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## Former Worcester restaurateur is charged in \$33M fraud; [ALL Edition]

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### Abstract (Document Summary)

Mr. [T. Gary Hawkesworth] and his wife, Gloria A. (Christo) Hawkesworth, were part-owners of Christo's Restaurant at 97 Stafford St. in Worcester for many years. The Christo and Hawkesworth families sold the restaurant in 2001, and Mr. Hawkesworth and his wife moved from Paxton to Rancho Mirage.

Mr. Hawkesworth is identified in the SEC complaint as a principal of BBH Resources LLC, of Palm Springs, Calif. BBH Resources is described as an unlicensed broker-dealer for Mx Factors LLC, of Riverside, Calif. The SEC's case involves the allegedly fraudulent and unregistered offering of securities by Mx Factors and its sales agents, BBH Resources and JTL Financial Group LLC, of Corona, Calif.

BBH Resources, Mr. Hawkesworth and defendant Daniel Berardi, BBH's second managing member, "skimmed" \$1.3 million in investor funds by failing to turn them over to Mx Factors, while BBH Resources and JTL Financial each received undisclosed sales commissions of at least 12 percent, the SEC alleged in its lawsuit.

### Full Text (634 words)

*Copyright New York Times Company Apr 6, 2004*

The federal Securities and Exchange Commission has accused a former Worcester restaurateur of taking part in a Ponzi scheme that defrauded investors out of more than \$33 million.

T. Gary Hawkesworth, 49, of Rancho Mirage, Calif., formerly of Paxton, was named as a defendant in an emergency action the SEC filed Feb. 25 in federal court alleging violations of federal securities laws.

At the SEC's request, a federal judge in Riverside, Calif. froze the assets of three Southern California investment firms, including one co-managed by Mr. Hawkesworth, after the companies were accused of being part of a scheme that bilked at least 247 investors in the United States and Mexico out of \$33.5 million.

Mr. Hawkesworth and his wife, Gloria A. (Christo) Hawkesworth, were part-owners of Christo's Restaurant at 97 Stafford St. in Worcester for many years. The Christo and Hawkesworth families sold the restaurant in 2001, and Mr. Hawkesworth and his wife moved from Paxton to Rancho Mirage.

Mr. Hawkesworth is identified in the SEC complaint as a principal of BBH Resources LLC, of Palm Springs, Calif. BBH Resources is described as an unlicensed broker-dealer for Mx Factors LLC, of Riverside, Calif. The SEC's case involves the allegedly fraudulent and unregistered offering of securities by Mx Factors and its sales agents, BBH Resources and JTL Financial Group LLC, of Corona, Calif.

The SEC alleges the defendants engaged in securities fraud by selling \$33.5 million worth of Mx Factors' notes on the promise they would pay a "guaranteed" return of 12 percent in 60 or 90 days.

The SEC alleges the three companies, in fact, used at least \$19.9 million in new investor funds to pay previous investors in what amounted to a Ponzi scheme. Other money was misappropriated and sent to overseas bank accounts, invested in a Mexican crabbing operation or used to pay the personal expenses of Mr. Hawkesworth and other principals of BBH Resources and Mx Factors, according to the SEC.

A Ponzi scheme derives its name from Charles Ponzi, who bilked investors out of \$10 million in the early 1920s by promising them a 40 percent return on their money. This type of fraud uses money from new investors to pay previous investors. Such scams generally fall apart when those operating them run out of new investors.

BBH Resources, Mr. Hawkesworth and defendant Daniel Berardi, BBH's second managing member, "skimmed" \$1.3 million in investor funds by failing to turn them over to Mx Factors, while BBH Resources and JTL Financial each received undisclosed sales commissions of at least 12 percent, the SEC alleged in its lawsuit.

In September, the California Department of Corporations accused Mx Factors of raising more than \$21 million in investments without a state permit and ordered it to cease accepting investor funds.

Also named as defendants in the SEC lawsuit are Richard M. Harkless, Mx Factor's managing member, and Randall W. Harding, JTL's president.

As part of its lawsuit, the SEC obtained federal court orders last month freezing the defendants' assets, appointing a permanent receiver over Mx Factors, BBH Resources and JTL Financial, and enjoining all of the defendants from future violations of securities laws. The commission also is seeking permanent injunctions and civil penalties.

Efforts to reach Mr. Hawkesworth by telephone yesterday were unsuccessful. His lawyer, Frank S. Peasley of Riverside, Calif., did not return a telephone call seeking comment.

Roger J. Buffington, a lawyer for Mr. Harding and JTL Financial, has said his clients sued Mx Factors last fall after Mr. Harding began to suspect fraudulent activity. Mr. Buffington said JTL did not intentionally violate securities laws.

Mr. Berardi's lawyer, Peter Scalisi, has said his client and his client's family lost "substantial" money to Mx Factors themselves, and they sympathized with other investors. Mr. Scalisi said Mr. Berardi had been cooperating with the SEC.

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