

Emvest Mortgage Fund, LLC
Receiver's Eleventh Verified Report and Petition for Instructions;
Prepared by Dennis Murphy, Permanent Receiver,
For the Period from 9/13/07 to 12/18/07

This "Receiver's Eleventh Verified Report and Petition for Instructions" is filed on behalf of Emvest Mortgage Fund, LLC ("the Fund") in compliance with reporting requirements for Receivers under Civil Rule 66.1 (Receivers). This eleventh report covers the period from 9/13/07 to 12/18/07.

1. Summary of Operations of Receiver:

As has been very widely reported, the general real estate market nationwide has softened significantly over the past year, and the worldwide subprime mortgage market has suffered greatly. The Emvest Mortgage Fund has been affected by the same negative market forces, although not to the same extent. The Receiver is continuing to minimize negative effects of the downturn by staying very closely involved with management of the portfolio and by working with borrowers as they face difficult times.

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

Here is a summary of operations related matters:

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

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

1.3 Loan Portfolio Status: The Fund's loan portfolio has been affected by the same soft market conditions that have been widely reported nationwide, and fund management has required substantial close attention. Nevertheless, as discussed above, progress continues to be made towards liquidation of the portfolio, as shown on the attached financial statements. The portfolio principal balance was \$14,968,831 as of 12/31/06; it is down to \$6,114,950 as of 11/30/07, plus Real Estate Owned ("REO") of \$1,222,788. To speed the sale of properties that were taken back through foreclosure, an aggressive marketing plan has been implemented to increase their "curb appeal" and to restore them to "move-in condition". The Receiver has also made a series of site visits to foreclosed properties and has met with local brokers to market the properties aggressively.

2. Financial Statements:

Monthly financial statements which conform to Generally Accepted Accounting Principles ("GAAP") continue to be prepared on a timely basis, and continue to be posted regularly on the Fund's web site (<http://emvest.info>). In addition, these financial statements are included with the Receiver's periodic reports sent to Members. Attached as Exhibit #1 are Financial Statements as of 11/30/07 for the Fund, including a Balance Sheet, Income Statement, Recap of Members' Equity, and a Schedule of Accrued Interest.

Since the size of the Fund's loan portfolio has been reduced from about \$15 million on 12/31/06 to about \$6.1 million on 11/30/07 (plus \$1.2 million of real estate owned), and since about \$6.1 million has been paid to withdrawing members during the first eleven months of 2007, simply comparing current net income to historical net income is no longer a meaningful approach to assessing the Fund's performance. A more appropriate approach would now be to track the Book Value of a \$10,000 Investment, as discussed below.

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

2.1. Income Statement: For the first eleven months of 2007, the Fund recorded net income of \$32,270. This is primarily due to a weakening market and to a "Bad Debt" expense of \$500,000 which was taken in June to reflect the possibility of future losses on certain loans in the Fund's portfolio. Although these losses have not actually happened yet, under Generally Accepted Accounting Practices (known as "GAAP"), the expense is shown when it becomes apparent that the bad debt loss may happen. The amount of \$500,000 is the Receiver's good faith estimate of the total possible exposure on loan losses, but that amount could change in the future.

2.2. Balance Sheet: For the period ending 11/30/07, an "Allowance for Foreclosed Assets" was \$550,835. This includes the Bad Debt of \$500,000 which was taken in June, 2007. The amount of "Real Estate Owned" of \$1,222,788 reflects real estate which has been taken back by the Fund through foreclosures.

2.3. Recap of Members' Equity: As of 11/30/07, the book value of a \$10,000 original investment is \$9,286 (i.e. about 93% of Members' original investment). After sustained growth in the value of their investment throughout the Receivership, the recent drop in Members' equity is a reflection of the \$500,000 bad debt write-off taken in June 2007 and of the softening of the market. When put into the context of the overall turmoil in the real estate and subprime mortgage markets, the Emvest Mortgage Fund is in far better shape than many others.

3. Voluntary Reduction of Receiver's Fees for Fund Management:

Based upon Judge Sabraw's Order dated 11/28/06, the Receiver had voluntarily moved from an hourly management fee to a fixed Fund management fee of \$12,500.00 per month for the duration of the Fund's tenure. (This fixed fee excludes non-operation activities such as court appearances, tax return preparation, and litigation efforts.)

Although the size of the loan portfolio is diminishing, the management effort required on the remaining loans is not diminishing proportionately. In fact, as market conditions continue to worsen, often the same amount of effort is required to manage a smaller portfolio. However, the Receiver is concerned about preserving Member equity in a highly volatile and unpredictable environment. Therefore, the Receiver hereby voluntarily proposes to reduce his fixed Fund management fee from \$12,500.00 per month down to \$9,000.00 per month starting in January, 2008. (Non-operations fees would continue to be excluded from this fixed fee.)

4. Request for Instructions/Approval on Proposed "Discounted Cash-Out" Plan:

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. Therefore, the Receiver respectfully requests Court instructions and/or approval for a proposed new plan by which certain Members could cash-out their equity at a reasonable discount (thus accommodating their needs) while still ensuring that those who remained in the Fund would not be any worse off (and could possibly end up better off) for staying.

The Receiver has done a detailed portfolio analysis with respect to future expectations of loan performance, and he believes that the following terms satisfy the two requirements of allowing certain Members to cash out at a reasonable discount while not hurting those Members who remain. This plan would also be consistent with the goal of liquidating the Fund by 12/31/08.

Here are the terms of the proposed discounted cash-out plan:

a. An amount of not to exceed one million dollars would be allocated for discounted cash-outs for a limited period of, say, 60 days after Members were notified of the program. A tentative target timeline would be to run the program from 2/1/08 to 3/31/08. (As of 11/30/07, there was about \$2.3 million of cash in the Fund, so this would still leave a substantial cash reserve in the Fund.)

b. Members would 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 would be done on a first come first served basis, up to the total \$1 million cap.

d. No partial withdrawals would be permitted. Each Member would be required to cash out completely and to sign a release.

e. The Receiver would be allowed, at his option, to stop the program on or before the end of the 60 day period and/or before the entire \$1 million had been disbursed if it appeared that the remaining Members would be hurt.

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 Eleventh 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 20th day of December, 2007 at Pasadena, CA.

DENNIS M. MURPHY