

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION  
500 North Capitol Street  
Washington, D.C.20549  
Plaintiff,

v.

CONTINENTAL DYNAMICS, INC.  
CONTINENTAL DYNAMICS, LTD.  
MALCOLM L. MORRISON  
GILBERT H. FREEMAN  
ROBERT K. LEE

Defendants.

COMPLAINT FOR INJUNCTION

1. It appears to the plaintiff, Securities and Exchange Commission (“Commission”) that defendants Continental Dynamics, Inc., Continental Dynamics, Ltd., Malcolm L. Morrison, Gilbert M. Freeman and Robert K. Lee are engaged and about to engage in acts and practices which constitute and will constitute violations of Sections 5(c) and 17(a) of the Securities Act of 1933 (“Securities Act”), [15 U.S.C. 77e(c) and 15 U.S.C. 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder, [17 CFR 240.10b-5], Section 12(g) of the Exchange Act, [15 U.S.C. 781(g)] and certain of the rules and regulations promulgated by the Commission thereunder and Section 26 of the Exchange Act, [15 U.S.C. 78z]. The Commission brings this action pursuant to Sections 20(b) and (c) of the Securities Act of 1933, [15 U.S.C. 77t(b) and (c)] and Section 21(e) and (f) of the Exchange Act, [15 U.S.C. 78u(e) and 78u(f)].

2. This Court has jurisdiction of this action pursuant to Section 22(a) of the Securities Act, [15 U.S.C. 77v(a)] and Section 27 of the Exchange Act~ [15 U.S.C. 78aa].

3. Defendant, Continental Dynamics, Inc. is a corporation incorporated in Utah. It has its principal place of business at 200 Las Vegas Boulevard South, Las Vegas, Nevada. Defendant Continental Dynamics, Inc. is an issuer of securities registered under Section 12 of the Exchange Act, [15 U.S.C. 781] pursuant to the filing by defendant of a registration statement for such securities under Section 12(g) of the Exchange Act on

May 28, 1971 with the Commission at its office in the District of Columbia, which is the place of filing required by Section 12(g) of the Exchange Act and the rules and regulations thereunder.

4. On information and belief, the Commission alleges that the securities of defendant Continental Dynamics, Inc. are traded in the over-the-counter market, and that on February 28, 1971 Continental Dynamics, Inc. represents that it had authorized and issued 200,000,000 shares of its common stock. On information and belief, plaintiff alleges that the common stock of Continental Dynamics, Inc. was held of record by approximately 4,500 persons on or about May 27, 1971.

5. On information and belief, plaintiff alleges defendant Continental Dynamics, Ltd. was organized on or before February 12, 1971 by defendants Continental Dynamics, Inc., Malcolm L. Morrison, Gilbert H. Freeman and Robert K. Lee for the purpose of exchanging securities of Continental Dynamics, Ltd. for all of the outstanding common stock of Continental Dynamics, Inc. The transfer agent for such exchange is Western States Registrar and Transfer, 106 Kearns Building, Salt Lake City, Utah 84101.

6. On information and belief, plaintiff alleges that defendant, Malcolm L. Morrison ("Morrison") is and at all relevant times has been the president and principal executive officer and a director of Continental Dynamics, Inc. or its predecessors and on or about February 28, 1971 owned 48,648,424 shares of the common stock of Continental Dynamics, Inc. or 24.3 percent of the shares issued and outstanding. Defendant, Morrison signed the registration statement on Form 10 referred to in paragraph 3, above, on behalf of Continental Dynamics, Inc. Defendant, Morrison controls defendants Continental Dynamics, Inc. and Continental Dynamics, Ltd. in that he is a parent of those corporations as that term is defined in Rule 12b-2 [17 CFR 240.12b-2] under the Exchange Act.

7. Defendant, Robert K. Lee ("Lee") is and at all relevant times has been a director of Continental Dynamics, Inc. and on or about February 28, 1971 owned 1,350,000 shares of the common stock of Continental Dynamics, Inc. or 0.675 percent of the shares issued and outstanding and a vice president and a director of Continental Dynamics, Ltd. and its predecessors. Defendant, Lee, controls defendants Continental Dynamics, Inc. and Continental Dynamics, Ltd., in that he is a parent of those corporations as that term is defined in Rule 12b-2 under the Exchange Act.

8. Defendant, Gilbert M. Freeman ("Freeman") is and at all relevant times has been a principal shareholder in Continental Dynamics, Inc. and its predecessors, and on or about February 28, 1971 owned 31,148,424 shares of the common stock of Continental Dynamics, Inc. or 15.5 percent of the shares issued and outstanding. Defendant, Freeman controls defendants Continental Dynamics, Inc. and Continental Dynamics, Ltd., in that he is a parent of those corporations as that term is defined in Rule 12b-2 under the Exchange Act.

9. The defendants directly or indirectly made use of means or instruments of transportation or communication in interstate commerce or of the mails in connection with each of the acts and practices described in this complaint.

#### FIRST CLAIM

10. Defendant, Continental Dynamics, Inc. was required by Section 12(g)(1) of the Exchange Act and Instructions as to Financial Statements for Form 10 registration statements [17 CFR 249.210] to include in its Section 12(g) registration statement a certified balance sheet as of February 28, 1971 and a certified profit and loss statement for the three years ended February 28, 1971. Defendant failed to comply with the foregoing requirements in that the balance sheet and profit and loss statements in the aforesaid registration statement on Form 10 were not certified.

11. Item 2 “Summary of Operations” in the registration statement on Form 10 described in paragraphs 3 and 10 above, states: “The present management of the registrant and its subsidiaries is unable to furnish a summary of operations for the last five (5) years, due to the fact that the prior management of registrant did not maintain proper books and records from which this information could be obtained”.

Defendant Continental Dynamics, Inc. fails to disclose in connection with the above statement that the present management is the same management which has operated Continental Dynamics, Inc. or its predecessors for the major portion of the previous five years.

12. Defendant was required by Section 12(g)(1) of the Exchange Act and by those instructions entitled “Information Required in Registration Statement” to include in its registration statement certain information concerning: “Properties” (Item 3); “Interests of Management and Others in Certain Transactions” (Item 9); “Pending Legal Proceedings” (Item 10); “Number of Equity Security Holders” (Item 11); “Nature of Trading Market” (Item 12); “Recent Sales of Unregistered Securities” (Item 13); and “Financial Statements and Exhibits” (Item 18). Defendant failed to comply with the foregoing requirements in that it omitted to state certain information, figures and dates in its registration statement on Form 10 and made materially misleading statements or omissions concerning other matters, the following:

a. Defendant, Continental Dynamics, Inc. states in the registration statement described in paragraph 3 above that it owns “26,600 carats of uncut Emeralds”. Defendant Continental Dynamics, Inc. fails to disclose the cost or value of such Emeralds and other material facts relating thereto.

b. Failure to disclose the organization of Continental Dynamics, Ltd. or the purpose for the organization of that company.

c. Failure to provide material information regarding production, reserves, development and present status of oil, gas and mining properties.

d. Failure to provide adequate information regarding the trading market for the securities of Continental Dynamics, Inc.

e. Failure to disclose material information regarding the trading suspension of the securities of Continental Dynamics, Inc. that occurred during December, 1969.

f. Failure to provide material information regarding recent sales of unregistered securities of Continental Dynamics, Inc.

13. By the acts and practices described in paragraphs 3, 10, 11 and 12 above, defendants Continental Dynamics, Inc., Morrison, Freeman and Lee violated or aided or abetted in violations of Section 12(g)(1) of the Exchange Act and the requirements of Form 10 promulgated thereunder.

## SECOND CLAIM

14. On information and belief, plaintiff Commission, alleges that defendants on or about February 12, 1971, made use of the means or instruments of transportation or communication in interstate commerce or the mails to offer securities of Continental Dynamics, Ltd. when no registration statement pursuant to the Securities Act had been filed or is in effect.

15. By the acts and practices described in paragraph 14 defendants Continental Dynamics, Inc., Continental Dynamics, Ltd., Morrison, Freeman, and Lee have violated or aided and abetted in violations of Section 5(c) of the Securities Act.

## THIRD CLAIM

16. Plaintiff hereby realleges paragraphs 3, 4, 9, 10, 11, 12, 13, 14 and 15 above.

17. On information and belief plaintiff alleges that defendants Continental Dynamics, Inc., Morrison, Freeman and Lee filed or caused to be filed the registration statement on Form 10 described in paragraphs 3, 10, 11 and 12 above, in furtherance of a device, scheme or artifice and as part of an act, practice or course of business which has operated or which operates as a fraud or deceit upon persons purchasing or selling securities of defendants Continental Dynamics, Inc. or Continental Dynamics, Ltd.

18. On December 9, 1969 plaintiff Commission ordered a temporary suspension of over-the-counter trading in the common stock of Continental Dynamics, Inc. for the ten-day period December 9, 1969 through December 18, 1969 pursuant to Section 15(c)(5) of the Exchange Act [15 U.S.C. 78o(c)(5)]. In Securities Exchange Act of 1934 Release No. 8774 (December 9, 1969) announcing the foregoing action (a copy of which is attached as Exhibit 1 to complaint) the Commission stated that it "took this action because of the

lack of adequate or accurate information concerning Continental Dynamics, Inc. its operations or financial condition. Inquiry by the staff of the Commission has disclosed that materially false and misleading information had been disseminated to the public in the form of press releases and periodic stockholder news letters concerning the company's operations, financial condition and returns to be expected as a result of the acquisition of certain mining claims and oil and gas leases." In addition, the Commission stated in that release "the company is unable to determine the exact number of its shares that are issued and outstanding".

On information and belief, plaintiff Commission, alleges that the present facts concerning the information available to the public relating to the financial condition, operations and number of shares outstanding of defendant Continental Dynamics, Inc. are substantially similar to those set forth in the quoted portions of the foregoing Exchange Act Release.

19. On August 3, 1971, plaintiff Commission, ordered a temporary Suspension of the over-the-counter trading of the stock of Continental Dynamics, Inc. for the 10-day period August 3, 1971 through August 12, 1971 pursuant to Section 15(c)(5) of the Exchange Act. In its release, Securities Exchange Act Release No. 9275, announcing the foregoing action (a copy of which is attached as Exhibit 2 to this complaint) the Commission stated as its reasons for the action: "the lack of availability of adequate and accurate financial and other information about the company and its operations".

20. On information and belief the plaintiff alleges that defendants or their agents, are representing in connection with purchases or sales of securities of defendants Continental Dynamics, Inc. or Continental Dynamics, Ltd. that the Securities and Exchange Commission has approved or will approve the registration statement on Form 10 described in paragraphs 3, 10, 11 and 12 above.

21. On information and belief, plaintiff alleges that defendants or their agents, have represented in connection with offers and sales of securities of Continental Dynamics, Inc., that registration of the securities of Continental Dynamics, Inc. pursuant to Section 12(g)(L) of the Exchange Act would permit offers and sales of securities of Continental Dynamics, Inc. without registration of such securities pursuant to the Securities Act of 1933.

22. On information and belief, plaintiff Commission alleges that in addition to the false and misleading information contained in the registration statement on Form 10 described in paragraphs 3, 10, 11 and 12 above, defendants in various oral statements, letters, reports and proxy material have made or caused to be made false and misleading representations concerning the assets and financial conditions and business of defendant Continental Dynamics, Inc., including but not limited to the following:

a. The availability of certified audited financial statements for the accounts of Continental Dynamics, Inc.

b. That defendant Continental Dynamics, Inc. in a confidential news release sent to brokers and stockholders of Continental Dynamics, Inc. sometime after July 1970, states that a silver contract had been entered into with a Swiss Bank and that the net profit to Continental Dynamics, Inc. over the 2 year term should be “well over two million, six hundred thousand dollars (\$2,600,000)”.

c. That defendant Continental Dynamics, Inc. in a confidential news release to shareholders dated February 12, 1970 states that it has retained counsel in Washington, D.C. for purposes of providing registration of securities of Continental Dynamics, Inc. with the Securities and Exchange Commission.

23. By the acts and practices described in paragraphs 16 through 22, above, defendants other than Continental Dynamics, Ltd. have violated or aided or abetted in violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5, [17 CFR 240.10b-5] , promulgated thereunder.

24. By the acts and practices described in paragraph 20 above, defendants other than Continental Dynamics, Ltd. have violated or aided and abetted violations of Section 26 of the Exchange Act [15 U.S.C. 78z].

25. If defendants are not permanently enjoined they will continue to violate Sections 5(c) and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Sections 12(g) of that Act and the rules and regulations thereunder and Section 26 of that Act.

WHEREFORE, plaintiff Securities and Exchange Commission demands judgment enjoining defendants from further acts and practices in violation of Section 5 of the Securities Act of 1933 in connection with offers or sales of any securities, including but not limited to those of Continental Dynamics, Ltd. and Continental Dynamics, Inc.;

AND enjoining defendants from further acts and practices in violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and Section 12(g) of that Act and the rules and regulations thereunder and Section 26 of that Act.

AND judgment compelling defendants to amend the registration statement on Form 10 referred to in paragraph 3, above, so that it complies with Section 12(g) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

Respectfully submitted,

Richard H. Rowe  
Thomas A. Massey  
Karl A. Stewart  
Theodore A. Doremus, Jr.

Attorneys for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION  
500 North Capitol Street  
Washington, D.C. 20549

(Plaintiff's Exhibit No. 1)

For RELEASE December 9, 1969.

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C.

Securities Exchange Act of 1934  
Release No. 34-8714

The Securities and Exchange Commission today ordered the temporary suspension under the Securities Exchange Act of 1934 of over-the-counter trading in the common stock of Continental Dynamics, Inc., (formerly Gila Uranium Corporation), a Utah corporation based in Amarillo, Texas, for the ten-day period December 9, 1969, through December 18, 1969. The trading suspension will terminate at the close of business on December 18.

The Commission announced it took this action because of the lack of adequate or accurate information available concerning Continental Dynamics, Inc., its operations or financial condition. Inquiry by the staff of the Commission has disclosed that materially false and misleading information had been disseminated to the public in the form of press releases and periodic stockholder newsletters concerning the company's operations, financial condition and returns to be expected as a result of the acquisition of certain mining claims and oil and gas leases.

The management of Continental Dynamics, Inc. estimates that somewhere between 156,000,000 and 196,000,000 shares are issued and outstanding, but the company is unable to determine the exact number of its shares that are issued and outstanding. The stock has recently been quoted at between \$.03 and \$.08 per share (it is also being quoted under the name Gila Uranium Corporation). No financial statements are available (or Continental, and the investing public has no way of ascertaining its financial condition. The only known income to the company is the small return obtained from production in two shallow gas wells located in the Texas panhandle. The company has no other known operations and what assets it does have are of questionable value.

Continental Dynamics does not now file and has never filed periodic reports with the Commission nor has a registration statement ever been filed with the Commission for any securities of Continental Dynamics from which public information concerning its operations and financial condition could be made available.

The Commission cautions broker-dealers to consider their responsibilities under the securities laws for full disclosure of all material facts in connection with the execution of security transactions and again directs the attention to the brokerage community and investing public to Securities Act Release No. 4982, dated July 2, 1969, entitled "Application of the Securities Act of 1933 and the Securities Exchange Act of 1934 to Spin Offs in Securities and Trading in the Securities of Inactive or Shell Corporations", and Securities Act Release No. 4445, dated February 2, 1962, entitled "Distribution by Broker-Dealers of Unregistered Securities".

The Securities Act registration requirements are designed to provide disclosure of financial and other information about the issuer and its securities to enable investors to make an informed and realistic evaluation of the securities. Failure to comply with the registration requirements may deprive investors of much or all of this essential information and the protection which the Securities Act seeks to provide. The absence of such information facilitates false claims as to the worth of the securities.

The Commission advises that utmost care should be exercised by brokers and dealers, stockholders and prospective stockholders in reading and analyzing this release and any other information available about this company. The Commission further cautions that information previously circulated about the company should be disregarded if contradictory to the facts contained herein.

Because of the above, the Commission cautions broker-dealers that before effecting transactions in the common stock of Continental Dynamics, Inc. they have the obligation of assuring themselves that such transactions are in compliance with the registration and other applicable provisions of the Federal securities Laws. Moreover, broker-dealers who solicit the purchase of the common stock of Continental Dynamics, Inc. without first making diligent inquiry to determine all pertinent financial and other information about the issuer and disclosing such information to prospective purchasers, may be engaging in violations of the anti-fraud provisions of the Federal securities laws. In addition, brokers and dealers who publish quotations and trade in this company's securities should assure themselves that they are not participating in activities which make them participants in violation of the registration provisions of the Securities Act or the anti-fraud and anti-manipulative provisions of the Securities Act and the Securities Exchange Act. The Commission also stated it was continuing its investigation in this matter.

Accordingly, the Commission deems it necessary and appropriate in the public interest and for the protection of investors to suspend trading in the common stock of Continental Dynamics, Inc. for a ten-day period.

(Plaintiff's Exhibit No. 2)

For RELEASE

Tuesday, August 3, 1971

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

Securities Exchange Act of 1934 Release No. 9275

The Securities Exchange Commission today ordered the temporary suspension of over-the-counter trading in the common stock of Continental Dynamics, Inc., a Utah corporation based in Las Vegas, Nevada for the ten-day period August 3, 1971 through August 12, 1971.

The suspension was ordered because of the lack of availability of adequate and accurate financial and other information about the company and its operations.

Continental Dynamics, Inc. purports not to know how many persons own its common stock or how many shares of its common stock are issued or outstanding. In addition, present management of Continental Dynamics, Inc. states in the Form 10 registration statement that they are unable to furnish certain relevant information regarding the company because prior management did not maintain proper books and records. However it appears that present and prior management are the same.

On May 28, 1971 Continental Dynamics, Inc. filed with the Commission a registration statement on Form 10 pursuant to Section 12(g) of the Securities Exchange Act of 1934 (Exchange Act) covering its common stock. That registration statement became effective under the terms of Section 12(g) of the Exchange Act on July 27, 1971. In this connection, the Commission announced today the filing of a complaint in the United States District Court for the District of Columbia seeking to enjoin Continental Dynamics, Inc., Continental Dynamics, Ltd., Malcolm L. Morrison, Gilbert M. Freeman and Robert K. Lee, who are the officers, directors or parents of both corporate defendants, from future violations of the registration and anti-fraud provisions of the Federal securities laws. The complaint alleges, among other things, that the registration statement on Form 10 filed with the Commission is defective in that it contains materially misleading information and does not contain properly certified and adequate financial statements. The complaint also alleges violations of Section 5 of the Securities Act of 1933 (Securities Act) in connection with the offer for sale of securities of Continental Dynamics, Ltd., a corporation organized by Continental Dynamics, Inc., and violation of the anti-fraud provisions of the Securities Act and Exchange Act in connection with purchases and sales of the securities of Continental Dynamics, Inc. The Commission further alleges violations of Section 26 of the Exchange Act in that Continental

Dynamics, Inc. or its agents have represented that the Commission is acting very favorably on or has or will, approve Continental Dynamics, Inc.'s registration statement on Form 10. The Commission does not approve such registration statements. Moreover, registration of a class of securities pursuant to the Exchange Act does not provide an exemption from the requirement of registration of the securities pursuant to the Securities Act before they may be offered and sold to the public.

The Commission cautioned that, in any trading of Continental Dynamics, Inc. stock after the trading ban expires at the close of business on August 12, 1971, shareholders and prospective purchasers of the stock, as well as broker dealers, should consider carefully the foregoing information in making any investment decision with respect to Continental Dynamics, Inc. They should be especially aware of the fact that certain information presently on file with the Commission by Continental Dynamics, Inc. may be inaccurate. The Commission cautions broker dealers that before effecting transactions in the securities of this company they have the obligation of assuring themselves that such transactions are in compliance with the anti-fraud and other applicable provisions of the Federal securities laws. Moreover, broker-dealers who solicit the purchase of the securities of Continental Dynamics, Inc., and who do not first make diligent inquiry to determine all pertinent financial and other information about the issuer and disclose such information to prospective purchasers, may be violating the anti-fraud provisions of the Federal securities laws. In addition, brokers and dealers who publish quotations and trade in this company's securities should assure themselves that they are not participating in activities in violation of the registration provisions of the Securities Act or the anti-fraud and anti-manipulative provisions of the Securities Act and the Securities Exchange Act.