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5 Attorneys for Receiver  
Dennis Murphy  
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8 **UNITED STATES DISTRICT COURT**  
9 **SOUTHERN DISTRICT OF CALIFORNIA**  
10

11 UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION,  
12

13 Plaintiff,  
14

15 v.  
16

EMVEST MORTGAGE FUND, LLC;  
15 EMVEST, INC.; and MILON LYLE  
16 BROCK,  
17

18 Defendants.  
19

**CASE NO.: 04CV2295-DMS (LSP)**

**JUDGE:** Hon. Dana M. Sabraw

**RECEIVER'S THIRTEENTH  
VERIFIED REPORT**

**CTRM:** 10

**DATE:** June 27, 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

20 **Emvest Mortgage Fund, LLC**

21 **Receiver's Thirteenth Verified Report and Petition for Instructions;**

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

23 **For the Period from 3/21/08 to 6/18/08**

24 This "Receiver's Thirteenth Verified Report and Petition for Instructions" is  
25 filed on behalf of Emvest Mortgage Fund, LLC ("the Fund") in compliance with  
26 reporting requirements for Receivers under Civil Rule 66.1 (Receivers). This  
27 thirteenth report covers the period from 3/21/08 to 6/18/08.  
28





1           1.2 Emergency Hardship Refunds to Members: The Receiver initially received  
2 permission under the Court Order filed on 3/2/05 to “make distributions to investors  
3 based on a showing of extreme hardship or emergency, not to exceed 20% of those  
4 investors’ original capital”. The Court subsequently gave permission to the Receiver  
5 in extreme cases to refund up to 75% of a Member’s original capital. Most recently,  
6 in its Order filed on 8/8/06, the Court granted the Receiver’s request to be able “to  
7 disburse up to the book value of an investor’s equity for investors of not more than  
8 \$15,000 who face extreme hardship, in order to provide additional help”. The  
9 Receiver still continues, as appropriate, to make hardship disbursements to Members,  
10 and the process continues to work as intended.

11           1.3 Results of Court Approved “Discounted Cash-Out” Plan: In its “Order Re:  
12 Receiver’s Eleventh Report”, dated 1/7/08, the Court approved the Receiver’s request  
13 to implement a plan by which certain Members could cash-out their equity at a  
14 reasonable discount (thus accommodating their needs) while still ensuring that those  
15 who remained in the Fund would not be any worse off (and could possibly end up  
16 better off) for staying. This plan allowed Members to cash-out completely at 70% of  
17 their current equity, subject to certain conditions. This cash-out option (which has  
18 now expired) was generally well received by Members, and the level of participation  
19 was as follows:

- 20
- 21                                 -       Number of cash-out participants: 33
- 22                                 -       Amount of cash disbursed: \$702,212.27
- 23

24           1.4 Voluntary Reduction of Receiver’s Fees: Since the Receiver has been  
25 concerned about preserving Members’ equity in this highly volatile and unpredictable  
26 environment, the Receiver voluntarily reduced his fixed Fund management fee (with  
27 Court approval) from \$12,500.00 per month down to \$9,000.00 per month starting in  
28 January, 2008. Non-operations fees continue to be excluded from this fixed fee.



1 Receiver and his attorney although they were not actually paid. The accrued unpaid  
2 fees are shown as Current Liabilities on the Balance Sheet.

3 2.1. Income Statement: For the first five months of 2008, the Fund recorded  
4 negative net income of \$861,074, which includes a Bad Debt expense of \$900,000  
5 taken in May. This Bad Debt expense was taken now as an adjustment to more  
6 accurately reflect the Trustee's best estimate of the current market value of the Fund's  
7 assets.

8 2.2. Balance Sheet: For the period ending 5/31/08, the "Allowance for  
9 Foreclosed Assets" was \$1,670,508. This includes the Bad Debt expense of \$900,000  
10 which was taken in May. The Member equity which was forfeited when certain  
11 Members took the discounted cash-out payoff discussed in Section 1.3 above was also  
12 included in this allowance. The amount of "Real Estate Owned" ("REO") of  
13 \$2,322,561 reflects real estate which has been taken back by the Fund through  
14 foreclosures.

15 2.3. Recap of Members' Equity: As of 5/31/08, the book value of a \$10,000  
16 original investment is \$8,161 (i.e. 81.6% of Members' original investment). After  
17 sustained growth in the value of their investment during the Receivership through  
18 2006, the drop in Members' equity starting in 2007 is a reflection of the bad debt  
19 write-offs taken and of the extreme weakening of the market. When put into the  
20 context of the overall continued turbulence in the real estate and subprime mortgage  
21 markets, the Emvest Mortgage Fund is in much better financial condition than many  
22 others.

### 23 **3. Request for Instructions/Approval on Proposed**

#### 24 **"Member's Equity to Buy REO" Plan:**

25 Although there are currently two plans by which certain Fund Members can  
26 reduce their equity in the Fund (i.e. hardship withdrawal, and swapping equity for  
27 ownership of a particular note), and although a discounted cash-out plan was  
28 successfully conducted, the Receiver continues to try to identify additional options by

1 which certain Members could use their equity and by which the liquidation of Fund  
2 assets would also be expedited.

3 Therefore, the Receiver respectfully requests Court instructions and/or approval  
4 for a proposed new plan by which Members could use their current equity towards the  
5 purchase of any of the Fund's Real Estate Owned ("REO"). Here is how the plan  
6 would work:

7 a. From links to the real estate listings for the Fund's REO posted on the Fund's  
8 web site, Members could determine whether they were interested in making an offer  
9 to purchase any of these properties at current market prices and terms.

10 b. An interested Member would contact the Receiver directly (without using an  
11 outside real estate broker) with an offer to purchase. Members would be allowed to  
12 use their current Fund equity instead of cash towards the purchase price, and they  
13 would secure new outside financing for the balance. Since the Member would be  
14 dealing directly with the Receiver (without an outside broker), the Member would also  
15 receive a credit equal to the "sale" portion of the real estate commission (typically 3%  
16 of the sales price). If the Member chose instead to be represented by an outside  
17 broker, then this credit would not apply, since their outside broker would be receiving  
18 the commission.

19 c. The Receiver would have the discretion (as he does now) to determine the  
20 acceptable terms of any sale. A normal escrow would be conducted for the sale.

21 DATED: June 19, 2008

GREENBERG & BASS LLP

22  
23 By: /s/ James R. Felton  
24 JAMES R. FELTON  
25 Attorneys for Receiver  
26 Dennis Murphy  
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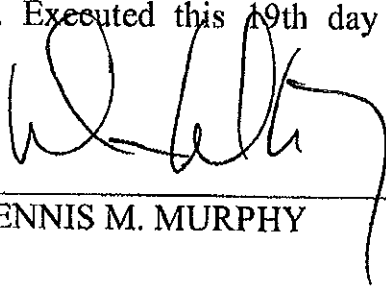
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**VERIFICATION OF DENNIS M. MURPHY**

I, Dennis M. Murphy, declare as follows:

I am the Court appointed Permanent Receiver in this matter. I have read the Thirteenth Report of Receiver to be filed concurrently with this Verification and know the contents thereof. The information contained therein is true and correct of my own personal knowledge.

I declare under penalty of perjury pursuant to the laws of the State of California that the foregoing is true and correct. Executed this 19th day of June, 2008 at Pasadena, CA.



\_\_\_\_\_  
DENNIS M. MURPHY



**EXHIBIT 1**

EMVEST MORTGAGE FUND LLC  
(A LIMITED LIABILITY COMPANY)  
BALANCE SHEET  
May 31, 2008

ASSETS

Current Assets		
Cash in Bank	\$ 2,136,853	
Accrued Interest Receivable	147,219	
Total Current Assets		\$2,284,072
Loan Portfolio		
Mortgage Loans held	\$ 4,043,331	
Loans in Process & Advanced Costs	164,932	
Allowance for Foreclosed Assets	(1,670,508)	
		\$2,537,755
Other Assets		
Real Estate Owned	\$ 2,322,561	
Bond - Certificate of Deposit	10,000	
Total Other Assets		\$2,332,561
Total Assets		<u>\$7,154,388</u>

LIABILITIES AND EQUITY

Current Liabilities		
Accrued Expenses - Attorney for Receiver	\$ 47,417	
Accrued Expenses - Receiver	214,185	
Total Current Liabilities		\$ 261,602
Total Members' Equity		<u>6,892,786</u>
Total Liabilities and Members' Equity		<u>\$ 7,154,388</u>

OK  
6/12/08  
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EMVEST MORTGAGE FUND LLC  
(A LIMITED LIABILITY COMPANY)  
INCOME STATEMENT  
FOR THE FIVE MONTHS ENDED MAY 31, 2008

Revenue		
	Interest Income	<u>\$ 128,649</u>
Total Revenue		<u>\$ 128,649</u>
Operating Expenses		
	Accounting/Bus Operations - Receiver	45,000
	Advance Insurance	28,104
	Attorney Expenses - Receiver	7,400
	Bad Debt	900,000
	Bank Service Charges	16
	Dues & Subscriptions	
	Filing Fees	
	Legal Fees	
	Licenses, Fees & Permits	
	Litigation Response - Receiver	8,723
	Loan Documentation	500
	Loan Servicing - FCI	420
	Office Expense	3,962
	Printing and Reproductions	
	REO Costs	23,496
	Taxes	6,800
	Tax Issues - Receiver	7,531
	Telephone	
Total Operating Expenses		<u>\$1,031,952</u>
Net Ordinary Income		<u>(903,303)</u>
Other Income/(Expense)		
	Other Income	42,229
	Interest Other	-
	Other Expense	
Net Other Income/(Expense)		<u>42,229</u>
Net Income		<u><u>\$ (861,074)</u></u>

EMVEST MORTGAGE FUND LLC  
(A LIMITED LIABILITY COMPANY)  
RECAP OF MEMBERS EQUITY  
FOR THE TIME PERIOD 01/01/02 THROUGH 5/31/08

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Y-T-D 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	(861,074)	4,488,742
Distributions to Member:	(124,574)	(908,462)	(1,570,242)	(857,856)	(992,290)	(687,881)	(184,237)	(5,369,802)
Withdrawals to Members	(182,734)	(426,570)	(2,140,175)	(556,103)	(973,373)	(6,214,386)	(964,409)	(11,616,161)
Rounding						1	1	2
Syndication Costs	(231,842)	(394,106)	(402,496)	-	11,821	95,918	0	(920,705)

Members' Equity  
at End of Year \$ 3,774,359 \$ 10,646,176 \$ 15,269,624 \$ 15,003,527 \$ 15,840,643 \$ 9,105,176 \$ 7,095,457 \$ 6,892,786

Book Value  
of \$10,000  
Investment \$ 9,359 \$ 9,109 \$ 8,695 \$ 8,817 \$ 9,811 \$ 9,275 \$ 8,161

Emvest Mortgage Fund								
Schedule of Accrued Interest								
05/31/08								
FCI		Balance at		Last	End of	# of		Interest
Loan #	Name	05/31/08	Rate	Payment	Month	Days		Due
ALG/115	Lerman	289,590.97	12.250%	05/01/08	05/31/08	30		2,915.74
FCI/1	Thomas	540,000.00	14.500%	04/08/08	05/31/08	53		11,369.59
FCI/2	Baez	280,000.00	15.000%	08/13/07	05/31/08	292	F	30,032.88
ALG/122	Sellers	288,917.31	12.000%	04/13/07	05/31/08	414	F	26,121.29
FCI/8	Praise	160,000.00	12.950%	11/11/07	05/31/08	202	BK	9,707.18
ALG/123	Zohn	223,582.44	12.000%	02/09/08	05/31/08	112		8,232.73
FCI/17	Martinez	584,191.29	12.250%	11/26/06	05/31/08	552	F	6,862.25
FCI/20	Mendoza	348,500.00	12.500%	03/27/08	05/31/08	65		7,757.71
FCI/26	Byington	650,000.00	13.500%	10/25/07	05/31/08	219	F	22,839.04
FCI/25	Tashchyan	368,048.76	12.000%	12/21/07	05/31/08	162	F	15,851.31
FCI/27	Nelson	310,500.00	12.500%	04/09/08	05/31/08	52		5,529.45
	Grand Totals	4,043,330.77						147,219.18

**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 June 20, 2008, I served the foregoing document described as **RECEIVER'S THIRTEENTH 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 Overnite 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 June 20, 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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