

Two sentenced for fraud

INVESTMENT SCAM: The Rancho Mirage residents are also guilty of one count of money laundering each.

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By DEVONA WELLS / The Press-Enterprise

Two desert men who ran an investment arm of Riverside-based MX Factors were sentenced Monday for their roles in a fraud that authorities say bilked hundreds of investors.

The case is sealed and a U.S. attorney couldn't be reached Tuesday, but an Internal Revenue Service news release said U.S. District Judge Virginia A. Phillips sentenced Daniel J. Berardi to five years and 10 months and Thomas G. Hawkesworth to four years and nine months for one count of wire fraud and one count of money laundering each.

Berardi and Hawkesworth, both of Rancho Mirage, headed BBH Resources of Palm Desert, which fed money to MX Factors. In all, \$58.5 million was raised from more than 500 investors who are owed more than \$36 million, according to the company charged with getting money back to investors.

A warrant was issued in 2004 for Richard Harkless, president of MX Factors, after he did not appear at a contempt hearing requested by the Securities and Exchange Commission. His former attorney said Harkless was in Mexico when the warrant was ordered.

Sentencing for Randall Harding, who ran JTL Financial Group in Corona -- also an investment arm for MX Factors -- has been delayed numerous times. Harding pleaded guilty last year to wire fraud and money laundering.

Authorities have said MX Factors told investors it loaned money to government-backed projects but instead ran a Ponzi scheme, which takes money from later investors and repays earlier ones.

Investor Scott Truppelli said he met Hawkesworth at a Palm Desert bar and became a salesman for BBH Resources, raising more than \$2 million from friends and family.

"That's great news. That's really good news," Truppelli said when told of the sentencing by phone Tuesday. "I'm glad to see justice is being served. They got what they deserved."

Postal inspector Timothy France said the investigation continues, though he declined to say how many suspects were being targeted or who they are. Along with the U.S. Postal Inspection Service, the IRS and FBI have worked on the case.

White-collar crimes often take years to prosecute because of the volume of paperwork that needs to be analyzed, France said. So far, he said, about 100 people have been interviewed in the MX case.

Like many Ponzi schemes, this one spread quickly through word of mouth, France said.

"Everything is fine in a Ponzi scheme, until something happens that causes a run on the bank. In this case, it was the state issuing its D&R," France said, referring to the 2003 Department of Corporations order telling MX Factors to stop taking investments.

Receiver Robb Evans & Associates, court appointed to sell assets and return money to investors, has mailed checks worth about \$3 million. The receiver sent out letters to agents and investors seeking return of \$10 million in commission and profits.

"We're still negotiating with a lot of people on their ability to repay," said Brick Kane, chief operating officer for the receiver.

Barry Minkow, a pastor and fraud investigator who pointed France to MX Factors, said victims won't feel satisfied until ringleader Harkless is apprehended.

"The system does work and time is the greatest enemy of those who perpetrate fraud," said Minkow, who was jailed in 1988 for his role in the ZZZZ Best carpet-cleaning fraud.

Press-Enterprise reporter Richard DeAtley contributed to this report.

Reach Devona Wells at (909) 368-9559 or dwells@pe.com.

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