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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
FOURTEENTH REPORT**

Pursuant to Court Order, the Receiver filed his Fourteenth Verified Report ("Report") on September 25, 2008. The Government raised no objections. The Report provides the following:

First, Emvest Mortgage Fund, LLC's ("Fund's") operations continue in a stable manner with financial controls in place and ample information provided to the public, despite current economic conditions. 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. However, due to turmoil and uncertainty in the marketplace, it is unlikely that the Receiver will meet his goal of liquidating the Fund's assets in an orderly manner by the 12/31/08 target date. The Receiver is unable to anticipate how much time will be necessary to liquidate the Fund. Pursuant to Court Order, the Receiver continues monthly discretionary distributions to the investors of up to 6% annually, and hardship disbursements as appropriate. As of August 31, 2008, the portfolio principal balance is \$4,041,801,

1 plus Real Estate Owned ("REO") of \$2,322,561. To speed the sale of properties taken back through
2 foreclosure, a marketing plan has been implemented to increase curb appeal and restore them to move-
3 in condition. In addition, the Receiver has made site visits and met with local brokers. The Receiver
4 continues to implement a voluntary fee reduction from \$12,500 per month to \$9,000 per month.

5 Second, the Court's order of January 7, 2008 approved a cash-out plan that would allow certain
6 Members to cash out their equity at a reasonable discount while still ensuring that those who remained
7 in the Fund would not worsen their financial situation by staying. The Receiver implemented the plan,
8 which has been well-received by Members, with 33 participating, and \$702,212.27 disbursed.

9 Third, the Receiver sends periodic reports to members, and posts these reports on the Fund's
10 website (<http://emvest.info>). The reports include Financial Statements, the most recent of which are
11 included with the report as Exhibit 1. As of August 31, 2008, the book value of a \$10,000 original
12 investment is \$7,905 (79.05% of Members' original investment). The drop in equity in 2007 is a
13 reflection of the bad debt write-off and "an extreme weakening of the market." Nevertheless, the
14 Receiver represents in light of the overall turmoil in real estate and sub-prime mortgage markets, the
15 Fund is in better financial condition than many others.

16 Fourth, the Receiver has begun implementing a plan, approved by the Court's August 19, 2008
17 order, by which Members could use their current equity toward the purchase of any of the Fund's REO
18 property. In so doing, they could choose to deal directly with the Receiver, foregoing representation
19 by an outside broker, and receive a credit equal to the "sale" portion of the real estate commission
20 (typically 3% of the sales price) to reflect the savings from dealing directly with the Receiver.

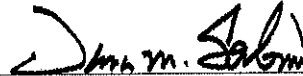
21 Finally, the Receiver requests the Court's approval for a proposed new plan that would allow
22 Fund members to cash out their equity at a discount, without diluting the equity of those who remain.
23 The Receiver reports that despite the two current avenues for reducing Fund member's equity
24 (hardship withdrawal and REO equity-title swap), members have requested further opportunities to
25 cash out equity. The Receiver proposes allocating an amount not to exceed \$500,000 for discounted
26 cash-outs. The program would run from November 1, 2008 to December 31, 2008. Members would
27 be able to cash-out at 35% of their current equity. Withdrawals would be conducted on a "first come,
28 first served" basis, until the \$500,000 amount is reached. Partial withdrawals would not be allowed;

1 members would have to cash out all of their equity and sign a release to that effect. The Receiver
2 would retain the discretion to cancel the program prior to either the end of the 60 day time period or
3 the disbursement of the allotted \$500,000. The SEC does not object to the discounted cash-out plan
4 and the Court approves it.

5 Pursuant to Civ. L. R. 66.1, the Receiver shall file, serve, and make available on the website
6 his Fifteenth Report no later than *January 23, 2009*. Comments or objections shall be filed no later
7 than *February 6, 2009*. The matter shall be calendared for *February 13, 2009*, at *1:30 p.m.*, but unless
8 otherwise ordered, the Court will address all issues on the briefs and without oral argument.

9 **IT IS SO ORDERED.**

10 DATED: October 20, 2008



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12 HON. DANA M. SABRAW
13 United States District Judge
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