

Inland exec facing jail time

MX FACTORS: The SEC says Richard Harkless has failed to cooperate with its orders.

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By DEVONA WELLS / The Press-Enterprise

Facing accusations of moving investor money and not helping to recoup alleged Ponzi-scheme funds, MX Factors president Richard Harkless is scheduled to appear in court on Thursday to contend with possible fines and jail time.

The Securities and Exchange Commission says in court records that Harkless has failed to provide a full accounting of company records due in March, has transferred at least \$264,290 out of MX Factors bank accounts in Belize, and has not cooperated with court-appointed receiver Robb Evans & Associates.

In its complaint, the SEC has asked U.S. District Court Judge Virginia A. Phillips to incarcerate Harkless, levy a daily fine of \$1,000, and confiscate his passport until he complies with orders she issued in March.

Pat Swan, Harkless' attorney, said he's hopeful the judge will deny the SEC's request to hold Harkless in contempt.

"It's untrue that Mr. Harkless has been uncooperative," Swan said. "We have worked with the receiver to provide authorization letters to get foreign bank accounts and monies. We have discussed a number of other issues with the receiver to help them find records."

Swan said he didn't know anything about the \$264,290 that the SEC says Harkless pulled out of Belize.

In February, the SEC sued Harkless for allegedly operating a scam that pulled in around 250 investors with promises of a 12 percent return every 60 to 90 days.

Riverside's MX Factors, along with investment arms JTL Financial Group of Corona and BBH Resources of Palm Springs, pulled in around \$55.6 million starting in March 2000, according to Robb Evans, the receiver. MX Factors told investors their money was used to purchase accounts receivable, called factoring.

But the government says much of the cash from new investors was used to pay original ones, which constitutes a Ponzi scheme.

MX Factors, which has been named in at least seven investor lawsuits, was a legitimate business, Harkless has said.

The SEC also says in its court order that Harkless has not transferred foreign accounts to the United States as ordered and that he's traveled outside the country and might be living in Ensenada, Mexico, where he operates a crabbing venture.

Swan said there is no order restricting his client's travel.

"The fact that he goes to Baja isn't evidence of anything. He's working down there," Swan said.

Also sued by the SEC were Randall Harding of JTL and Daniel Berardi and Thomas Hawkesworth of BBH. All three have been barred by court orders issued in June and this week from working again in the securities industry, said Lisa A. Gok, assistant regional director of enforcement at the SEC.

Harkless' hearing is scheduled for 10 a.m. Thursday in U.S. District Court, 3420 12th St., in Riverside.

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