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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 v.

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

17 Defendants.
18

CASE NO.: 04CV2295-DMS (LSP)

JUDGE: Hon. Dana M. Sabraw

**RECEIVER'S FOURTEENTH
VERIFIED REPORT**

CTRM: 10
DATE: October 17, 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
20 **Emvest Mortgage Fund, LLC**

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

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

23 **For the Period from 6/19/08 to 9/22/08**

24 This "Receiver's Fourteenth 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 fourteenth report covers the period from 6/19/08 to 9/22/08.
28





1 1. Summary of Operations of Receiver:

2 Worldwide financial markets have seen overwhelming change take place in the
3 past few weeks and months. The news every day describes turmoil and challenges not
4 seen since the Great Depression of the 1930's. As this report is being written,
5 Congress is drafting a \$700 billion "bailout" plan. Real estate prices are down,
6 foreclosures are up, mortgages are difficult to obtain, liquidity has left the financial
7 markets, and the survival of many financial institutions is in question. The Receiver
8 continues to try to minimize negative effects of this downturn by staying very closely
9 involved with management of the portfolio and by working with borrowers as they
10 face these very difficult times.

11 In these very challenging times, the Fund's operations continue in a stable
12 manner, accurate and timely financial reports are routinely prepared, solid financial
13 controls are in place, information is posted on the Fund's web site for all to see, and
14 the Receiver continues to run the business on a daily basis. The Receiver's focus
15 continues to be on running the Fund in a transparent and prudent manner. Although
16 the goal has always been to liquidate the Fund's assets by the 12/31/08 target date, the
17 turmoil and uncertainty in the marketplace make that target date appear now to be
18 unrealistic to achieve. The entire portfolio is still for sale, and updated details of each
19 loan are regularly posted on the Fund's web site for all to see and evaluate; however,
20 it is highly unlikely that the Fund's liquidation process shall play out by the end of
21 2008. There is now so much uncertainty in the marketplace that it is not clear how
22 long it shall actually take to liquidate the Fund.

23 Here is a summary of operations related matters:

24 1.1 Continued Monthly Distributions to Members: The Court Order filed on
25 3/2/05 allowed the Receiver, at his discretion, to "resume making monthly
26 distributions to the Members of up to 6% annually, as long as justified by the Fund's
27 revenue". The Receiver resumed making regular monthly distributions in March 2005
28 at an annual rate of 6%, and this policy still continues.

1 Please note that as the loan portfolio has decreased in size, the Fund's income
2 has also decreased accordingly. The Fund is now at the point where the regular 6%
3 monthly cash payment to Members shall be made partially from portfolio income and
4 partially from a return of Member equity. Since Members have come to rely on the
5 regular monthly payments, since the Fund has an adequate cash reserve, and since the
6 Fund is in the process of being liquidated, the Receiver believes that continuing to
7 make the 6% monthly cash payments is prudent under these circumstances.

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

18 1.3 Voluntary Reduction of Receiver's Fees: Since the Receiver has been
19 concerned about preserving Members' equity in this highly volatile and unpredictable
20 environment, the Receiver voluntarily reduced his fixed Fund management fee (with
21 Court approval) from \$12,500.00 per month down to \$9,000.00 per month starting in
22 January, 2008. Non-operations fees continue to be excluded from this fixed fee. This
23 fee payment process continues.

24 1.4 Loan Portfolio Status: The Fund's loan portfolio has been affected by the
25 same weak market conditions that continue to be widely reported, and fund
26 management continues to require substantial close attention. Progress continues to be
27 made towards liquidation of the portfolio, as shown on the attached financial
28 statements. The portfolio principal balance was \$14,968,831 as of 12/31/06; it is

1 down to \$4,041,801 as of 8/31/08, plus Real Estate Owned ("REO") of \$2,322,561.
2 An aggressive marketing plan is being followed to speed the sale of properties that
3 have been taken back through foreclosure. The Receiver has also made a series of site
4 visits to foreclosed properties and has met with local brokers to market the properties
5 aggressively. The uncertainty and the lack of liquidity in the market (which means
6 that new mortgages are more difficult to obtain) means that finding qualified buyers
7 has been much more difficult than in the past.

8 1.5 "Member's Equity to Buy REO" Plan: In the "Order Re: Receiver's
9 Thirteenth Report", the Receiver obtained Court approval for a new plan by which
10 Members could use their current equity towards the purchase of any of the Fund's
11 Real Estate Owned ("REO"). Here is how the Court approved plan shall work:

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

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

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

26 2. Financial Statements:

27 Monthly financial statements which conform to Generally Accepted
28 Accounting Principles ("GAAP") continue to be prepared on a timely basis, and

1 continue to be posted regularly on the Fund's web site (<http://emvest.info>). In
2 addition, these financial statements are included with the Receiver's periodic reports
3 sent to Members. Attached as Exhibit No. 1 are Financial Statements as of 8/31/08
4 for the Fund, including a Balance Sheet, Income Statement, Recap of Members'
5 Equity, and a Schedule of Accrued Interest.

6 Since the size of the Fund's loan portfolio has been reduced from about \$15
7 million on 12/31/06 to about \$4 million on 8/31/08 (plus \$2.32 million of real estate
8 owned), and since about \$7.3 million has been paid to withdrawing Members during
9 2007 and the first eight months of 2008, simply comparing current net income to
10 historical net income is no longer a meaningful approach to assessing the Fund's
11 performance. A more appropriate approach is now to track the Book Value of a
12 \$10,000 Investment, as discussed below.

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

17 2.1. Income Statement: For the first eight months of 2008, the Fund recorded
18 negative net income of \$875,369, which includes a Bad Debt expense of \$900,000
19 taken in May. This Bad Debt expense was taken as an adjustment to try more
20 accurately to reflect the Trustee's best estimate of the current market value of the
21 Fund's assets.

22 2.2. Balance Sheet: For the period ending 8/31/08, the "Allowance for
23 Foreclosed Assets" was \$1,670,508. This includes the Bad Debt expense of \$900,000
24 which was taken in May. The amount of "Real Estate Owned" ("REO") of
25 \$2,322,561 reflects real estate which has been taken back by the Fund through
26 foreclosures. Additional foreclosures are expected, so the amount of REO is expected
27 to grow over the short term.
28

1 2.3. Recap of Members' Equity: As of 8/31/08, the book value of a \$10,000
2 original investment is \$7,905 (i.e. about 79% of Members' original investment). After
3 sustained growth in the value of their investment during the Receivership through
4 2006, the drop in Members' equity starting in 2007 is a continued reflection of the bad
5 debt write-offs taken and of the extreme weakening of the market. When put into the
6 context of the overall continued turbulence in the real estate and subprime mortgage
7 markets, the Emvest Mortgage Fund continues to be in much better financial condition
8 than many others.

9 3. Request for Instructions/Approval:

10 Although there are currently two plans by which certain Fund Members can
11 reduce their equity in the Fund (i.e. hardship withdrawal, and swapping equity for title
12 to Real Estate Owned), and although a discounted cash-out plan was successfully
13 conducted in the past, the Receiver continues to try to identify additional options by
14 which certain Members may cash out from the Fund without diluting the equity of
15 Members who remain.

16 Based on the extreme uncertainty in financial markets, certain Members have
17 again requested the ability to simply cash-out their equity now at a discount.
18 Therefore, the Receiver respectfully requests Court instructions and/or approval for a
19 proposed new plan by which certain Members could cash-out their equity at a market
20 based discount (thus accommodating their needs) while still ensuring that those who
21 remained in the Fund would not be any worse off (and could possibly end up better
22 off) for staying.

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

24 a. An amount of not to exceed \$500,000 would be allocated for discounted
25 cash-outs for a limited period of, say, 60 days after Members were notified of the
26 program. A tentative target timeline would be to run the program from 11/1/08 to
27 12/31/08. (As of 8/31/08, there was more than \$1.9 million of cash in the Fund, so
28 this would still leave an adequate cash reserve in the Fund.)

1 b. Members would be able to cash-out at 35% of the value of their current
2 equity, as shown in the most recent Financial Statements at the time of the cash-out.
3 (As of 8/31/08, Members' equity was at about 79% of their original investment.
4 Hence, for example, a Member who had initially invested \$10,000 would currently
5 cash-out at 35% of about 79% of \$10,000, which would result in a cash-out amount of
6 approximately \$2,800 as of 8/31/08.)

7 c. Withdrawals would be done on a first come first served basis, up to the
8 total \$500,000 cap.

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

11 e. The Receiver would be allowed, at his option, to stop the program on or
12 before the end of the 60 day period and/or before the entire \$500,000 had been
13 disbursed if it appeared that the remaining Members would be hurt.

14
15 DATED: September 25, 2008

GREENBERG & BASS LLP

16
17 By: _____

JAMES R. FELTON
Attorneys for Receiver
Dennis Murphy

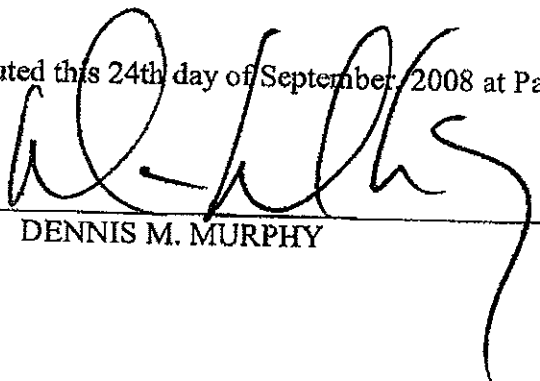
VERIFICATION OF DENNIS M. MURPHY

I, Dennis M. Murphy, declare as follows:

I am the Court appointed Permanent Receiver in this matter. I have read the Fourteenth 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 24th day of September, 2008 at Pasadena, CA.



DENNIS M. MURPHY

EXHIBIT 1

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

ASSETS

Current Assets		
Cash in Bank	\$ 1,945,739	
Accrued Interest Receivable	162,457	
Total Current Assets		\$2,108,196
 Loan Portfolio		
Mortgage Loans held	\$ 4,041,801	
Loans in Process & Advanced Costs	190,963	
Allowance for Foreclosed Assets	(1,670,508)	
		\$2,562,256
 Other Assets		
Real Estate Owned	\$ 2,322,561	
Bond - Certificate of Deposit	10,000	
		\$2,332,561
Total Other Assets		\$2,332,561
Total Assets		\$7,003,013

LIABILITIES AND EQUITY

Current Liabilities		
Accrued Expenses - Attorney for Receiver	\$ 43,858	
Accrued Expenses - Receiver	213,047	
Total Current Liabilities		\$ 256,905
 Total Members' Equity		 6,746,108
Total Liabilities and Members' Equity		\$ 7,003,013

Handwritten signature and date: 9/24/08

**EMVEST MORTGAGE FUND LLC
(A LIMITED LIABILITY COMPANY)
INCOME STATEMENT
FOR THE EIGHT MONTHS ENDED AUGUST 31, 2008**

Revenue		
	Interest Income	<u>\$ 187,333</u>
Total Revenue		<u>\$ 187,333</u>
Operating Expenses		
	Accounting/Bus Operations - Receiver	66,582
	Advance Insurance	68,302
	Attorney Expenses - Receiver	15,049
	Bad Debt	900,000
	Bank Service Charges	339
	Licenses, Fees & Permits	250
	Litigation Response - Receiver	11,380
	Loan Documentation	500
	Loan Servicing - FCI	600
	Office Expense	5,869
	REO Costs	25,987
	Taxes	6,800
	Tax Issues - Receiver	7,531
	Telephone	
		<hr/>
Total Operating Expenses		<u>\$ 1,109,189</u>
Net Ordinary Income		<u>(921,856)</u>
Other Income/(Expense)		
	Other Income	47,254
	Interest Other	-
	Other Expense	767
		<hr/>
Net Other Income/(Expense)		<u>46,487</u>
Net Income		<u><u>\$ (875,369)</u></u>

EMVEST MORTGAGE FUND LLC
(A LIMITED LIABILITY COMPANY)
RECAP OF MEMBERS EQUITY

FOR THE TIME PERIOD 01/01/02 THROUGH 8/31/08

	<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	(875,369)	4,474,447
Distributions to Members	(124,574)	(908,462)	(1,570,242)	(857,856)	(992,290)	(687,881)	(358,929)	(5,544,494)
Withdrawals to Members	(182,734)	(426,570)	(2,140,175)	(556,103)	(973,373)	(6,214,386)	(1,124,769)	(11,776,521)
Rounding						1	(1)	2
Syndication Costs	<u>(231,842)</u>	<u>(394,106)</u>	<u>(402,496)</u>	-	11,821	95,918	0	<u>(920,705)</u>
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>\$ 6,746,108</u>	<u>\$ 6,543,439</u>
Book Value of \$10,000 Investment	\$ 9,359	\$ 9,109	\$ 8,695	\$ 8,817	\$ 9,811	\$ 9,275	\$ 7,905	

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 September 25, 2008, I served the foregoing document described as **RECEIVER'S FOURTEENTH 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 September 25, 2008, at Encino, California.



Reece Holland

SERVICE LIST

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v. Emvest Mortgage Fund et al.
Case No. 04CV2295-DMS(POR)

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Notices

3:04-cv-02295-DMS-RBB SEC v. Emvest Mortgage Fund, et al **CASE CLOSED on 05/17/2006**

U.S. District Court

Southern District of California

Notice of Electronic Filing

The following transaction was entered by Felton, James on 9/25/2008 at 10:45 AM PDT and filed on 9/25/2008

Case Name: SEC v. Emvest Mortgage Fund, et al

Case Number: 3:04-cv-2295

Filer: Dennis M Murphy

WARNING: CASE CLOSED on 05/17/2006

Document Number: 435

Docket Text:

NOTICE by Dennis M Murphy Receiver's Fourteenth Verified Report (Felton, James)

3:04-cv-2295 Notice has been electronically mailed to:

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3:04-cv-2295 Notice has been delivered by other means to:

The following document(s) are associated with this transaction:

Document description:Main Document

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[STAMP dcecfStamp_ID=1106146653 [Date=9/25/2008] [FileNumber=2859826-0]
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