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8 **UNITED STATES DISTRICT COURT**
9 **SOUTHERN DISTRICT OF CALIFORNIA**
10

11 UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

12 Plaintiff,

13 v.

14 EMVEST MORTGAGE FUND, LLC;
15 EMVEST, INC.; and MILON LYLE
BROCK,
16

17 Defendants.
18

CASE NO.: 04CV2295-DMS (LSP)

JUDGE: Hon. Dana M. Sabraw

**RECEIVER'S TWELFTH VERIFIED
REPORT**

CTRM: 10

DATE: April 4, 2008

TIME: 1:30 p.m. (No Oral Argument)

Disc. Cut-off: November 10, 2005

Motion Cut-off: November 10, 2005

Trial Date: January 3, 2006

19 **Emvest Mortgage Fund, LLC**

20 **Receiver's Twelfth Verified Report and Petition for Instructions;**

21 **Prepared by Dennis Murphy, Permanent Receiver,**

22 **For the Period from 12/19/07 to 3/20/08**
23

24 This "Receiver's Twelfth Verified Report and Petition for Instructions" is filed
25 on behalf of Emvest Mortgage Fund, LLC ("the Fund") in compliance with reporting
26 requirements for Receivers under Civil Rule 66.1 (Receivers). This twelfth report
27 covers the period from 12/19/07 to 3/20/08.
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1 **1. Summary of Operations of Receiver:**

2 As reported in the news on a constant basis, the real estate market nationwide
3 continues to soften at an accelerated pace. The worldwide subprime mortgage market
4 continues to suffer greatly. The Emvest Mortgage Fund has been affected by the same
5 negative market forces, although not to the same extent. As in the recent past, the
6 Receiver is continuing to try to minimize negative effects of the downturn by staying
7 very closely involved with management of the portfolio and by working with
8 borrowers as they face these difficult times.

9 The Fund's operations continue in a stable manner, accurate and timely
10 financial reports are routinely prepared, solid financial controls are in place,
11 information is posted on the Fund's website for all to see, and the Receiver continues
12 to run the business on a daily basis. The Receiver's focus continues to be on running
13 the Fund in a profitable and transparent manner, while liquidating the Fund's assets in
14 an orderly manner by the 12/31/08 target date. The entire portfolio is still for sale, and
15 updated details of each loan are posted on the Fund's website for all to see and
16 evaluate.

17 Here is a summary of operations related matters:

18 1.1 Continued Monthly Distributions to Members: The Court Order filed on
19 3/2/05 allowed the Receiver, at his discretion, to "resume making monthly
20 distributions to the investors of up to 6% annually, as long as justified by the Fund's
21 revenue". The Receiver resumed making regular monthly distributions in March 2005
22 at an annual rate of 6%, and this policy still continues.

23 1.2 Emergency Hardship Refunds to Members: The Receiver initially
24 received permission under the Court Order filed on 3/2/05 to "make distributions to
25 investors based on a showing of extreme hardship or emergency, not to exceed 20% of
26 those investors' original capital". The Court subsequently gave permission to the
27 Receiver in extreme cases to refund up to 75% of a Member's original capital. Most
28 recently, in its Order filed on 8/8/06, the Court granted the Receiver's request to be

1 able "to disburse up to the book value of an investor's equity for investors of not more
2 than \$15,000 who face extreme hardship, in order to provide additional help". The
3 Receiver still continues, as appropriate, to make hardship disbursements to Members,
4 and the process continues to work as intended.

5 1.3 Implementation of Court Approved "Discounted Cash-Out" Plan: In its
6 "Order Re: Receiver's Eleventh Report", dated 1/7/08, the Court approved the
7 Receiver's request to implement a new plan by which certain Members could cash-out
8 their equity at a reasonable discount (thus accommodating their needs) while still
9 ensuring that those who remained in the Fund would not be any worse off (and could
10 possibly end up better off) for staying. This plan allows Members to cash-out
11 completely at 70% of their current equity, subject to certain conditions. The
12 Receiver's letter to Members, dated 1/11/08, (a copy of which is attached as Exhibit
13 #1), describes the details of the plan.

14 This cash-out option (which expires on or before 3/31/08) has been generally
15 well received by Members, and the level of participation as of 3/13/08 is summarized
16 as follows:

17 Number of cash-out participants: 27

18 Amount of cash disbursed: \$564,846.72

19 1.4 Voluntary Reduction of Receiver's Fees: The Receiver has been
20 concerned about preserving Members' equity in this highly volatile and unpredictable
21 environment. Hence, with Court approval, the Receiver voluntarily reduced his fixed
22 Fund management fee from \$12,500 per month down to \$9,000 per month starting in
23 January, 2008. Non-operations fees continue to be excluded from this fixed fee.

24 1.5 Loan Portfolio Status: The Fund's loan portfolio has been affected by the
25 same soft market conditions that have been widely reported nationwide, and fund
26 management has required substantial close attention. Nevertheless, as discussed
27 above, progress continues to be made towards liquidation of the portfolio, as shown
28 on the attached financial statements. The portfolio principal balance was \$14,968,831

1 as of 12/31/06; it is down to \$5,195,863 as of 2/29/08, plus Real Estate Owned
2 (“REO”) of \$1,363,907. To speed the sale of properties that were taken back through
3 foreclosure, an aggressive marketing plan has been implemented to increase their
4 “curb appeal” and to restore them to “move-in condition”. The Receiver has also
5 made a series of site visits to foreclosed properties and has met with local brokers to
6 market the properties aggressively.

7 **2. Financial Statements:**

8 Monthly financial statements which conform to Generally Accepted
9 Accounting Principles (“GAAP”) continue to be prepared on a timely basis, and
10 continue to be posted regularly on the Fund’s web site (<http://emvest.info>). In
11 addition, these financial statements are included with the Receiver’s periodic reports
12 sent to Members. Attached as Exhibit “B” are Financial Statements as of 2/29/08 for
13 the Fund, including a Balance Sheet, Income Statement, Recap of Members’ Equity,
14 and a Schedule of Accrued Interest.

15 Since the size of the Fund’s loan portfolio has been reduced from about \$15
16 million on 12/31/06 to about \$5.2 million on 2/29/08 (plus \$1.36 million of real estate
17 owned), and since about \$7 million has been paid to withdrawing members during
18 2007 and the first two months of 2008, simply comparing current net income to
19 historical net income is no longer a meaningful approach to assessing the Fund’s
20 performance. A more appropriate approach is now to track the Book Value of a
21 \$10,000 Investment, as discussed below.

22 As a reminder, since this is an accrual (rather than cash based) Income
23 Statement, the net income also includes expenses for 100% of the fees billed by the
24 Receiver and his attorney although they were not actually paid. The accrued unpaid
25 fees are shown as Current Liabilities on the Balance Sheet.

26 2.1. Income Statement: For the first two months of 2008, the Fund recorded
27 net income of \$102,579.

28 2.2. Balance Sheet: For the period ending 2/29/08, the “Allowance for



1 Foreclosed Assets” was \$770,265. This includes the Bad Debt expense of \$500,000
2 which was taken in June, 2007. The approximate amount of \$270,000 of Member
3 equity (which was forfeited when certain Members took the discounted cash-out
4 payoff discussed in Section 1.3 above) was also added to this allowance. The amount
5 of “Real Estate Owned” of \$1,363,907 reflects real estate which has been taken back
6 by the Fund through foreclosures.

7 2.3. Recap of Members’ Equity: As of 2/29/08, the book value of a \$10,000
8 original investment is \$9,220 (i.e. 92.2% of Members’ original investment). After
9 sustained growth in the value of their investment during the Receivership through
10 2006, the drop in Members’ equity starting in 2007 is a reflection of the bad debt
11 write-off taken and of the distinct softening of the market. When put into the context
12 of the overall extreme turbulence in the real estate and subprime mortgage markets,
13 the Emvest Mortgage Fund is in far better shape than many others.

14
15 DATED: March 20, 2008

GREENBERG & BASS LLP

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17 By: 
18 JAMES R. FELTON
19 Attorneys for Receiver
20 Dennis Murphy
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EXHIBIT A

Dennis M. Murphy, CPA, CIRA
Permanent Receiver: Emvest
630 N. Rosemead Blvd., Suite 100
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email: ed@emvest.info
website: <http://emvest.info>

Case Reference:
U.S. Securities & Exchange Commission (SEC) v.
Emvest Mortgage Fund, LLC, Emvest, Inc., and
Milon Lyle Brock
United States District Court
Southern District of California
Case No.: 04cv2295-DMS(LSP)
Receiver Appointed: 12/03/04

Dear Emvest Investor:

January 11, 2008

1. Court Authorized "Discounted Cash-Out" Option:

Although there are currently two plans by which certain Fund Members can reduce their equity in the Fund (i.e. hardship withdrawal, and swapping equity for ownership of a particular note), certain Members have requested the ability to simply cash-out their equity now at a discount. The Receiver has just received Court approval for a new plan by which certain Members can cash-out their equity at a reasonable discount (thus accommodating their needs) while still ensuring that those who remain in the Fund will not be any worse off (and could possibly end up better off) for staying.

To determine a discount rate that is reasonable, the Receiver did a detailed portfolio analysis with respect to future expectations of loan performance; he believes that the Court approved plan satisfies the two requirements of allowing certain Members to cash out at a reasonable discount while not hurting those Members who remain. This plan is also consistent with the goal of liquidating the Fund by 12/31/08.

2. Terms of the Discounted Cash-Out Option:

Here are the terms of the Court approved discounted cash-out plan:

a. The amount of one million dollars has been allocated for discounted cash-outs for a limited time of the earlier of until March 31, 2008 or when the \$1 million has been disbursed.

b. Members shall be able to cash-out at 70% of the value of their current equity, as shown in the most recent Financial Statements at the time of the cash-out. (As of 11/30/07, Members' equity was at 92.86% of their original investment. Hence, for example, a Member who had initially invested \$10,000 would currently cash-out at 70% of 92.86% of \$10,000, which would result in a cash-out amount of \$6,500 as of 11/30/07.)

c. Withdrawals shall be done on a first come first served basis, up to the total \$1 million cap.

d. No partial withdrawals shall be permitted. Each Member shall be required to cash out completely and to sign a release (a copy of which is enclosed).

e. The Receiver is allowed, at his option, to stop the program on or before March 31, 2008 and/or before the entire \$1 million has been disbursed if it appears that the remaining Members shall be hurt.

3. How to Request Cash-Out Under This Plan:

a. Execute the enclosed Release Form and mail it back in the enclosed envelope. (It is not necessary to send it by Certified Mail, but you may do that if you want a receipt that your letter was received.) You may also send the release back by fax or by email if you prefer.

b. Since requests shall be processed on a first come first served basis, the date of the postmark, the date of the fax, and the date of the email shall be used.

Lastly, we wanted to let you know that your Income Tax K-1 forms should be sent out by the middle of February.

Sincerely,

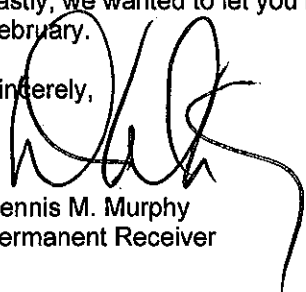

Dennis M. Murphy
Permanent Receiver

EXHIBIT B

**EMVEST MORTGAGE FUND LLC
(A LIMITED LIABILITY COMPANY)
BALANCE SHEET
February 29, 2008**

ASSETS

Current Assets		
Cash in Bank	\$ 2,344,027	
Accrued Interest Receivable	244,682	
Total Current Assets	<u> </u>	\$2,588,709
Loan Portfolio		
Mortgage Loans held	\$ 5,195,863	
Loans in Process & Advanced Costs	201,106	
Allowance for Foreclosed Assets	<u>(770,265)</u>	
		\$4,626,704
Other Assets		
Real Estate Owned	\$ 1,363,907	
Bond - Certificate of Deposit	<u>10,000</u>	
Total Other Assets		<u>\$1,373,907</u>
Total Assets		<u><u>\$8,589,320</u></u>

LIABILITIES AND EQUITY

Current Liabilities		
Accrued Expenses - Attorney for Receiver	\$ 49,335	
Accrued Expenses - Receiver	<u>210,193</u>	
Total Current Liabilities		\$ 259,528
Total Members' Equity		<u>8,329,792</u>
Total Liabilities and Members' Equity		<u><u>\$ 8,589,320</u></u>

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3/12/08
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**EMVEST MORTGAGE FUND LLC
(A LIMITED LIABILITY COMPANY)
INCOME STATEMENT
FOR THE TWO MONTHS ENDED FEBRUARY 29, 2008**

Revenue		
	Interest Income	<u>\$ 116,387</u>
Total Revenue		<u>\$ 116,387</u>
Operating Expenses		
	Accounting/Bus Operations - Receiver	18,000
	Advance Deschenes	8,684
	Attorney Expenses - Receiver	6,825
	Bad Debt	
	Dues & Subscriptions	
	Filing Fees	
	Legal Fees	
	Licenses, Fees & Permits	
	Litigation Response - Receiver	3,677
	Loan Documentation	500
	Loan Servicing - FCI	165
	Office Expense	1,346
	Printing and Reproductions	
	REO Costs	5,623
	Taxes	
	Tax Issues - Receiver	4,642
	Telephone	
		<u> </u>
Total Operating Expenses		<u>\$ 49,462</u>
Net Ordinary Income		<u>66,925</u>
Other Income/(Expense)		
	Other Income	35,654
	Interest Other	-
	Other Expense	
		<u> </u>
Net Other Income/(Expense)		<u>35,654</u>
Net Income		<u><u>\$ 102,579</u></u>

Emvest Mortgage Fund
Schedule of Accrued Interest
02/29/08

FCI Loan #	Name	Balance at 02/29/08	Rate	Last Payment	End of Month	# of Days		Interest Due
ALG/115	Lerman	290,765.26	12.250%	01/01/08	02/29/08	59		5,757.55
FCI/1	Thomas	540,000.00	14.500%	12/08/07	02/29/08	83		17,805.21
ALG/118	Stevens	346,039.24	12.250%	11/21/06	02/29/08	465	F	15,097.74
FCI/2	Baez	280,000.00	15.000%	08/13/07	02/29/08	200		23,013.70
ALG/122	Sellers	288,917.31	12.000%	04/13/07	02/29/08	322	F	26,121.29
FCI/8	Praise	160,000.00	12.950%	11/11/07	02/29/08	110		6,244.38
FCI/13	Middell	448,000.00	11.500%	10/15/06	02/29/08	502	F	40,792.55
ALG/123	Zohn	223,660.22	12.000%	01/09/08	02/29/08	51		3,750.14
FCI/17	Martinez	584,191.29	12.250%	11/26/06	02/29/08	460	F	6,662.25
FCI/18	Greene	229,116.80	13.000%	09/26/07	02/29/08	156		12,730.11
FCI/20	Mendoza	348,500.00	12.500%	10/27/07	02/29/08	125		14,918.66
FCI/26	Byington	650,000.00	13.500%	10/25/07	02/29/08	127	F	22,839.04
ALG/127	Grotjahn	474,163.88	12.000%	02/10/07	02/29/08	384	F	26,657.10
FCI/25	Tashchyan	368,048.76	12.000%	12/21/07	02/29/08	70		8,470.16
FCI/27	Nelson	310,500.00	12.500%	12/09/07	02/29/08	82		8,719.52
	Grand Totals	5,541,902.76						239,779.40
ALG/118	Stevens	346,039.24						15,097.74
		5,195,863.52						224,681.66

EMVEST MORTGAGE FUND LLC
(A LIMITED LIABILITY COMPANY)
RECAP OF MEMBERS EQUITY
FOR THE TIME PERIOD 01/01/02 THROUGH 2/29/08

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Totals</u>
Members' Equity at Beginning of Year	-0-	\$ 3,774,359	\$ 10,646,176	\$ 15,269,624	\$ 15,003,527	\$ 15,840,643	\$ 9,105,176	
Capital Contributions	\$ 4,215,807	8,080,495	8,014,408	0	0	0	0	20,310,710
Net Income	97,702	520,460	721,953	1,147,862	2,790,958	70,881	102,579	5,452,395
Distributions to Members	(124,574)	(908,462)	(1,570,242)	(857,856)	(992,290)	(687,881)	(94,722)	(5,236,027)
Withdrawals to Members	(182,734)	(426,570)	(2,140,175)	(556,103)	(973,373)	(6,214,386)	(783,242)	(11,276,583)
Rounding						1	1	1
Syndication Costs	(231,842)	(394,106)	(402,496)	-	11,821	95,918	0	(920,705)
Members' Equity at End of Year	<u>\$ 3,774,359</u>	<u>\$ 10,646,176</u>	<u>\$ 15,269,624</u>	<u>\$ 15,003,527</u>	<u>\$ 15,840,643</u>	<u>\$ 9,105,176</u>	<u>\$ 8,329,792</u>	<u>\$ 8,329,791</u>

Book Value of \$10,000 Investment	\$ 9,359	\$ 9,109	\$ 8,695	\$ 8,817	\$ 9,811	\$ 9,275	\$ 9,220
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PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action. My business address is **16000 Ventura Boulevard, Suite 1000, Encino, California 91436.**

On March 21, 2008, I served the foregoing document described as **RECEIVER'S TWELFTH VERIFIED REPORT** on the interested parties in this action.

- by placing the original and/or a true copy thereof enclosed in (a) sealed envelope(s), addressed as follows:

SEE ATTACHED SERVICE LIST

- BY REGULAR MAIL:** I deposited such envelope in the mail at 16000 Ventura Boulevard, Suite 1000, Encino, California. The envelope was mailed with postage thereon fully prepaid.

I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. It is deposited with the U.S. Postal Service on that same day in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one (1) day after date of deposit for mailing in affidavit.

- BY FACSIMILE MACHINE:** I transmitted a true copy of said document(s) by facsimile machine, and no error was reported. Said fax transmission(s) were directed as indicated on the service list.
- BY OVERNIGHT MAIL:** I deposited such documents at the Overnight Express or Federal Express Drop Box located at 16000 Ventura Boulevard, Suite 1000, Encino, California. The envelope was deposited with delivery fees thereon fully prepaid.
- BY PERSONAL SERVICE:** I caused such envelope(s) to be delivered by hand to the above addressee(s).

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

Executed on March 21, 2008, at Encino, California.


Margaret Tyndall

SERVICE LIST

United States Securities and Exchange Commission
v. Emvest Mortgage Fund, et al.
Case No. 04CV2295-DMS(POR)

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