



U.S. SECURITIES AND EXCHANGE COMMISSION

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Litigation Release No. 18599 / February 27, 2004

SECURITIES AND EXCHANGE COMMISSION v. MX FACTORS LLC, BBH RESOURCES LLC, JTL FINANCIAL GROUP LLC, RICHARD M. HARKLESS, DANIEL J. BERARDI, JR., THOMAS HAWKESWORTH, AND RANDALL W. HARDING, Civil Action No. EDCV-04-01279-VAP (SGLx) (C.D. Cal.)

SEC HALTS \$33.5 MILLION PONZI SCHEME IN SOUTHERN CALIFORNIA

The Securities and Exchange Commission ("Commission") filed an emergency action yesterday to halt a multi-million dollar Ponzi scheme in an ongoing securities fraud perpetrated by seven Southern California defendants: Mx Factors, LLC of Riverside; BBH Resources, LLC of Palm Springs; JTL Financial Group, LLC of Corona; Richard M. Harkless, 59, of Riverside; Daniel J. Berardi, Jr., 40, of Palm Springs; Thomas Hawkesworth, 49, of Rancho Mirage; and Randall W. Harding, 43, of Corona. The defendants have raised at least \$33.5 million to date from the sale of Mx Factors' notes. Also today, U.S. District Judge Virginia A. Phillips of the U.S. District Court for the Central District of California granted the relief that the Commission sought, issuing orders freezing assets, appointing a temporary receiver over Mx Factors, BBH Resources, and JTL Financial, and other relief.

The Commission's complaint, filed this morning in federal court in Riverside, alleges that the defendants fraudulently induced at least 247 investors nationwide and in Mexico to invest in Mx Factors' notes, which purportedly pay a "guaranteed" return of 12% in 60 or 90 days. Mx Factors claims that it will use the investor funds to provide its clients - construction contractors, wholesalers, and manufacturers - with accounts receivable financing, secured by the client's assignment of its accounts receivable. The defendants also represent that investor funds are safe because at least 70% of the receivables are backed or funded by the government.

According to the complaint, these representations are false. Mx Factors has actually been operating a Ponzi scheme, and at least \$19.9 million in new investor funds has been used to pay existing investors. At least \$5.64 million has been misappropriated (1) to finance a crab fishing business, (2) to pay the personal expenses of Harkless, Berardi, and Hawkesworth, including mortgage payments and credit card bills, and (3) to fund overseas bank accounts. Additionally, the complaint alleges that BBH, Berardi, and Hawkesworth have skimmed \$1.3 million in investor funds by failing to turn them over to Mx Factors. The complaint further alleges that BBH Resources and JTL Financial have each received undisclosed sales commissions of at least 12%.

In its lawsuit, the Commission obtained an order freezing the assets of Mx Factors, BBH Resources, JTL Financial, Harkless, Berardi, and Hawkesworth, an accounting, an order preventing destruction of documents, an order appointing a temporary receiver over Mx Factors, BBH Resources, and JTL Financial, and temporarily enjoining all of the defendants from future violations of the securities registration and antifraud provisions -- and temporarily enjoining defendants BBH Resources, JTL Financial, Berardi, Hawkesworth, and Harding from future violations of the broker-dealer registration provisions -- of the federal securities laws, Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(a) of Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Commission also seeks preliminary and permanent injunctions, and other relief, including disgorgement and civil penalties against all

defendants. A hearing on whether a preliminary injunction should be issued against the defendants and whether a permanent receiver should be appointed over Mx Factors, BBH Resources, and JTL Financial is scheduled for March 8, 2004, at 10:00 a.m.

<http://www.sec.gov/litigation/litreleases/lr18599.htm>