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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

Plaintiff,

vs.

EMVEST MORTGAGE FUND, LLC,
EMVEST, INC., and MILON LYLE
BROCK,

Defendants.

CASE NO. 04cv2295-DMS (POR)

**ORDER RE: RECEIVER'S
ELEVENTH REPORT**

Pursuant to Court Order, the Receiver filed his Eleventh Verified Report (“Report”) on December 20, 2007. The Government raised no objections. The Report provides the following:

First, operations continue generally in a stable manner with financial controls in place and ample information provided to the public. The Receiver continues to run the business on a daily basis with the goals of minimizing the negative effects of the downturn of the real estate market, and liquidating the fund’s assets in an orderly manner by the 12/31/08 target date.

Pursuant to Court Order, the Receiver continues monthly distributions to the investors of up to 6% annually, and hardship disbursements as appropriate. The loan portfolio has been affected by the softening of the real estate market, but progress has been made toward liquidation. As of November 30, 2007, the portfolio principal balance is \$6,114,950, plus real Estate Owned of \$1,222,788. The Receiver has implemented an aggressive marketing plan to increase curb appeal and restore the properties to move-in condition.

1 Second, the Receiver sends periodic reports to members, which include Financial Statements,
2 the most recent of which are included with the report as Exhibit #1. As an accrual-based statement,
3 the Income Statement reflects expenses for 100% of the fees billed by the Receiver and his attorney,
4 even though they were not actually paid. Moreover, the \$500,000 entry for Bad Debt expense reflects
5 the Receiver's good faith estimate of total possible exposure on loan losses, which could change in
6 the future. That expense significantly reduced the net income, which is reported at \$32,270, and is
7 included in the \$550,835 "Allowance for Foreclosed Assets" entry on the balance sheet. The amount
8 of Real Estate Owned also includes real estate which has taken back by the Fund through foreclosures.
9 Overall, the Receiver represents that in light of the overall turmoil in real estate and subprime
10 mortgage markets, the Fund is in "far better shape" than many others.

11 Third, the Receiver proposes a voluntary fee reduction from \$12,500 per month to \$9,000 per
12 month. The Court approves this reduction.

13 Fourth, the Receiver proposes a plan for allowing Members to voluntarily cash out their equity
14 now at a discount, while ensuring that those who remained in the Fund would not be harmed by
15 remaining invested. The terms of the plan are as follows: An amount less than one million dollars
16 (taken from the Fund's current cash assets of \$2.3 million) would be allocated for discounted cash-outs
17 for a limited period to be determined by the Receiver after Members were notified of the program.
18 Tentatively, the Receiver proposes a time period lasting from February 1, 2008 to March 31, 2008.
19 During that time, Members would be able to cash out at 70% of the value of their current equity, as
20 shown in the most recent Financial Statements at the time of the cash-out. Withdrawals would occur
21 on a first-come-first-served basis, up to the total \$1 million cap. No partial withdrawals would be
22 permitted. The Receiver would be permitted to stop the program on or before the end date, or before
23 the entire \$1 million had been disbursed, if it appeared that continuing the program would harm the
24 remaining Members. As there are no objections to this plan, and the Court agrees that it is appropriate,
25 it is approved.

26 Pursuant to Civ. L. R. 66.1, the Receiver shall file, serve, and make available on the website
27 his Twelfth Report no later than March 21, 2008. Comments or objections shall be filed no later
28 than March 31, 2008. The matter shall be calendared for Friday, April 4, 2008, at 1:30 p.m., but unless


1 otherwise ordered, the Court will address all issues on the briefs and without oral argument.

2 **IT IS SO ORDERED.**

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4 DATED: January 7, 2008

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6 HON. DANA M. SABRAW
7 United States District Judge

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