Dear Members of Emvest Mortgage Fund LLC:

As we start the second half of 2005, now is a good time to look back over what has happened so far with the receivership, and also to look ahead as to what we may expect in the future for the Emvest Mortgage Fund LLC (the "Fund"). Investors have wondered whether they are better off now (with the Receiver in place) than they were before the receivership began (when the Defendants were managing the Fund), and the answer is yes.

U.S. District Judge, Dana M. Sabraw provided the clear answer in his Court Order filed on June 7, 2005 (a copy of which is on our web site at: http://emvest.info) when he compared the Defendants (i.e. the previous management) to the Receiver:

"Whether or not they were violating the securities laws in running the Fund, there can be little dispute that the Defendants were losing money. Whatever they had been doing was not working as anticipated. With the Receiver in place, the Fund has become a profitable venture, possibly for the first time since its inception. On the whole, the Receiver's methods have resulted in increased income to the Fund, with an accompanying growth in the value of the investments. This increased income has more than offset the costs of the receivership."

A. Financial Statements as of June 30, 2005:

Attached are Financial Statements for the Fund as of June 30, 2005, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"); these financials show that what Judge Sabraw said (see above) continues to be the case. Although the financial statements have many interrelated factors and may be somewhat difficult to understand, here is an explanation of certain key points:

1. **Income Statement**: For the first six months of 2005, the Fund had Net Income of $424,406 (which includes a Foreclosed Asset Expense of $293,439 discussed below). Since the Net Income for the Fund for all of 2004 was $721,953, the Net Income for the first six months of 2005 would have almost matched the Net Income for all of 2004, except for the expenses in 2005 due to foreclosures. Hence, there is reason for continued cautious optimism on net income.

a. Foreclosed Asset Expense: This expense of $293,439 primarily reflects bad loans from a loan portfolio purchased from a Florida lender on 5/26/04 by the Fund's previous management (i.e. the Defendants). This portfolio of higher risk loans (many of which were made at 100% loan-to-value, which is outside the Fund's loan guidelines) had a face value of $828,982.44 and was purchased at 52.5% of its face value; the Defendants then paid themselves a commission of $186,520 (i.e. 42.9% of the purchase price) on the transaction. As shown in the attached Schedule of Allowance for Foreclosed Assets, provisions have been made so far for writing off six of those loans; additional write-offs are possible.

b. Loan Servicing Fees – Unified Mortgage: For the first six months of 2005, the Fund paid $62,362 for loan servicing fees to Unified Mortgage Services, Inc. ("UMS"), an entity run by the daughter of Defendant Brock. UMS also keeps all late fees, so the amount actually received by UMS may be much higher. Since UMS has refused to disclose to the Receiver how much they actually receive for late fees, it is impossible to determine whether UMS is receiving more than market rates for their services. Based on the Receiver's request, Judge Sabraw (in his 6/7/05 Court Order) authorized the Receiver to solicit competitive bids for the servicing of the loan portfolio; this may result in the Fund saving substantial amounts in what is paid for loan servicing.

2. **Balance Sheet**: Attached is the Fund's Balance Sheet as of 6/30/05 with a comparison to the balance Sheet as of 12/31/04. A number of line items must be compared together in order to see that the overall financial situation has indeed improved.

a. Notes Payable Collateralized: This Liability line item for collateralized loans, which the Receiver strongly believes increases risk while providing no material benefit to the Fund, has been almost entirely paid off. Thus, the "Notes Payable Collateral" liability has been reduced, and the Cash in Bank and Loan Portfolio assets are correspondingly reduced. Overall, the Receiver believes that this strengthens the Fund's financial position.

b. Members Equity: In order to explain why the equity for current Members has actually improved, it takes three attached exhibits (i.e. Balance Sheet, Statement of Members' Equity, and Recap of Members Equity) to tell the story. Since "hardship withdrawals" of $458,855 were paid so far in 2005 to leaving Members, and since Net Income exceeded Distributions to Members, the equity for current Fund Members has actually increased by $77,865 so far in 2005.

3. **Recap of Net Income and Distributions**: This exhibit shows that for the first time, Net Income to the Fund was greater than Distributions to Members. This means that Members' Equity is no longer being eroded, and it also means that the current level of monthly Distributions to Members should be sustainable.

B. Outlook for the Second Half of 2005:

Here is an overview of the outlook for the second half of 2005:

1. The Fund's loan portfolio is gradually becoming stronger as collateralized loans are paid off, as non-performing loans are eliminated, and as new loans are made on more favorable terms to the Fund.

2. Additional foreclosures of older higher-risk loans are to be expected, but overall Net Income should still be positive.

3. Monthly distributions to members should continue at their current annual rate of 6% without eroding the Members' equity.

4. Great progress has been made in reconstructing the Fund's historical books and records, and strong financial controls have been implemented. Thus, on a day-to-day basis, operations of the Fund have stabilized, and the Fund should continue to operate in a stable mode.

5. The Receiver plans to solicit bids for loan servicing, with the potential that the cost of servicing the Fund's loans shall be reduced.

6. The Receiver continues to reconstruct the Fund's historical loan transaction records; appropriate actions shall be taken to recover Fund assets that may have been diverted by the Defendants.

In summary, Members are definitely better off today than when the Defendants managed the Fund. Cautious optimism for the future is warranted.

Yours truly,

DMM
Permanent Receiver

Exhibit #1:
EMVEST MORTGAGE FUND LLC
INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2005

Revenue		
Interest Income	$	930,681
Loan Origination Fees	$	187,869
Total Revenue	$	1,118,550
Operating Expenses		
Accounting - Receiver	$	33,323
Attorney Expenses - Receiver		27,466
Bank Service Charges		457
Business Operations - Receiver		44,521
Collateral Loan Interest		112,958
Court Appearances - Receiver		9,669
Dues & Subscriptions		125
Fee Application - Receiver		8,833
Foreclosed Asset Expense		293,439
Inspection		160
Insurance		1,307
Interest - Other		2,840
Licenses, Fees & Permits		553
Litigation Consulting - Receiver		23,936
Litigation Response - Receiver		29,727
Loan Servicing - Receiver		8,158
Loan Servicing Fees - Unified Mortgage		62,362
Membership Dues		500
Miscellaneous		88
Notary Fees		30
Office Expense (Copies, Postage, etc.)		7,363
Payroll Processing Fees		324
Rent		5,458
Tax Issues - Receiver		22,660
Taxes - State		6,800
Telephone		936
Total Operating Expenses	$	703,993
Net Ordinary Income		414,557
Other Income/(Expense)		
Other Income		11,260
Other Expense		1,411
Net Other Income/(Expense)		9,849
Net Income	$	424,406

<u>Exhibit #2:</u>
EMVEST MORTGAGE FUND LLC
RECAP OF NET INCOME AND DISTRIBUTIONS
FOR THE YEARS 2002, 2003, 2004, and THROUGH 6/30/05

	2002	**2003**	**2004**	**Y-T-D 6/30/2005**	**Totals**
Net Income	97,702	520,460	721,953	424,406	1,764,521
Distributions to Members	(124,574)	(908,462)	(1,570,242) *	(346,541)	(2,949,819)
Excess Member Distributions over Income	**$ (26,872)**	**$ (388,002)**	**$ (848,289)**	**$ 77,865**	**$ (1,185,298)**

*For 2004, only eleven months of distributions were made; 12/1/04 distribution was not made. If Dec. 2004 distribution had been made, then defecit would have been approximately $175,000 higher.

Exhibit #3:

EMVEST MORTGAGE FUND LLC

BALANCE SHEET

AT 12/31/04 and 6/30/05

	December 31, 2004		June 30, 2005	
ASSETS				
Current Assets				
Cash in Bank	$	4,142,260	$	2,361,371
Loan Origination Fees Receivable			$	4,600
Accrued Interest Receivable		125,000		125,000
Total Current Assets	$	4,267,260	$	2,490,971
Mortgage Loans Held (net of orig. fees)		16,203,821		12,983,362
Allowance for Doubtful Assets		-		(267,935)
Other Assets				
Bond - Certificate of Deposit	$	10,000	$	10,000
Software - Net of Amortization		9,939		-
Total Other Assets		19,939		10,000
Total Assets	**$**	**20,491,020**	**$**	**15,216,398**
LIABILITIES AND EQUITY				
Current Liabilities				
Notes Payable Collateralized	$	5,062,000	$	230,000
Accounts Payable		117,226		
Accrued Expenses - Attorney for Receiver				14,561
Accrued Expenses - Receiver				83,205
Interest Payable		42,169		
Total Current Liabilities	$	5,221,395	$	327,766
Total Members' Equity		15,269,625		14,888,632
Total Liabilities and Members' Equity	**$**	**20,491,020**	**$**	**15,216,398**

Exhibit #4:
EMVEST MORTGAGE FUND LLC
STATEMENT OF MEMBERS' EQUITY
AT JUNE 30, 2005

Members' Equity at January 1, 2005	**$ 15,269,624**
Capital Contributions - 2005	-
Net Income - Y-T-D 2005	424,406
Distributions to Members - 2005	(346,541)
Hardship Withdrawals to Members - 2005	(458,855)
Syndication Costs - 2005	-
Rounding	(2)
Members' Equity at June 30, 2005	**$ 14,888,632**

Exhibit #5
EMVEST MORTGAGE FUND LLC
RECAP OF MEMBERS' EQUITY
FOR 2002, 2003, 2004 and THROUGH 6/30/05

	2002	**2003**	**2004**	**Y-T-D 6/30/2005**	**Cumulative**
Members' Equity at Beginning of Year	-0-	$ 3,774,359	$ 10,646,176	$ 15,269,624	$-0-
Capital Contributions	$ 4,215,807	8,080,495	8,014,408	-	$ 20,310,710
Net Income	97,702	520,460	721,953	424,406	1,764,521
Distributions to Members	(124,574)	(908,462)	(1,570,242)	(346,541)	(2,949,819)
Withdrawals of Members (b)	(182,734)	(426,570)	(2,140,175)	(458,855)	(3,208,334)
Syndication Costs (a)	(231,842)	(394,106)	(402,496)	-	(1,028,444)
Rounding				(2)	(2)
Members' Equity at End of Period	**$ 3,774,359**	**$ 10,646,176**	**$ 15,269,624**	**$ 14,888,632**	**$ 14,888,632**

(a) Per American Institute of Certified Public Accountants, Technical Practice Aids Section # 7200.07 Accounting for Syndication Costs of Limited Partnerships:

"Organization costs of a corporation are normally considered to be the initial legal and other fees paid to incorporate a business in a particular state and are normally an immaterial amount.

The expenses referred to in the inquiry are similar in nature to stock issue costs such as underwriting discounts, professional fees and other expenses clearly and directly attributable to receiving proceeds of the shares issued by a corporation. These costs would be a reduction of paid-in-capital in an offering of stock. Accordingly, these costs should be a reduction of capital contributed by the partners in a limited partnership."

(b) Per Order of the court, only hardship withdrawals by Members permitted after 1/1/05.