of Johnston’s Corner would begin “within days.” Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that due to his misappropriation, Johnston’s Corner did not have sufficient funds to drill at the proposed well site.
- b. In approximately September 2010, Shields told investors that Johnston’s Corner was “60 days from production,” and that beyond the two wells originally contemplated, an additional six wells would be drilled within five months. Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that due to his misappropriation, Johnston’s Corner did not have sufficient funds to drill eight wells at the proposed well site.
- c. In approximately October 2010, Shields claimed that “at the end of next week, we’ll be in sales [of oil and gas produced from the Johnston’s Corner wells].” Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that Johnston’s Corner had not been completed, that due

to his misappropriation, Geodynamics had insufficient funds to complete it, and that even if the well were completed, there was no pipeline in place to the well site that would enable Geodynamics to sell commercial quantities of oil or gas.

- d. In approximately October 2010, Shields also told investors that Geodynamics and/or he already paid out-of-pocket expenses of \$1.5 million for Johnston's Corner. Shields knew this statement was false because at that time, Shields knew that neither Geodynamics nor he personally had spent that amount on Johnston's Corner.
- e. In approximately November 2010, Shields told investors that Geodynamics and/or he personally had spent \$2 million on Johnston's Corner operations, and he further reassured investors that the joint venture had enough cash to bring the well to production. Shields knew this statement was false because at that time, Shields knew that neither Geodynamics nor he personally had spent that amount on Johnston's Corner.
- f. In approximately November and December 2010, Shields claimed that production was imminent from the Johnston's Corner wells. Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that Johnston's Corner had not been completed, that due to his misappropriation, Geodynamics had insufficient funds to complete it, and that even if the well were completed, there was no pipeline in place to the well site that would enable Geodynamics to sell commercial quantities of oil or gas.

79. Similarly, Shields made numerous misrepresentations during conference calls with investors in Huskies. For example:

- a. In approximately July 2010, Shields represented to investors prior to their initial investment that drilling of Huskies would occur “within days,” or “within a month.” Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that due to his misappropriation and use of Huskies funds for other purposes, Huskies did not have sufficient funds to drill at the proposed well site.
- b. In or about October 2010, Shields told investors that drilling of Huskies would be accomplished by the end of the year. Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that due to his misappropriation and use of Huskies funds for other purposes, Huskies did not have sufficient funds to drill at the proposed well site.
- c. On or about June 2, 2011, Shields stated that drilling the first of three wells at Huskies would commence on June 6, 2011. Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that no meaningful drilling preparation work had been done at the Huskies site, that due to his misappropriation and use of Huskies funds for other purposes, Huskies did not have sufficient funds to drill at the proposed well site.

80. Shields also made numerous misrepresentations during conference calls with investors in Trumpeter. For example:

- a. In approximately September 2010 and October 2010, Shields told initial investors in Trumpeter that drilling would be completed in October 2010. Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that due to his misappropriation and use of Trumpeter funds for other

purposes, Trumpeter did not have sufficient funds to drill at the proposed well site.

- b. In or about November 2010, Shields misrepresented that drilling at Trumpeter would be done by year-end. Shields had no reasonable basis upon which to make this statement because, at that time, Shields knew that due to his misappropriation and use of Trumpeter funds for other purposes, Trumpeter did not have sufficient funds to drill at the proposed well site.

81. These misrepresentations as to the drilling status and other operations were material because they induced investors to provide more funds for “completion,” “pipeline,” and “special assessments,” to invest later in the offering of the Geodynamics Securities, and to lull them into complacency so that Shields and Geodynamics would not be reported to regulators, sued by investors, or otherwise challenged in their actions.

**C. Geodynamics’ Purported Joint Venture Interests Are Securities**

82. The interests in the Geodynamics Securities offered and sold by Shields and Geodynamics are investments contracts, and therefore are securities under Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act. The interests in the Geodynamics Securities are investment contracts because investors made an investment of money, in a common enterprise, with an expectation of profits to be derived solely from the efforts of Shields and Geodynamics.

83. Individual investors send money to Geodynamics by wiring funds to designated bank accounts or mailing in checks. They expect that their investments will be pooled with the funds of other investors in the respective Geodynamics Securities. Investors are being pitched these investments by unregistered salespersons, using high-pressure cold-calls emphasizing the



capabilities, and unique qualifications of Geodynamics as an experienced oil and gas driller and operator. Investors anticipate returns based on the future production of “turnkey” oil and gas wells. Investors expect their profits to come solely from the efforts of Geodynamics, which represents that it will develop the oil and gas well sites, sell oil and gas produced, and distribute “monthly income” to investors.

84. Shields and Geodynamics attempted to create the appearance of true joint ventures in which the venturers participate actively in managing the venture. But in reality, the victims were passive investors in “turnkey” investment contracts and had only illusory managerial powers.

85. The Geodynamics Securities CIMs contain some boilerplate as to investors’ purported “extensive and significant management powers,” to be exercised almost exclusively through voting on important venture decisions. Indeed, investors in the respective Geodynamics Securities voted, among other things: to retain Geodynamics as the managing venture (as had been set forth in the offering materials); to contribute more money for “completion,” “pipeline,” and “special” assessments; and to retain an outside attorney and accountant.

86. However, the operation of the voting process reveals that from their initial investment through the present, investors have been precluded from exercising their powers of control and supervision. In reality, the Geodynamics Securities voting process is a sham, and Shields and Geodynamics run the “joint ventures” like limited partnerships – which are securities – not general partnerships.

87. First, investors were not aware of, nor did they vote or otherwise approve the expenditure of the vast majority of funds that they provided to the Geodynamics Securities.

Instead, Shields precluded investors from control or supervision by concealing his pervasive misappropriation.

88. Shields and Geodynamics affirmatively misrepresented to investors that the vast majority of their funds would be used to drill oil and gas wells. Investors in the Geodynamics Securities were not informed of, nor did they vote to authorize the direct payment of more than \$1.6 million of Shields' personal expenses, including, but not limited to:

- a. Expenses associated with a private Learjet (\$747,685);
- b. Leasing or purchase of numerous luxury personal vehicles, including an Acura NSX sports car, an Audi TT, a Keystone Fifth Wheel RV, and a Mercedes Benz E Class (\$236,444);
- c. Limousine and helicopter rentals (\$31,537);
- d. Rent for Shields' personal residences in Colorado and Florida (\$200,206);
- e. Sporting events (\$104,734);
- f. Clothing and lingerie (\$26,434);
- g. Jewelry (\$2,062);
- h. Home furnishings (\$68,223);
- i. Electronics (\$14,987);
- j. Travel (\$39,205); and
- k. Other personal expenses.

89. Geodynamics Securities investors were not informed of, nor did they vote to authorize the direct payment to Shields of more than \$467,129 in cash withdrawals, checks, and transfers to his personal bank accounts.

90. Shields and Geodynamics affirmatively misrepresented to investors that the Geodynamics Securities would only reimburse Geodynamics for about \$1,000 per month per well (\$2,000 per month, per well for EVDA) for its general and administrative business expenses. Investors in the Geodynamics Securities were not informed of, nor did they vote to authorize the use of about \$2 million of investor funds for general business expenses, including, but not limited to: \$616,967 on payroll; \$201,820 on office rent; \$247,017 on legal and accounting expenses; and \$121,945 on telecommunications and Internet.

91. Geodynamics Securities investors were not informed of, nor did they vote to authorize the payment of sales commissions of up to 15%.

92. Shields' misappropriation has been so extensive, that it dwarfed any legitimate drilling expenses authorized by investors. Bank account statements through approximately mid-April 2011 indicate that all of the Geodynamics Securities *combined* spent just \$613,494 on oil and gas drilling operations – less than what Shields misappropriated for his Learjet.

93. In addition to fund expenditures, investors also were not aware of, nor did they vote to approve other critical aspects of the business, including, but not limited to:

- a. The over-subscription of the Johnston's Corner, Huskies, and Trumpeter joint venture offerings, which diluted not only any profits interests, but also their purported joint venture voting interests; and
- b. The routine commingling of funds; and
- c. The repeated use of joint venture funds to pay other expenses for other joint ventures.

94. Second, even in the few instances in which investors voted on purported assessments or operational decisions, their votes were meaningless because Shields misrepresented project status, feasibility, and/or the true intended use of proceeds. For example:

- a. Johnston's Corner investors voted to pay more than \$1.1 million of additional assessments, purportedly for "well completion," "frac'ing work," and "pipeline expenses" However, the funds raised were largely misappropriated for other expenses and are now gone. As a result, no additional frac'ing was done, and no pipeline has been built;
- b. In addition to initial investments of more than \$1.1 million dollars, Huskies investors voted to pay more than \$300,000 for the re-drilling of the well. However, the funds raised were largely misappropriated for other expenses and are now gone. As a result, as of early August, no wells have been drilled at the Huskies site;
- c. Trumpeter investors voted to pay more than \$549,000, purportedly for "well completion." However, the funds raised were largely misappropriated for other expenses and are now gone. As a result, no wells have produced any commercial quantities of oil or gas; and
- d. In approximately June 2011, Huskies investors approved an additional assessment of \$32,500 per unit to drill a new well at the site. However, they were not told that funds raised for Huskies initial drilling work had been misappropriated for other ventures or Shields' personal use.

95. Third, Shields has denied investors access to the Geodynamics Securities' financial statements and other information supposedly required by the JVAs that are necessary to make informed votes. For example:

- a. Article VII of the JVAs requires that the joint venture prepare and maintain annual financial statements, including, among other things, a balance sheet, a statement of income or loss, and a statement of cash flow and distributions. However, to conceal their massive misappropriation, Shields and Geodynamics have denied requests by investors to obtain this information; and
- b. Article VII of the JVAs also requires that the joint venture "furnish to the Venturers annually" various reports, including, among other things, "a detailed statement of any transactions by the Joint Venture with the Managing Joint Venturer [Geodynamics] or its Affiliates, and of fees, commissions, compensation and other benefits paid or accrued to the Managing Venturer or its Affiliates for the period completed." Again, to conceal their massive misappropriation, Shields and Geodynamics have failed to provide these reports.

96. Fourth, Shields has restricted access to other information necessary for investors to exercise their powers of control and supervision. Investors in the Geodynamics Securities had no prior relationships with one another, they are scattered throughout the United States, and they have no means of communicating directly with one another except during conference calls controlled by Shields. Shields has denied investor requests for contact information for other investors. Thus, these purported "joint venturers" do not even know the identities of the majority of their co-venturers.

97. Fifth, the voting process is illusory because investors are entirely dependent upon Shields' managerial ability, and they have no realistic alternative to retaining Geodynamics as the Managing Venturer, or voting against Shields' recommendations. For example:

- a. Shields alone provides information to investors on conference calls, and by directing infrequent postings to Geodynamics' Internet website;
- b. Voting proposals are presented in such a manner that it is not reasonable to vote against any of Shields recommendations. Shields at times practically berates investors to approve his recommendations by making statements such as "it's a moot point to vote on it . . . because we gotta do it." In fact, no Geodynamics recommendation has ever been voted down; and
- c. Most voting proposals are presented as "yes-or-no" votes, with no reasonable alternatives provided. For example, investors were not offered alternatives to their rote approval of Geodynamics as the Managing Venturer, or attorneys and accountants recommended by Shields.

98. Sixth, many of the investors are inexperienced and unknowledgeable regarding oil and gas exploration, and therefore reliant upon the entrepreneurial and managerial efforts of Geodynamics and Shields. Geodynamics solicits prospective investors through cold-calls, and some have no experience in the oil and gas industry, let alone speculative oil and gas exploration and field work.

**D. The Offerings of Interests in the Geodynamics Securities Were Not Registered with the SEC or Exempt from Registration**

99. Section 5 of the Securities Act prohibits any offers, directly or indirectly, to sell a security unless a registration statement for that security has been filed with the SEC. A

registration statement is transaction specific. Each sale of a security must either be made pursuant to a registration statement or fall under a registration exemption.

100. The interests in the Geodynamics Securities are investment contracts, which are securities under Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act.

101. At the time of the offers and sales of the interests in the Geodynamics Securities, there were no registration statements filed and in effect. No registration exemption applied to the offering of interests in the Geodynamics Securities.

102. From approximately January 2010 through the present, Shields and Geodynamics raised more than \$5 million from more than sixty investors in at least twenty-eight states in the Geodynamics Securities offerings.

103. Shields and Geodynamics offered and sold interests in the Geodynamics Securities using the means or instruments of interstate commerce, including but not limited to telephones, the Internet, commercial couriers, and the mails.

**E. Shields Acted As An Unregistered Broker.**

104. Section 15(a)(1) of the Exchange Act prohibits a broker or dealer from using jurisdictional means such as the telephone or mails to effect transactions in securities unless the broker or dealer is registered with the SEC. Section 3(a)(4) of the Exchange Act defines a “broker” as any person who is engaged in the business of effecting transactions in securities for the account of others.

105. Shields used the telephone and the mails to actively solicit investors to purchase interests in the Geodynamics Securities, and he thereby effected purchases and sales of securities for the accounts of the others.

106. Shields has not been registered as a broker-dealer with the SEC or affiliated with a broker-dealer registered with the SEC during the time in which he sold interests in the Geodynamics Securities.

107. Shields received transaction-based compensation in the form of sales commissions based upon a percentage of the amount of investor funds he had a role in raising.

108. Shields organized the securities sales operations of Geodynamics, Carbotec, and Floribama. He also helped prepare the CIMs, JVAs and other written offering materials for the Geodynamics Securities, hired and supervised salespersons, and he directed the payment of transaction-based compensation of up to 15% commission to salespersons. Through these activities, Shields acted as an unregistered broker.

**F. Geodynamics' Fraudulent and Unregistered Offering Are Ongoing, and Shields Continues to Dissipate Investor Funds**

109. The fraudulent scheme alleged in this Complaint is ongoing. Under Shields' supervision, salespersons at Geodynamics and Floribama are continuing to solicit investors for the Geodynamics Securities.

110. Since approximately May 2011, at Shields' direction, Geodynamics and Floribama salespersons have been cold-calling investors seeking investments purportedly for the initial drilling and testing of oil and gas wells for EVDA. Thus far, Geodynamics has raised more than \$100,000 for EVDA.

111. In addition, at Shields' direction, Geodynamics and Floribama salespersons solicited investors for purported "completion funds" for Trumpeter as recently as July 2011, and for Huskies as recently as June 2011.



**FIRST CLAIM FOR RELIEF**  
**Fraud - Violations of Securities Act Section 17(a)**  
**[15 U.S.C. § 77q(a)]**

112. The SEC incorporates the allegations of paragraphs 1 through 111 as if fully set forth herein.

113. Defendants Shields and Geodynamics, directly or indirectly, with scienter, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, employed a device, scheme, or artifice to defraud, in violation of Section 17(a)(1) of the Securities Act.

114. Defendants Shields and Geodynamics, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or by omissions to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 17(a)(2) of the Securities Act.

115. Defendants Shields and Geodynamics, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, engaged in transactions, practices, or courses of business which have been or are operating as a fraud or deceit upon the purchasers of securities, in violation of Section 17(a)(3) of the Securities Act.

116. Defendants Shields and Geodynamics have violated, and unless restrained and enjoined will in the future violate Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**  
**Fraud – Violations of Exchange Act Section 10(b) and Rule 10b-5**  
**[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]**

117. The SEC incorporates the allegations of paragraphs 1 through 111 as if fully set forth herein.

118. Defendants Shields and Geodynamics, directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, employed devices, schemes, or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person; in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

119. Defendants Shields and Geodynamics, violated, and unless restrained and enjoined will in the future violate Section 10(b) of the Exchange Act and Rule 10b-5.

**THIRD CLAIM FOR RELIEF**  
**Fraud -- Aiding and Abetting by Shields of Geodynamics' Violations of**  
**Section 10(b) of the Exchange Act and Rule 10(b)(5) thereunder**  
**[15 U.S.C. §§ 78j(b) and §240.10b-5]**

120. The SEC incorporates the allegations of paragraphs 1 through 111 as if fully set forth herein.

121. Geodynamics, directly and indirectly, with scienter, in connection with the purchase or sale of Geodynamics securities, by use of the means or instrumentalities of interstate commerce or by use of the mails, employed devices, schemes, or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

have engaged in acts, practices, or courses of business which have been and are operating as a fraud or deceit upon the purchasers or sellers of such securities.

122. Shields knew, or was severely reckless in not knowing, of Geodynamics' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and he substantially assisted Geodynamics in committing these violations.

123. By reason of the foregoing, Shields aided and abetted Geodynamics' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and unless restrained and enjoined will continue to aid and abet violations of these provisions.

**FOURTH CLAIM FOR RELIEF**  
**Offers and Sales of Unregistered Securities**  
**Violations of Securities Act Sections 5(a) and 5(c)**  
**[15 U.S.C. §§ 77e(a) and 77e(c)]**

124. The SEC incorporates the allegations of paragraphs 1 through 111 as if fully set forth herein.

125. Defendants Shields and Geodynamics, directly or indirectly, have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, when no registration statement was in effect with the SEC as to such securities, and have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell such securities when no registration statement had been filed with the SEC as to such securities.

126. There were no applicable exemptions from registration, and Defendants Shields and Geodynamics therefore violated, and unless restrained and enjoined will in the future violate Sections 5(a) and 5(c) of the Securities Act.

**FIFTH CLAIM FOR RELIEF**  
**Offers and Sales of Securities by an Unregistered Broker-Dealer**  
**Violations of Exchange Act Section 15(a)**  
**[15 U.S.C. § 78o(a)]**

127. The SEC incorporates the allegations of paragraphs 1 through 111 as if fully set forth herein.

128. Defendant Shields, while engaged in the business of effecting transactions in securities for the account of others made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, a security without being registered in accordance with Section 15(a) of the Exchange Act.

129. Defendant Shields violated, and unless restrained and enjoined will in the future violate Section 15(a) of the Exchange Act.

**SIXTH CLAIM FOR RELIEF**  
**Equitable Disgorgement Against Relief Defendants**

130. The SEC incorporates the allegations of paragraphs 1 through 111 as if fully set forth herein.

131. Relief Defendants obtained money, property and assets which are the proceeds, or are traceable to the proceeds, of the violations of the securities laws by Shields and Geodynamics.

132. Relief Defendants should be required to disgorge all illegal gains which inured to their benefit under the equitable doctrines of disgorgement, unjust enrichment and constructive trust.

**PRAYER FOR RELIEF**

WHEREFORE, the SEC respectfully requests that the Court:

**I.**

Enter an Order finding that Defendants Shields and Geodynamics committed the violations alleged in the First Through Fifth Claims for Relief in this Complaint, and unless restrained will continue to do so.

**II.**

Enter Injunctions, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, temporarily, preliminarily, and permanently restraining and enjoining Defendants Shields and Geodynamics, and their officers, agents, servants, employees, attorneys, fictitious trade name entities, and those persons in active concert or participation with them who receive actual notice by personal service or otherwise, from offering and selling the Geodynamics Securities and from violating the federal securities laws.

**III.**

Enter an Order requiring Defendants Geodynamics and Shields to prepare an accounting of all funds received from investors, identifying the name of each investor, the dollar amount received, date of receipt, how those funds were disbursed/used, and including a schedule of each of their assets and liabilities and a schedule of the assets and liabilities of any entities that they control.

**IV.**

Enter an Order freezing the assets of Defendants Shields, Geodynamics and the Relief Defendants until resolution of this matter.

**V.**

Order that Defendants Shields, Geodynamics and the Relief Defendants disgorge all illegal gains, together with prejudgment and post judgment interest.

**VI.**

Enter an Order requiring Defendants Shields and Geodynamics to pay civil money penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d) [15 U.S.C. § 78u(d)].

**VII.**

Order such other relief as this Court deems necessary and appropriate.

DATED: August 15, 2011.

Respectfully submitted,

s/ Dugan Bliss  
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