

# O.C. insurance salesman admits investor fraud

James R. Halstead and an accomplice promised to put investors' money into securities, prosecutors say. Instead, he allegedly spent millions on cars, property and a mistress.

By Kim Christensen

A Santa Ana insurance salesman accused of blowing millions of dollars of investors' money on exotic sports cars, a mistress and Las Vegas real estate faces up to 60 years in prison after pleading guilty to federal fraud and money-laundering charges.

James R. Halstead, 62, also promised to make restitution to his victims, about 10 of whom were on hand Monday as he accepted a plea agreement in U.S. District Court in Santa Ana. Judge David O. Carter set sentencing for Jan. 11.

"It's nice to hear him say he's guilty," Assistant U.S. Atty. Gregory W. Staples said after Halstead made that plea to three charges, each with a maximum sentence of 20 years.

Halstead probably will get "somewhere in the ballpark" of eight to 12 years, Staples said, based on factors the judge will consider, including recommendations from prosecutors and probation officials.

In civil lawsuits and criminal proceedings, Halstead is accused of teaming with Irvine securities lawyer Jeanne M. Rowzee to solicit tens of millions of dollars from individual investors who ran the gamut from wealthy developers to retirees on fixed incomes.

The pair had promised to put the money into securities known as private investment in public equity, or PIPEs, which they said would return as much as 35% in as little as three months, prosecutors said.

Instead, the money went to "phony investment return payments to other victims, and for their own personal use," according to Halstead's plea agreement.

Among other things, he spent about \$353,000 of investors' money on a Ferrari and a Porsche and about \$1 million for a house in the Las Vegas area, according to a 16-count indictment issued in September 2008. He has been held without bail since then.

Rowzee, 50, who was charged with securities fraud and conspiracy, struck a plea deal last year and is free on bail while awaiting sentencing.

Court papers detailing Halstead's agreement did not specify how much money was lost in the fraud. However, in September 2008, Carter granted a summary judgment in a civil lawsuit

based on many of the same allegations and found that plaintiffs had proved actual damages of \$22 million. He ordered Halstead and Rowzee to pay \$66 million, including punitive damages.

More than 80 investors alleged in lawsuits that the pair swindled them from 2004 to 2006, when Rowzee presented herself as an expert securities lawyer and Halstead seemed to be an affable and able salesman.

The two had met in the early 1990s, when Rowzee defended Halstead against charges that he and another man bilked investors out 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.

The Securities and Exchange Commission also filed a civil complaint last year against the pair and an alleged accomplice, Robert Harvey. It accused the trio of taking in more than \$52 million from 150 investors and using at least \$20 million of it for their own purposes.

The SEC has settled with Rowzee and the suit is on hold pending the outcome of Halstead's criminal case. Harvey has not been charged.

About 10 investors attended Monday's court hearing but showed little emotion as Halstead stood before the judge in a tan Santa Ana Jail jumpsuit, his hands chained to his waist, and entered his pleas without making any statement.

Investors declined to comment afterward, most saying they wanted to see what happened at Halstead's sentencing.

Attorney Steven L. Krongold, who represents some of the investors, called the plea agreement "a positive sign" and said it would spare his clients the emotional trauma of a trial. He believes that the admitted scammers have money stashed somewhere and said he and his clients were intent on finding it.

"We believe there is a lot of missing money," Krongold said. "Rowzee knows where it is, and Halstead knows where it is."

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