

# Los Angeles Times



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*From the Los Angeles Times*

## COURTS

### **James Halstead ordered to pay \$22 million in investment scheme**

**The Santa Ana man blew investors' money on a lavish lifestyle, a federal judge says. He also faces punitive damages.**

By Kim Christensen

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August 20, 2008

A federal judge has socked James R. Halstead with a \$22-million summary judgment, ruling that the Santa Ana insurance salesman solicited the money for sophisticated investments but instead blew it on fast cars, a mistress and Las Vegas real estate.

Halstead, 61, also faces punitive damages in the scheme, in which he and Irvine securities lawyer Jeanne M. Rowzee allegedly took in tens of millions of dollars from individual investors who ran the gamut from wealthy developers to retirees on fixed incomes.

But the pair placed none of the money in the securities known as private investment in public equity, or PIPEs, that they promised would reap returns of as much as 40%, according to federal prosecutors and a raft of civil lawsuits.

In granting the summary judgment against Halstead and his company, GamePlan Inc., U.S. District Judge David O. Carter said the plaintiffs had proved their case that Halstead had defrauded them.

"Not content simply to bilk investors out of millions, Halstead used this money to finance an overwhelmingly lavish lifestyle," Carter wrote in a tentative order issued Monday and obtained by The Times on Tuesday.

Rowzee, 49, was charged in June with conspiracy and securities fraud. She struck a plea agreement, which was filed under seal, and is free on \$40,000 bond, according to federal court records.

Halstead has not been charged, although prosecutors in Rowzee's case alleged that he and another man conspired with her to commit fraud.

Neither Halstead nor his attorney returned phone calls Tuesday.

More than 80 investors have alleged in lawsuits that Halstead and Rowzee swindled them from 2004 to 2006, when she presented herself as an expert securities lawyer and he seemed the ace salesman.

The two had met in the early 1990s, when Rowzee defended Halstead against charges that he and another man bilked investors of more than \$1 million in a scheme to sell crude oil and German bank shares. In 1998 he pleaded guilty to five felony counts and was put on probation, case records show.

Many companies legitimately use PIPE investments to raise capital for growth or acquisitions. Investors typically buy stock below market price and later sell it at a profit.

Investors alleged that Rowzee and Halstead promoted PIPEs as deals available only to a select few -- and that would protect their principal while yielding big returns in as little as three months.

Some money was paid back to investors early on, but dozens later learned that their "accounts" were empty. They claimed Halstead spent their money on sports cars, diamond watches, strip-club visits and two multimillion-dollar houses near Las Vegas.

The judge, in his tentative order, said Halstead had purchased \$12 million in real estate and "hundreds of thousands of dollars in jewelry, which he lost in a taxi in Arizona and never reported to police."

Halstead also used investors' money to pay household expenses of \$15,000 to \$25,000 a month, Carter wrote, and placed \$389,000 in a deferred compensation plan for his wife, who was listed as an officer of GamePlan, which Halstead ran from his Santa Ana home.

Halstead also "showered his mistress with large sums of money and expensive gifts," about \$750,000 worth in 2006 alone, Carter wrote.

"The icing on the cake, perhaps, is that on Christmas Eve 2005, Halstead bought her a brand-new Ferrari convertible," he said. "This token cost \$201,005."

Attorney Steven L. Krongold, who represents some of the plaintiffs, said his clients "want closure" and were happy to avoid the costs of a trial.

But several investors said Tuesday that they were not optimistic about collecting.

"I'm glad we have the civil judgment, but we'll probably never see any of that money," said Steve Perebzk, who claimed losses of \$450,000. "I just hope they're put in prison so they can't spend it either."

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