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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  
NINETEENTH REPORT**

On April 16, 2010, and pursuant to Court Order, the Receiver filed his Nineteenth Verified Report ("Report"). (Doc. 486.) The Securities and Exchange Commission ("Commission") filed a statement of nonopposition, and has no objections or comments to the Nineteenth Report. The Commission believes the Receiver is winding down the receivership in a reasonable manner. (Doc. 489.) In its last Order regarding the Receiver's Eighteenth Verified Report, this Court ordered that it would address all issues presented by the Report on the briefs and without oral argument. (Doc. 485, at 4.)

Pursuant to Local Rule 66.1, a receiver's report must include (1) a summary of Receiver's operations; (2) an inventory of receivership assets and their appraised value; (3) a schedule of all receipts and disbursements; (4) a list of all creditors, their addresses, and claimed amounts; and (5) a petition for instructions including a recommendation as to whether the receivership should be

1 continued. The Report provides the following:

2 *1. Summary of Receiver's Operations*

3 The Receiver reports that despite difficult economic conditions, Emvest Mortgage Fund, LLC's  
4 ("Fund's") operations continue in a stable manner with financial controls in place and timely financial  
5 reporting to the public. However, the near total lack of liquidity in the marketplace has slowed the  
6 liquidation process. The Receiver is focused on liquidating the Fund's assets expeditiously while also  
7 preserving the Fund's cash so that the liquidation process may be fully supported. The Receiver did  
8 not meet the goal of liquidating the fund by the end of the first quarter of 2010 and it is difficult to  
9 predict a new planning target. (Report ¶1.)

10 Since March 2, 2005, the Receiver has had discretion to make monthly distributions to the  
11 investors of up to 6% annually. The Receiver made such distributions from March 2005 to March  
12 2010, but has now temporarily halted the distributions due to a drop in the Fund's revenue. The  
13 Receiver informed members of this change by letter dated March 17, 2010, which is attached to the  
14 report as Exhibit 1. The Receiver is preserving the Fund's cash reserve to cover contingencies such  
15 as construction and repairs to Real Estate Owned ("REO") and payment of REO utilities, insurance,  
16 and property taxes. (*Id.* at ¶1.1.) The Receiver also halted emergency hardship refunds to Members,  
17 and has halted cash payments to himself and his attorney of their monthly fees. The monthly fees for  
18 the Receiver and his attorney shall accrue until sufficient cash is available (*Id.* at ¶¶1.2-1.3.)

19 The Receiver reports slow and steady progress in liquidating the Fund's loan portfolio. On  
20 December 31, 2006, the portfolio principal balance was \$14,968,831. As of February 28, 2010, the  
21 portfolio principal balance is \$1,045,410, plus REO of \$1,614,026. Despite aggressive marketing of  
22 the foreclosed properties, the Receiver reports that it is difficult to find qualified buyers, given the real  
23 estate market's continued uncertainty and illiquidity. There are currently twelve lots in escrow waiting  
24 to close, and two single family residences and one commercial property listed for sale. The Receiver  
25 is also working with one borrower to refinance a loan, one owner to sell a special-use building, and  
26 is attempting to settle two pending lawsuits. (*Id.* at ¶1.4.)

27 In the Court's "Order re: Receiver's Thirteenth Report," the Court approved a "Member's  
28 Equity to Buy REO" Plan, which allows members to use their current equity towards the purchase of

1 any of the Fund's Real Estate Owned (REO). The details of this plan are fully discussed in the Court's  
2 Order re: the Receiver's Fifteenth Report. (*See* Doc. 448.) One Member has purchased a property  
3 under the plan and the offer remains in effect as it does not affect the Fund's cash reserves. (*Id.* at  
4 ¶1.5.)

5 In its "Order re: Receiver's Fourteenth Report," the Court approved a "Discounted Cash-Out"  
6 Plan. Under this Plan, members are permitted to cash-out at 30% of their current equity, and an  
7 amount not to exceed \$500,000 was allocated for discounted cash-outs. (*See* Docs. 439, 448.) The  
8 program has been temporarily halted to preserve the Fund's cash reserves. (*Id.* at ¶1.6.)

### 9 2. *The Fund's Financial Condition*

10 The Receiver sends periodic reports to members, and posts these reports on the Fund's website  
11 (<http://emvest.info>). The Report includes the Fund's financial statements, the most recent of which  
12 are included with the report as Exhibit "2." (*Id.* at ¶2.) For the two months ending February 28, 2010,  
13 the Fund recorded negative net income of \$155,323, including REO costs of \$117,131. (*Id.* at ¶2.1.)  
14 For the period ending February 28, 2010, the Fund's loan portfolio is valued at \$1,045,410, with REO  
15 valued at \$1,614,026. REO is real estate that was taken back by the Fund due to foreclosures. The  
16 amount of REO is expected to grow as more foreclosures are anticipated in the short term. (*Id.* at  
17 ¶2.2.)

### 18 3. *Request for Instructions*

19 In the Court's "Order re: Receiver's Seventeenth Report," the Court approved the Receiver's  
20 plan to liquidate the Fund by the end of the first quarter of 2010. The Receiver was unable to meet  
21 that goal. Because of external factors such as the recovery of the economy and stabilization of the real  
22 estate market, it is difficult to predict a liquidation date with a high degree of certainty. Nonetheless,  
23 the Receiver believes that a realistic target date is November 1, 2010. (*Id.* at ¶3.)


24 The Receiver does not request any instructions related to the receivership. Accordingly, the  
25 Receiver shall continue with the liquidation plan, as previously described, with the goal of liquidating  
26 the Fund by November 1, 2010.

27 Pursuant to Civ. L. R. 66.1, the Receiver shall file, serve, and make available on the website  
28 his Twentieth Report no later than **August 13, 2010**. Comments or objections shall be filed no later

1 than *August 27, 2010*. The matter shall be calendared for *September 3, 2010*, at *1:30 p.m.*, but unless  
2 otherwise ordered, the Court will address all issues on the briefs and without oral argument.

3 **IT IS SO ORDERED.**

4 DATED: May 7, 2010



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6 HON. DANA M. SABRAW  
7 United States District Judge  
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