

ARTICLE APPEARED  
ON PAGE 224

MONEY MAGAZINE  
December 1983

# WITH GUILE AND GALL, THIS MAN GULLED HAWAII

by Marlys Harris

**O**n the evening of Friday, July 29, 1983, Ronald Ray Rewald, 41, chairman of the Honolulu investment firm of Bishop Baldwin Rewald Dillingham & Wong, checked into the Sheraton Hotel on Waikiki's tourist-packed main drag. At four o'clock the next afternoon, in a routine inspection of rooms, the assistant manager found Rewald lying in a pool of blood. Using a razor blade, he had slashed deep into his wrists and left forearm in an unsuccessful attempt to kill himself.

His near suicide followed a local television news report contending that Rewald was not the successful and upstanding businessman he claimed to be. This combination of events was one of the biggest bombs to hit Honolulu since Pearl Harbor. Several hundred people—celebrities, prominent businessmen and top-ranking military men, as well as middle-income families and even widows of modest means—had a total of \$12 million invested with the firm.

During the next week, investors frantically pounded at the locked doors of Rewald's impressive 26th-floor offices in Honolulu to demand their money. Letters from troubled clients on the mainland began pouring in too. But Bishop Baldwin's doors were locked for good. On Friday, Thomas E. Hayes, whom the court had appointed interim bankruptcy trustee, gave investors the bad news: he had found no evidence that Bishop Baldwin "owns or holds any assets . . . that begin to equal the amount of investments outstanding."

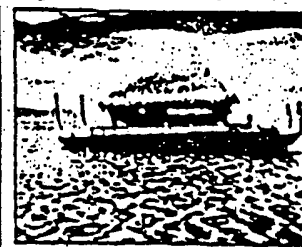
Ultimately, a federal court would assert that Ronald Rewald had operated a Ponzi scheme—the time-worn scam in which a promoter pocket-

ets investors' principal while stringing them along with interest paid out of funds obtained from newcomers to the deception. But Rewald's was a particularly stunning example, not so much in terms of the money involved as in his sheer gall and the depth of his victims' trustfulness.

How did so many people—often college educated, well connected, sophisticated—succumb to such a swindle? By taking Rewald on faith and his firm at face value. They asked no questions, or if they did, they heard the answers they wanted to hear. What's more—and it's hard to blame them for this—they put their confidence in people and institutions that were supposed to guard their interests: lawyers and financial planners, who had referred them to Bishop Baldwin, the Securities and Exchange Commission, the Internal Revenue Service and other government agencies. Many clients became unwitting accomplices, recommending Rewald to colleagues and acquaintances. Nobody ever checked Rewald's background—not even, it appears, the master checkers at the Central Intelligence Agency, with whom Ronald Rewald says he was deeply involved.

Rewald's firm had inspired trust. The names Bishop, Baldwin and Dillingham were those of *kamaaina* families—the 19th-century pioneers in Hawaii who had built large fortunes and whose names still enjoy considerable influence in the Islands. Rewald's firm claimed to have 24 "consultants," many of them lawyers, accountants and insurance specialists. In addition to the investment accounts that it managed, the firm offered individuals and businesses a wide range of services, from "Estate Coordination" to "Psychiatric Evaluation of Personnel." A network of Bishop Baldwin offices spanned the globe from London to Tahiti, where the company supposedly entertained clients on a double-hulled canoe.

Some 300 trusting investors lost \$12 million in a stunning example of a Ponzi scheme. When the scandal broke, it erupted over the Islands like Kilauea.



*Bishop Baldwin brochures described worldwide offices. In Tahiti, clients supposedly were entertained on a double-hulled canoe.*

**CONTINUED**