IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	
	§	
	§	
ROCKWELL ENERGY OF TEXAS, LLC	§	
ROCKWELL ENERGY MANAGEMENT, LLC	§	**Civil Action No.: 4:09-cv-4080**
GREGORY S. SHINDLER,	§	
BRADLEY M. JAMES,	§	
W. TODD SMITH,	§	
STUART E. RAWITT, and	§	
BRIAN W. WALSH	§	
	§	
	§	
	§	
Defendants.	§	
	§	

COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

SUMMARY

1. From March 2008 through February 2009, Defendant Greg Shindler ("Shindler"), through funds using variations of the name "Rockwell Energy," created and managed two fraudulent oil-and-gas offerings. Defendant Bradley James ("James") co-created the second Rockwell Energy fund and co-managed it for a period of several months. Together, the two offerings raised $5.5 million from 139 investors. Neither fund was registered with the Commission or otherwise exempt from registration.

2. In the offering documents, Shindler and James made material misrepresentations and omitted material facts concerning the profitability of the funds, the nature and extent of the

investments that the funds had made or intended to make, and the use of investor proceeds. Among other misrepresentations, the offering materials claimed that the funds had existing and prospective investments in oil-and-gas properties, and that investors would immediately start earning and receiving returns of 1.5% per month from production revenue. In reality, the first fund owned no oil-and-gas properties when it began accepting investors, and the second fund has never acquired any producing oil-and-gas properties.

3. The oil-and-gas properties that the funds have invested in never generated sufficient production revenue to cover distribution payments to investors at the 1.5% monthly rate, yet Shindler made the monthly income distributions at the targeted rate for a number of months. To do so, he relied in part on "investment" income other than production revenue, including payments from sham transactions designed specifically to artificially create the promised returns. Shindler also converted some investor funds to personal and other improper uses, and some of the "returns" he paid investors were made from the principal payments of other investors (*i.e.*, Ponzi payments).

4. The Commission, in the interest of protecting the public from such fraudulent activities, brings this civil securities law enforcement action seeking orders enjoining defendants from further violations of the antifraud and/or registration provisions of the federal securities laws, requiring disgorgement of ill-gotten gains, and awarding prejudgment interest and civil monetary penalties as allowed by law.

JURISDICTION AND VENUE

5. The investments offered and sold by defendants are "securities" under Section 2(1) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77b] and Section 3(a)(10) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78c].

6. The Commission brings this action under 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)] to preliminarily and/or permanently enjoin defendants from future violations of the federal securities laws.

7. This Court has jurisdiction over this action under Section 22(a) of the Securities Act [15 U.S.C. §77u(a)] and Section 27 of the Exchange Act [15 U.S.C. §§78u(e) and 78aa].

8. Defendants have, directly and indirectly, made use of the means or instrumentalities of interstate commerce and/or the mails in connection with the transactions described in this Complaint.

9. Venue is proper in this Court under Section 22(a) of the Securities Act [15 U.S.C. §77u(a)] and Section 27 of the Exchange Act [15 U.S.C. §§78u(e) and 78aa] because certain of the acts and transactions described herein took place in Houston, Texas and elsewhere in this district and division, and because defendants Gregory Shindler and Bradley James reside in this district and division.

DEFENDANTS

10. **Rockwell Energy of Texas, LLC ("RET")** is a Texas limited liability company, with a principal place of business in Houston. It is the general partner ("GP") of Rockwell Energy's first fund – Rockwell Energy Production and Acquisition Fund, LP. ("Fund I"). Defendant Gregory Shindler controls RET as its sole officer.

11. **Rockwell Energy Management, LLC ("REM")** is a Texas limited liability company, with a principal place of business in Houston, Texas. It is the GP of Rockwell Energy's second fund – Rockwell Energy Acquisition Fund, LP ("Fund II"). Shindler owns the managing member of REM. James, Fund II's co-founder, formerly indirectly held a 25% interest in REM. James relinquished his interests in REM and withdrew from Fund II a few

months after the fund starting accepting investors. Prior to relinquishing his interest in REM, James served with Shindler as general partner of Fund II.

12. **Gregory S. Shindler**, age 45, is a resident of Houston, Texas. He is the founder of Fund I and co-founder of Fund II. He controls the GPs of both funds.

13. **Bradley M. James**, age 43, is a resident of Houston, Texas. He, along with Shindler, co-founded Fund II. Until December 2008, he indirectly owned 25% of REM, the GP for Fund II. The offering materials for Fund II identify James and Shindler, as the fund's "operators."

14. **W. Todd Smith ("Smith")**, age 41, is a resident of Corona, California. Between October 2008 and January 2009, Smith promoted and sold interests in the Rockwell Energy offerings, and he received, directly or indirectly, approximately $990,000 in sales related fees. Smith does not hold a securities license.

15. **Stuart E. Rawitt ("Rawitt")**, age 42, is a resident of Woodland Hills, California. Between September 2008 and January 2009, he promoted and sold interests in the Rockwell Energy offerings. Rawitt received, directly or indirectly, approximately $275,000 in commissions from the sale of interests in Fund II. Rawitt does not hold a securities license.

16. **Brian W. Walsh ("Walsh")**, age 55, is a resident of San Diego, California. Between April 2008 and January 2009, received, directly or indirectly, approximately $355,000 in so-called "referral fees" for sales made by people he enlisted to solicit investments on behalf of the Rockwell Energy funds. Walsh does not hold a securities license.

FACTS

17. Shindler formed Fund I and, together with James, Fund II (collectively, the "Rockwell Energy" funds) in April 2008 and September 2008, respectively. Shindler structured

the Rockwell Energy funds as limited partnerships, each with 35 LP interests at $100,000 per interest. Shindler raised the full $3.5 million from investors in Fund I, and, together with James, approximately $2.0 million from investors in Fund II. Defendants offered and sold interests in the Rockwell Energy funds to the public through general solicitations of interest.

Fund I

18. According to Shindler, he created Fund I around a technology that allegedly improves the productivity of marginal gas wells. The PPM refers to the technology as a "green" technology and calls it a Passive Dehydration System or PDS. The device purportedly enhances production by removing water from unprocessed natural gas in a manner that is more efficient than traditional methods.

19. According to offering materials, PDS technology "results in an immediate increase in production of 40%," and the "production and revenue increase . . . mitigat[es] risk completely." The statement that the device "mitigates" risk "completely" is either misleading or patently false.

20. The private placement memorandum ("PPM") and promotional materials for Fund I style the offering as an income investment that pays investors monthly distributions "secured" by existing and to-be-acquired gas production.

21. The PPM falsely states that RET owned working interests in two producing gas wells, and that Fund I intended to purchase those interests and outfit the wells with PDS technology. In reality, in June 2008, at the time these representations were made to investors, RET did not own any interests in either well, and only one of the two was producing. Fund I never acquired any interest in the non-producing well because, according to Shindler, it turned out to be a dry hole.

22. In addition, the offering materials include a "case study" that describes the purported benefit of PDS technology based on anticipated production figures for another well, and claims that the well is "company owned." In reality, neither RET nor Fund I owned the well.

23. The offering materials also falsely claim that Fund I "currently owns" an "inventory of 20 wells," with which the fund "will be able to increase its monthly distributions" as it adds new wells from its inventory to the program. In fact, those interests were not owned by Fund I; rather, they were owned by a former business partner of Shindler. Fund I never acquired any interests in those wells.

24. Fund I instead acquired well interests from others with whom Shindler had had prior business dealings, including James. By August 2008, Fund I had acquired working interests at four different gas well sites. Between the four well sites, Fund I owns fractional interests in 14 different gas wells. RET has deployed only one PDS unit, which services four wells, all at the same site.

25. In the Fund I offering materials, Shindler told investors that the fund "will payout 18% annually which is paid out 1.5% monthly, from the date of investment," and that returns would climb as high as 30% "as additional production is brought online." Shindler never disclosed to investors that there existed no reasonable basis on which he could project such returns.

26. As promised, Shindler started paying investors 1.5% monthly returns soon after they invested in Fund I. The gas well interests that Fund I owned, however, never generated sufficient production revenue to support such high returns.

27. At full subscription, the fund needed $52,500 in monthly production revenue to meet its distribution commitments. Fund I was fully subscribed by October 2008, but was earning, on average, only about $20,000 in monthly production revenue. Fund I never earned more than $42,675 in production revenue in a single month, and, since September 2008, has not earned more than $18,000 in a single month.

28. Nevertheless, Shindler sent investors monthly distribution payments at the promised rate of return up until December 2008, at which time he cut the payments to roughly 1% monthly. Shindler told investors at the time that the drop was due to price declines in the market for natural gas. In reality, Fund I's assets never performed well enough to support 1% monthly returns, let alone the 1.5% returns originally promised.

29. In an apparent effort to bolster the fund's returns, Shindler caused Fund I to make two "investments" that were unrelated to interests in oil-and-gas properties, and which were not disclosed to investors as part of the fund's investment strategy.

30. Shindler used investor funds to make a loan of $130,000 to an entity co-owned by James' brother. The entity agreed to pay RET a monthly interest payment of $3,800, which amounts to an annual interest rate of 35%.

31. Shindler designed the transaction to generate sham revenue with which to service the monthly income payments Fund I promised its investors. In documents Shindler prepared for and provided to the Commission, he falsely categorized the interest payments from the loan as production revenue.

32. Shindler also put $100,000 of investor money in a commodities hedge fund that, from September 2008 to January 2009, purported to generate monthly returns to Fund I ranging from 4.5% to 15%. Shindler never disclosed to investors, through the PPM or otherwise, that

returns on their investments would be generated through loans to third parties, or that Fund I would invest in anything other than oil-and-gas properties.

33. Shindler converted investor proceeds to improper personal uses as well. Under the PPM for Fund I, the general partner is entitled to management fees equal to 10% of the gross monthly revenue generated by the fund. As of January 2009, Fund I had received roughly $128,000 in production revenue, of which Shindler would be entitled to $12,800 in management fees. Shindler, however, paid himself more than $25,000, and spent another $15,000 on travel, meals, and entertainment.

34. In addition, Shindler made some questionable and possibly improper payments from investor funds on deposit with Fund I. He caused Fund I to pay: 1) $60,000 to his mother, his wife, and his father for alleged "administrative" services; 2) $100,000 to a company Shindler owns for which Fund I received no known benefit; and 3) over $45,000 to defendant James for alleged "consulting" services.

35. In addition, Shindler used $20,000 of investor proceeds from RET's deposit account to fund distribution payments to investors. In so doing, he paid investors "returns" using their own money instead of production revenue – *i.e.*, Ponzi payments.

36. As of July 2009, RET had dissipated all but approximately $12,000 of the investor funds held in Fund I. At the request of the Commission's staff, Shindler agreed to place these remaining funds in escrow.

Fund II

37. Fund II purported to rely on the same investment strategy as Fund I – acquiring gas wells and equipping them with PDS units to make them more productive – and the offering materials for the two funds contain similar representations.

38. Describing the fund's "investment objective," the PPM for Fund II falesly states that it "will open with two wells in the inventory of target acquisitions" and that "this will ensure the Fund is profitable and has a positive cash flow from inception." The PPM for Fund II also identifies, as a separate investment purpose, purchasing oil-and-gas leases, either to drill wells for the fund or to resell to other oil companies.

39. Both Shindler and James reviewed and approved the offering materials that REM prepared for investors in Fund II. Those materials offered investors the same returns Shindler touted to investors in Fund I – 18% annual returns, paid out in increments of 1.5% per month. Shindler and James never disclosed to investors that there existed no reasonable basis on which they could project such returns.

40. In fact, Fund II never invested in any gas wells or sought to benefit from PDS technology. Rather, the only investment it ever made was in a structured transaction that Shindler engineered to generate sham revenue with which to pay Fund II investors.

41. Through the structured transaction, Shindler, using James as an intermediary, arranged for Fund II to receive monthly payments from a business associate of James. In order to enter into the transaction, and personally profit from it, James resigned from Fund II.

42. Pursuant to the transaction, James entered into an agreement with TOEI 2008-3 LLC ("TOEI") – an entity controlled by a business associate – under which James agreed to pay TOEI $500,000 for the purported purpose of acquiring oil-and-gas leases and royalty interests. James simultaneously assigned 75% of his interest in the agreement to Fund II, and reserved to himself the remaining 25%. Fund II made the $500,000 payment directly to TOEI, with no financial contribution by James. TOEI used $375,000 of the payment to purchase a 1,500 acre

lease. Under the terms of the agreement and assignment, Fund II, TOEI, and James would split the profits from any eventual sale of the lease.

43. In addition, under the terms of the agreement, TOEI agreed to make an initial payment back to James of $12,500 followed by 9 monthly payments of $15,000 each. James assigned these payments to Fund II, and Shindler used them to make distributions to Fund II investors.

44. In communications with investors, Shindler falsely characterized this arrangement as TOEI's agreement to "pay [Fund II] 18% per year for nine months . . . in consideration for the [$500,000] investment." Under the terms of the agreement, however, TOEI was ultimately entitled to recover back from Fund II the full $147,500 in payments. The refund is to come from the proceeds of the sale of the oil-and-gas lease, and is to be paid to TOEI before any returns are paid to Fund II. The $147,500 in payments from TOEI to Fund II is, therefore, not a return on investment, but rather a loan transaction.

45. The sole purpose of the payments from TOEI was to fund income distributions to investors. With James' assistance, Shindler structured the transaction specifically to generate payment amounts that met or exceeded 1.5% monthly returns on the amount under investment by Fund II at the time. James terminated the transaction with TOEI after the Commission's staff questioned Shindler about it.

46. In addition to entering into the fraudulent transaction with TOEI, Shindler made some questionable and possibly improper payments from investor funds on deposit with Fund II. For example, Shindler paid almost $60,000 to a company he owns for which Fund II received no known benefit. Shindler paid more than $56,000 to his mother for alleged "administrative" services. In addition, he paid $14,000 to a plastic surgeon, $3,500 to a ski resort in Vail,

Colorado, $6,500 to settle a debt owed by Fund I, and $12,000 for five LCD televisions, and TV and satellite installation.

47. As of July 2009, REM had dissipated all but approximately $350,000 of the investor funds held in Fund II. At the request of the Commission's staff, Shindler agreed to place these remaining funds in escrow.

Rockwell Energy Salesmen

48. Shindler and James also falsely told investors that Rockwell Energy would pay sales commissions only to registered broker-dealers, and that no more than 25.5% of investor proceeds would go to pay sales commissions or other promotional fees. Rockwell Energy actually used only unlicensed salesmen to solicit investors, and Shindler caused Fund I and Fund II to pay them fees as high as 40%.

49. Of the $6 million raised from investors, Shindler caused the funds to pay roughly $2.3 million in commissions or other sales-related fees to the individuals who sold interests in the Rockwell Energy offerings. In most, if not all, cases, the salesmen "cold called" people from lead lists of purportedly accredited investors.

50. Defendant Todd Smith made almost $1 million in sales-related fees through direct solicitations to potential investors.

51. Defendant Stuart Rawitt made approximately $275,000, in sales-related fees through direct solicitations to potential investors.

52. Defendant Brian Walsh, who received approximately $355,000 in "referral fees," claims not to have solicited investors directly, but to have arranged, through a company he created, for two or more individuals to solicit investors on behalf of the Rockwell Energy funds.

Shindler paid Walsh's company sales commissions directly. Walsh kept a majority of the fees, and passed the remainder on to the salesmen.

53. Walsh also was instrumental in helping Shindler to get Rockwell Energy off the ground. Shindler created Fund I as a result of one or more meetings he had with Walsh. Walsh held himself out to Shindler as a "fund raiser" from California who had a database of "clients" from whom to solicit investments. Walsh gave Shindler feedback on how to put together the offering materials, and he introduced Shindler to Smith, the salesman who, of all the Rockwell Energy salesmen, raised the most money from investors.

FIRST CLAIM
AS TO DEFENDANTS RET, REM, SHINDLER AND JAMES

Violation of Section 10(b) of the Exchange Act and Rule 10-5

54. Plaintiff Commission repeats and realleges paragraphs 1 through 53 of this Complaint and incorporated herein by reference as if set forth verbatim.

55. Defendants RET, REM, Shindler, and James, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts and 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; and (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

56. As a part of and in furtherance of their scheme, defendants RET, REM, Shindler, and James, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations,

which contained untrue statements of material facts and misrepresentations of material facts, and which 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, including, but not limited to, those set forth in Paragraphs 1 through 53, above.

57. Defendants RET, REM, Shindler, and James made the referenced misrepresentations and omissions knowingly or with severe and reckless disregard of the truth.

58. For these reasons, defendants RET, REM, Shindler, and James have violated and, unless enjoined, will continue to violate the provisions of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM
AS TO DEFENDANTS RET, REM, SHINDLER AND JAMES

Violations of Section 17(a) of the Securities Act

59. Plaintiff Commission repeats and realleges paragraphs 1 through 53 of this Complaint and incorporated herein by reference as if set forth verbatim.

60. Defendants RET, REM, Shindler, and James, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

61. As part of and in furtherance of this scheme, defendants RET, REM, Shindler, and James, directly and indirectly, prepared, disseminated or used contracts, written offering

documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material fact and which 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, including, but not limited to, those statements and omissions set forth in paragraph 1 through 53 above.

62. Defendants RET, REM, Shindler, and James made the referenced misrepresentations and omissions knowingly or with severe and reckless disregard of the truth.

63. For these reasons, defendants RET, REM, Shindler, and James have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM
AS TO ALL DEFENDANTS

Violations of Section 5(a) and 5(c) of the Securities Act

64. Plaintiff Commission repeats and realleges paragraphs 1 through 53 of this Complaint and incorporated herein by reference as if set forth verbatim.

65. Defendants, directly or indirectly, singly and in concert with others, have been offering to sell, selling and delivering after sale, certain securities, and have been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise; (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for delivery after sale; and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

66. As described in this Complaint, defendants offered and sold interests in one or both of the Rockwell Energy funds to the public through general solicitations of interest. No registration statement has been filed with the Commission or is otherwise in effect with respect to these securities.

67. Defendant Shindler, in the case of both Rockwell Energy funds, and defendant James, in the case of Fund II, offered and sold securities as control persons of the issuers who prepared and/or approved the various offering documents, and who approved the hiring of the salesmen to sell the offerings.

68. Defendant Walsh was a necessary participant in the distribution of Rockwell Energy securities, and a substantial factor in the distribution's success.

69. For these reasons, defendants have violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

FOURTH CLAIM
AS TO DEFENDANTS SMITH, RAWITT, AND WALSH

Violations of Section 15(a)(1) Of The Exchange Act

70. Plaintiff Commission repeats and realleges paragraphs 1 through 53 of this Complaint and incorporated herein by reference as if set forth verbatim.

71. At the times alleged in this Complaint, defendants Smith, Rawitt, and Walsh have been in the business of effecting transactions in securities for the accounts of others.

72. Defendants Smith, Rawitt, and Walsh made use of the mails and of the means and instrumentalities of interstate commerce to effect transactions in and to induce or attempt to induce the purchase of securities.

73. At the times alleged in this Complaint, defendants Smith, Rawitt, and Walsh were not registered with the Commission as a broker or dealer, as required by Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

74. By reason of the foregoing, defendants Smith, Rawitt, and Walsh have violated and, unless enjoined, will continue to violate Section 15(a)(1) of the Exchange Act [15 U.S.C. §78o(a)(1)].

RELIEF REQUESTED

Plaintiff respectfully requests that this Court:

I.

Permanently enjoin defendants RET, REM, Shindler, and James from violating Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

II.

Permanently enjoin defendants Smith, Rawitt, and Walsh from violating Sections 5(a) and 5(c) of the Securities Act and Section 15(a)(1) of the Exchange Act.

III.

Order the defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, and to pay prejudgment interest on those funds and benefits.

IV.

Order civil penalties against the defendants pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], for their securities law violations.

V.

Order any additional relief that this Court may deem just and proper.

Dated: December 22, 2009

Respectfully submitted,

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