

ROBB EVANS
Receiver of
MX Factors LLC; BBH Resources LLC
and JTL Financial Group LLC

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Securities and Exchange Commission v. MX Factors LLC, et al.
CASE No. EDCV 04-223 VAP (SGLx)

Notice of Filing of Report of Receiver's Activities for the Period
September 1, 2005 Through October 31, 2006

Filed November 13, 2006

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U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
RIVERSIDE

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

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11 SECURITIES AND EXCHANGE
12 COMMISSION,

13 Plaintiff,

14 v.

15 MX FACTORS, LLC; BBH
16 RESOURCES, LLC; JTL FINANCIAL
17 GROUP, LLC; RICHARD M.
HARKLESS; DANIEL BERARDI;
THOMAS HAWKESWORTH; and
RANDALL W. HARDING,

18 Defendants.
19

CASE NO. EDCV 04-223 VAP (SGLx)

**NOTICE OF FILING OF REPORT
OF RECEIVER'S ACTIVITIES FOR
THE PERIOD SEPTEMBER 1, 2005
THROUGH OCTOBER 31, 2006**

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22 TO: THE HONORABLE VIRGINIA A. PHILLIPS, UNITED STATES
23 DISTRICT JUDGE:

24 COMES NOW, Robb Evans, Permanent Receiver of MX Factors, LLC
25 ("MX"), BBH Resources, LLC ("BBH"), JTL Financial Group, LLC ("JTL") and

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1 their subsidiaries and affiliates, and files his Report of Receiver's Activities for the
2 period from September 1, 2005 through October 31, 2006.

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Dated: November 13, 2006

Respectfully submitted,

MCKENNA LONG & ALDRIDGE LLP
GARY OWEN CARIS
LESLEY ANNE HAWES

By:  _____
Gary Owen Caris

Attorneys for Permanent Receiver,
ROBB EVANS

ROBB EVANS
Receiver of
MX Factors, LLC, BBH Resources, LLC, and
JTL Financial Group, LLC

REPORT OF RECEIVER'S ACTIVITIES
SEPTEMBER 1, 2005 THROUGH OCTOBER 31, 2006

This is the fifth report to the Court. The purpose of this report is to provide the Court updated information on the progress of the receivership. This report does not constitute an audit of the financial condition of the receivership; it is intended only for the information of the Court and should not be relied upon for other purposes.

Asset Recovery and Liquidation

The Receiver¹ has liquidated substantially all of the available assets in the estate and assets that were turned over to the estate.

In previous reports, the Receiver provided a detailed description of certain assets, investments, loans, and equity positions made by the Defendants. BBH Resources LLC (BBH) distributed \$8.6 million to various individuals and entities with little, if any, written documentation. Shortly after the California Department of Corporations prohibited MX and Richard Harkless from engaging in unregistered securities offerings, BBH stopped funding loans and operational costs for the start-up companies. As a result, many of the start-up companies either failed completely or continued to struggle financially.

A complicating factor in many of the investments is that the BBH interest was held indirectly through other entities and with other principals claiming an interest in the investment. Given the lack of written agreements or instruments evidencing the loans and investments, enforcement of agreements and collection efforts have been difficult and time consuming. A cost benefit analysis of potential recovery on various assets of doubtful collectability made further collection efforts inadvisable.

The subsections below describe the assets which provided or will provide some recovery to the estate.

HellBound Steel, LLC (HBS) and American Made, Inc. (AMI)

The Receiver negotiated an agreement with the principals of HBS and AMI to sell the 30% equity interest held by Mullet in HBS for \$76,487 and AMI for \$75,000.

¹ Reference to the Receiver in this report means the Receiver, the Receiver's deputies, his staff, and his counsel.

The Receiver obtained the consent of Mullet's other principals and applied to the Court for confirmation of the sale of this asset. On April 29, 2005, the Court approved the sale. The Receiver collected all of the funds due from HBS. Since the Receiver's last report, AMI completed their installment payments. The net return to the estate as a result of the negotiated agreement with HBS and AMI totaled \$151,487.

Essential Lending

BBH loaned \$50,000 to the principal of Essential Lending. The Receiver has negotiated repayment of the full \$50,000 in the form of monthly payments. To date, the principal of Essential Lending has paid \$30,000 to the estate with a balloon payment due on or before December 31, 2006.

Real Properties and Home Furnishings

The Receiver's last report detailed the liquidation process for seven properties and their furnishings. The seven properties were sold for \$5.63 million. After payment of commissions, mortgages and closing costs, the net proceeds to the estate totaled \$2,442,600. One property has been sold during this reporting period, 3628 Larchwood Place, Riverside, CA. On September 9, 2005, the court signed an order approving the sale of this property. The property was sold for \$375,000. After commission, closing costs and mortgage payoffs, the net proceeds equaled \$185,897.

The Receiver is analyzing possible collection strategies regarding the Harkless residence in Riverside, California.

Bank Accounts

On August 22, 2006 this Court approved a stipulated agreement regarding the disputed funds held at Provident Bank in the name of Engledinger Family Trust. On September 6, 2006 Provident Bank turned over \$72,476.06 to the receivership estate. Pursuant to the stipulated agreement the Receiver paid one-half of these funds to Olivia Engledinger.

Pursuant to the final judgment against the individual defendants, the Receiver collected \$96,085.89 from accounts maintained at Union Bank by defendants Hawkesworth and Berardi.

Claims Procedure

On March 10, 2005 this Court approved the Receiver's Proposed Claims Filing and Allowance Procedures. Pursuant to that Order, the Receiver mailed notices to all known investors and potential non-investor claimants. The Receiver documented investor claims of about \$58.5 million.

After deducting interest, principal, commission, and other payments the Receivership Defendants returned to investors, the net amount owed to investors is about \$39.4 million.

On November 10, 2005, the Receiver filed a motion detailing a proposed initial distribution for approved investor and creditor claims. On December 5, 2005, the Court approved the distribution plan. On December 19, 2005, the Receiver distributed approximately \$3.0 million to investors and creditors with approved claims. The distribution was 7.58% of the total claims.

The Receiver is attempting to negotiate a resolution of the few remaining disputed non-investor claims.

Investor Overpayments

The Receiver is currently in the process of collecting overpayments received by investors. The investors are both individuals and limited liability corporations (LLCs) formed at the suggestion of the Receivership Defendants. The Receiver sent letters to all investors that received an overpayment in excess of \$1,000.00, placing demand for repayment.

The Receiver is following up on the initial letter with both telephone calls and additional correspondence to make arrangement for full repayment. In the event that the LLC has been dissolved or lacks the ability to repay, demand was made on the principals.

To date, the Receiver has filed eight lawsuits against fifty separate defendants with claims totaling approximately \$9.6 million. The Receiver has secured settlement agreements totaling \$327,344 and has collected \$83,344.

Other Issues

The Receiver is continuing its attempt to resolve several outstanding pre-receivership litigation claims, which are believed to have a minimal overall financial impact on the estate.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Robb Evans for".

Robb Evans
Receiver

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PROOF OF SERVICE BY MAIL

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the aforesaid county, State of California; I am over the age of 18 years and not a party to the within action; my business address is **444 South Flower Street, Los Angeles, California 90071.**

On November 13, 2006, I served the **NOTICE OF FILING OF REPORT OF RECEIVER'S ACTIVITIES FOR THE PERIOD SEPTEMBER 1, 2005 THROUGH OCTOBER 31, 2006** on the interested parties in this action by placing the **true copy/original** thereof, enclosed in a sealed envelope, postage prepaid, addressed as follows:

SEE ATTACHED MAILING LIST.

I am readily familiar with the business practice of my place of employment in respect to the collection and processing of correspondence, pleadings and notices for mailing with United States Postal Service.

The foregoing sealed envelope was placed for collection and mailing this date consistent with the ordinary business practice of my place of employment, so that it will be picked up this date with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of such business.

(STATE)

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

(FEDERAL)

I declare under penalty of perjury that the foregoing is true and correct, and that I am employed at the office of a member of the bar of this Court at whose direction the service was made.

Executed on November 13, 2006 at Los Angeles, California.



Signature

Pamela A. Coates

Print Name

1 **SERVICE LIST**

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