



**DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Business Registration Division**

News Release

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**LOCAL CON ARTISTS ORDERED TO PAY \$1 MILLION FINE
FOR PONZI SCHEME**

HONOLULU – Hawai`i Commissioner of Securities, Tung Chan, issued a final order against Honolulu residents Joseph W. Sullivan and Chad S. Morisato and their related business, The Swiss Group.

The final order found that Sullivan, Morisato and The Swiss Group fraudulently solicited approximately \$8.1 million from investors both in Hawai`i and on the mainland in an illegal Ponzi scheme. Chan issued the final order on April 7, 2009 and imposed a fine of \$1 million for violations of the Hawai`i Uniform Securities Act. Sullivan, Morisato and The Swiss Group were also ordered to rescind approximately \$8.1 million in illegal investment contracts and repay investors.

Beginning from 1997, Sullivan and Morisato ran a Ponzi scheme that induced investors to invest in commodities, offshore investments and other securities by promising guaranteed high interest rates. Morisato and Sullivan used misrepresentations and false credentials to attract investors.

In violation of state securities laws, they failed to disclose to investors that money went directly to Sullivan's personal checking account, that new investors' funds were being used to pay off prior investors, that Sullivan was a convicted felon for larceny and check forgery and that he used an alias under the name of Donald E. Allen to further perpetrate the fraud. Morisato and Sullivan issued documents that closely resembled commercial bank certificates of deposit and Sullivan signed these certificates in his alias.

They also established the “Swiss National Bank” (www.swissnationalbank.com) in order to cloak the scheme in legitimacy despite the fact that the entity was not a bona fide commercial bank and had not been authorized to use that name in violation of Swiss banking regulations.

The Ponzi scheme collapsed after the Hawai`i Securities Enforcement Branch broke the case by initiating an action against the perpetrators and the Hawai`i Securities Commissioner issued a preliminary order for Sullivan and his team to cease and desist on December 18, 2006.

State securities laws require securities such as investment contracts, as well as individuals or entities soliciting or transacting securities, to be registered with the state. Advertisements to solicit must also be registered with the state. In addition, state securities laws include anti-fraud provisions.

Ponzi schemes, named after the con artist Charles Ponzi, involve investment schemes where money from new investors is used to payback prior investors. There is no actually underlying asset and when the new money is not enough to cover the payback amounts, the scheme collapses.

Securities Enforcement Branch

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Kaua`i:	(808) 274-3141, followed by 62740 and the # sign
Maui:	(808) 984-2400, followed by 62740 and the # sign
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