

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS**

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No. 07-cv-10712-RGS
)	
LYDIA CAPITAL, LLC;)	
GLENN MANTERFIELD, and)	
EVAN ANDERSEN,)	
)	
Defendants.)	

**RECEIVER’S SIXTH REPORT TO THE COURT
FOR THE PERIOD MAY 1, 2008 – JULY 31, 2008**

Pursuant to the Court’s June 1, 2007, Order for Appointment of Receiver (“Order for Appointment”) (Doc. No. 28), H. Thomas Moran, II, Court-Appointed Receiver for Defendant Lydia Capital, LLC (“Lydia”), submits his sixth periodic Report to the Court, “summarizing his activities, providing an accounting of the funds, assets and property in his possession, and reporting on the status of any legal claims” for the period May 1, 2008 to July 31, 2008. (Doc. No. 28, p. 8, ¶ XIII.)¹ As further ordered, this Report also contains “an application to the Court for an order approving the payment of all reasonable fees and expenses” for both the Receiver and the Receiver’s legal counsel. (*Id.*) Accordingly, the Receiver submits his sixth report to the Court.

I. BACKGROUND.

On April 12, 2007, the United States Securities and Exchange Commission (“S.E.C.”) filed this action against Defendants Lydia, Evan Anderson (“Anderson”) and Glenn Manterfield (“Manterfield”). (Doc. No. 1.) On the same date the S.E.C. sought and, on April 13, 2007,

¹ This Sixth Report includes the Receiver's activities for the months of May, June and July of 2008 and financial information for the second quarter (April, May and June) of 2008.

secured a temporary restraining order freezing certain of the Defendants' assets. (Electronic Order, dated April 13, 2007.) The temporary restraining order was modified on April 17, 2007. (Electronic Order, dated April 17, 2007.) On May 3, 2007, the Court entered two unopposed preliminary injunction orders freezing certain assets of Defendants Lydia, Manterfield and Anderson. (Doc. Nos. 20, 21 and 22.)

On May 23, 2007, the S.E.C. filed a motion seeking the appointment of a receiver for Lydia as well as a brief in support of the motion. (Doc. Nos. 25 and 26.) The Defendants did not oppose the S.E.C.'s motion. (Doc. No. 25, p. 2.) On June 1, 2007, the Court granted the S.E.C.'s request and appointed Mr. Moran as Receiver for Lydia.² (Doc. No. 28.) In the June 1, 2007, Order for Appointment of Receiver ("Order"), the Court directed the Receiver to:

A. take and retain immediate possession, custody and control of the funds, assets, monies, securities, contracts, notes, bank accounts, safe deposit boxes, negotiable and non-negotiable instruments or documents of title, choses in action and properties, real, if any, and personal, tangible and intangible, of whatever kind and description, wherever situated, of Lydia, and of all other entities which Lydia either owned, controlled or benefited from (including, but not limited to, Lydia Capital Alternative Investment Fund LP) including without limitation, the accounts established by Lydia on behalf its investors (the "Lydia Client Accounts"), as well as all property of whatsoever nature, whether real or personal, tangible or intangible, which has been acquired with or through funds or proceeds of Lydia (hereinafter "Receivership Assets");

B. take all steps the Receiver deems necessary to conduct an inventory of the assets and liabilities of Lydia and Lydia Capital Alternative Investment Fund LP;

C. take all steps the Receiver deems necessary to reconstruct the histories of the Lydia Client Accounts to determine whether and how client funds have been dissipated;

D. take all steps the Receiver deems necessary to secure and protect the Receivership Assets, including all assets and property of Lydia and Lydia Capital Alternative Investment Fund LP;

E. promptly provide written notice of this Order to all current and former clients of Lydia ("Lydia Clients"). Service of a copy of this Order shall be deemed sufficient notice;

² An Electronic Order was entered on May 23, 2007, granting the S.E.C.'s motion to appoint a receiver. (Electronic Order dated May 23, 2007.) However, it was an additional ten days (June 1, 2007) before an order was docketed which set forth the name of the Receiver and delineated the scope of the Receiver's duties. (Doc. No. 28.)

F. have access to and take control of all books, records, papers and other documents of Lydia and Lydia Capital Alternative Investment Fund LP, including all computers, computer files, on-site and off-site backup files, backup disks, other electronic storage material and websites;

G. have control of, and be added as an authorized signatory for, all accounts of Lydia and Lydia Capital Alternative Investment Fund LP at any bank, brokerage firm, insurance company or financial institution having possession, custody or control of any assets, accounts or funds of Lydia and Lydia Capital Alternative Investment Fund LP, wherever situated;

* * * *

J. receive and collect any and all sums of money due and/or owing to Lydia or Lydia Capital Alternative Investment Fund LP and make or authorize such payments and disbursements from the funds and assets taken into control or thereafter received by the Receiver, engage in or authorize such transactions, incur or authorize the incurrence of such expenses, and make or authorize the making of such agreements, as the Receiver deems necessary and appropriate to carry out the Receiver's mandate pursuant to this Order;

K. In connection with the exercise of these powers, liquidation of any, or all, of the assets of Lydia or the Lydia Capital Investment Fund LP shall be undertaken, if at all, with due regard for the best long-term interests of investors in the Fund;

L. engage and employ persons in his discretion and in consultation with the Boston Regional Office of the Commission to assist him in carrying out his duties and responsibilities hereunder, including, but not limited to, attorneys, accountants and appraisers;

M. have access to, including rights to receive, open and review all mail of Lydia and Lydia Capital Alternative Investment Fund LP; and

N. file on a timely basis all relevant federal, state, and local tax returns and take any and all other steps required by such taxing authorities.

(Doc. No. 28, pp. 1-4, ¶¶ II.A-G and II. J-N.)

II. SUMMARY OF THE RECEIVER'S ACTIVITIES.³

A. General Background

The Receiver was notified of his appointment on Friday, June 1, 2007. Since that date and the date of the Receiver's last report to the Court, the Receiver and his staff have diligently worked to preserve the receivership assets and the policies comprising the Portfolio. During this reporting period, the Receiver and his counsel continued to devote significant time and attention

³ The activities of the Receiver, his staff, accountants and attorneys are briefly summarized herein. For a more complete statement of the activities of the Receiver, his staff and attorneys, please refer to the itemized statements attached to the motions for payment of fees and expenses of the Receiver and his counsel.

to defending the nine declaratory judgment lawsuits pending against the Receivership. The Receiver and his Counsel further focused on seeking the Court's approval to sell policies from the Portfolio, preparing the documentation necessary for potential buyers to conduct due diligence on the policies prior to the sale, and communicating with potential buyers. The Receiver also continued to communicate with the investors on various issues, including the pending sale of the five policies and the financial status of the receivership.

B. Investor Communications

On July 23, 2008, the Receiver participated in a teleconference with certain Lydia investors. Prior to the teleconference, the Receiver corresponded with all of the investors and posted a notice on the Lydia website to communicate the date and time of the conference as well as providing the necessary information for their participation. During the teleconference, the Receiver and his counsel updated the investors and answered investors' questions regarding: (1) the state of the assets including the status of the nine pending lawsuits; (2) the financial condition of the receivership estate; (4) the pending sale of five Lydia policies; (3) long-term options for the portfolio; and, (5) plans for a teleconference to take place during the next reporting period.

C. Pending Litigation

During this period, the Receiver continued to defend the nine lawsuits filed by various insurance companies seeking to void or rescind Lydia policies. The Receiver anticipates the filing of four additional declaratory judgment lawsuits involving similar facts and issues. The Receiver is actively engaged in conducting discovery while also discussing the possibility of settlement of these lawsuits. A summary of each lawsuit follows:

	DATE FILED	PLAINTIFF/INSURED	STATUS	DISCOVERY	COURT/ CASE NO.
1	12/21/2007	The Lincoln National Life Ins. Company/ Vandebush	Scheduling Order in place.	Issued and answered by both parties.	E.D. Wis. 07-C-1140
2	12/26/2007	The Lincoln Life & Annuity Company of New York/ Gisonni	Scheduling Order in place.	Issued and answered by both parties.	E.D.N.Y CV-08-699
3	01/09/2008	The Lincoln National Life Ins. Company/ Black	Scheduling Order in place.	Issued and answered by both parties.	S. D. Cal. 08-CV-0023-IEG-NLS
4	03/17/2008	AXA Equitable Life Ins. Company/ Lancet	AXA intends to seek leave to file an Amended Petition.	Case has not yet matured to the point of discovery under Federal Rules.	S. D. Cal. 08-CV-497-H-JMA
5	03/17/2008	AXA Equitable Life Ins. Company/ Williamson	AXA intends to seek leave to file an Amended Petition.	Case has not yet matured to the point of discovery under Federal Rules.	S. D. Cal. 08-CV-498-H-LSP
6	03/17/2008	AXA Equitable Life Ins. Company/ Williamson	AXA intends to seek leave to file an Amended Petition.	Case has not yet matured to the point of discovery under Federal Rules.	D. Utah 08-CV-00206
7	03/26/2008	AXA Equitable Life Ins. Company/ Fischbach	AXA intends to seek leave to file an Amended Petition.	Case has not yet matured to the point of discovery under Federal Rules.	S. D. Cal. 08-CV-0569-BTN-BLM
8	04/02/2008	Sun Life Assurance Company of Canada/ Hoover	Joint Case Mgmt. Plan filed 7/25/08	Completed Rule 26 conference; Receiver will issue discovery during the next reporting period.	D. Ariz. 2:08-CV-00632-SRB
9	04/02/2008	Sun Life Assurance Company of Canada/ Bawden	Joint Case Mgmt. Plan filed 7/25/08	Completed Rule 26 conference; Receiver will issue discovery during the next reporting period.	D. Ariz. 2:08-CV-00629-MHB

III. INVESTOR RELATED MATTERS.

As previously reported, based on the records received from Dundee Leeds and others, the total amount invested in the Fund, including \$8,807,686.22 from certain April 2007, Investors was \$42,734,226.12. However, \$4,553, 858.11 was returned to these April Investors pursuant to a Settlement Agreement discussed in the Receiver's Fourth Report. (Doc. No. 127, p. 4). Therefore, as previously reported, the total amount invested stands at \$38,180,368.01.

During this reporting period, the Receiver again requested revised Proof of Claim forms from the April Investors reflecting the payment of funds received by them from the Settlement Agreement. The Receiver has received seven revised Proof of Claim forms; three revised Proof of Claim forms remain outstanding. The Receiver has sent correspondence to the remaining three investors from whom revised proof of claims are still required and will report on their status in the seventh report to the Court.

IV. THE INSURANCE POLICIES.

Based upon the Receiver's analysis of the data and documents received from the S.E.C. and others, the Portfolio consists of thirty-seven policies ranging in face value from \$1,000,000.00 to \$10,000,000.00 on the lives of 28 individuals. However, as discussed below, pending the Court's approval, the Receiver will sell five of the thirty-seven-policies.

A. PENDING SALE OF FIVE POLICIES.

On May 9, 2008, the Receiver filed Receiver's Motion and Brief in Support for (I) an Order (A) Approving Bidding Procedures in Connection with the Sale of Certain Receivership Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and Sale Hearing, and (D) Granting Related Relief; and an Order (A) Approving the Asset Purchase Agreement or Such Other Purchase Agreement(s) Between the Receiver and the Highest Bidder(s) at the Auction, (B) Authorizing the Sale of Receivership Assets Free and Clear of all Liens, Claims, Encumbrances, and Other Interests, and (C) Granting Related Relief [Docket No. 147] (the "Motion"). The Motion sought an Order from the Court approving the bidding procedures in connection with a proposed auction sale of certain receivership assets and an Order approving a proposed Asset Purchase Agreement and the sale of receivership assets free and clear of all liens, claims and encumbrances. On June 4, 2008, the Court entered an Order

granting in part the Motion. The Motion for an Order approving bidding procedures, the form and manner of notice, and scheduling an auction and a sale hearing was granted (the "Bidding Procedures Order"). The Court reserved a ruling on the remainder of the Motion until after the sale hearing.

1. Marketing and Sale of Certain Policies

Upon entry of the Bidding Procedures Order, the Receiver, in compliance therewith, began the process of marketing and selling certain Policies. To commence the marketing and selling of certain Policies, the Receiver prepared an informational packet that provided summary information about the Policies and other general information about the sales process and Lydia. The Receiver sent this informational packet to over 148 institutional and other sophisticated investors as well as brokers to determine if they had an interest in bidding on the Policies. After reviewing the informational packets, those investors who were interested in purchasing the Policies executed confidentiality agreements and were provided with access to an online confidential data room that contained more information about the Policies and underlying Insureds (without revealing their identity).

Pursuant to the Bidding Procedures Order, in order to participate in the bidding process and be deemed a Qualified Bidder, each Potential Bidder was required to deliver to the Receiver a Qualified Bid on or before July 2, 2008. The Qualified Bid could be for the purchase of all five of the Policies or one or more individual Policies. The Receiver was then required to determine whether the bid submitted was a Qualified Bid on or before July 9, 2008. Thereafter, under the Bidding Procedures Order, it was anticipated that an on-line auction of the Policies would occur beginning on July 16, 2008, and ending on July 17, 2008.

On July 9, 2008, the Receiver determined that, although not the only Qualified Bidder, there was only one Qualified Bidder for all of the Policies. Under the Bidding Procedures Order the Receiver has the discretion to determine whether it is desirable to sell the Policies individually or whether the sale of all of the Policies to a single Qualifying Bidder is in the best interest of the receivership estate. The Bidding Procedures also provide that the Receiver's decision in this regard shall be conclusive. In this instance, the Receiver has determined that it would be in the best interest of the receivership estate to sell all of the Policies to a single Qualifying Bidder (the "Highest Bidder"). Since there is only one Qualified Bid for all five of the Policies, there was no reason to conduct an on-line auction, and, as such the on-line auction was cancelled. However, the Qualified Bid of the Highest Bidder was only intended to be an initial bid and not a final bid. It was anticipated that there would be other Qualifying Bidders who would bid on the Policies at the on-line auction. Since the Receiver decided it was in the best interest of the receivership estate to sell all of the Policies to a single Qualifying Bidder, the Receiver negotiated a higher purchase price from the Highest Bidder which he will seek approval of at the Sale Hearing scheduled for July 31, 2008, at 2:30 p.m., the results of which will be reported in the Receiver's seventh Report to the Court.

B. Premiums

The Receiver made \$4,482,080.75 in premium payments on 29 policies between June 1, 2007 and June 30, 2008. If the sale of the five policies described above is approved by the Court, the Receiver estimates the total amount for premiums for July 1, 2008 to December 31, 2008 to be \$1,569,100.00. If the sale of the policies is not approved, the premiums for this same period will be \$2,235,900.00.

B. Transfer of Title

The Receiver is continuing to work with the successor trustees of the various life insurance trusts and the applicable insurance companies to facilitate the transfer of ownership and the designated beneficiaries of the various policies into the name of the Fund. The Receiver has requested transfers for 34 of the 37 policies to date, and 25 have been completed. The Receiver will continue to actively pursue transfers for the remaining 12 policies.

C. Updated Medical Information on Insureds

The Receiver is currently working on obtaining updated medical information on many of the insureds. The Receiver's attempts to use the HIPAA release forms collected by Lydia along with the Order of Appointment failed in many cases, as medical providers may not accept HIPAA release forms that are more than one year old. Therefore, the Receiver has mailed requests for updated HIPAA release forms to all of the insureds. As of this writing, seven updated release forms have been returned. The Receiver mailed a second request to the insureds on July 24, 2008.

V. RECEIVERSHIP ACCOUNTING MATTERS.

On June 1, 2007, the Receiver was given authority over all of Lydia's accounts pursuant to the Order for Appointment. The amount of funds deposited in those accounts totaled \$11,932,721.16 on the day of the Receiver's appointment. The principal balance in the Receiver's account as of June 30, 2008 is \$ 2,450,834.80. A Balance Sheet and summary of the activity in those accounts is set forth on Exhibit 1. During this reporting period the Receiver continued working on cost basis financial statements including balance sheets and income statements for both Lydia and the Fund as of: December 31, 2006; the date of appointment on

June 1, 2007; and, December 31, 2007. The results of this analysis will be reported in the Receiver's seventh Report to the Court.

VI. MOTIONS FOR PAYMENT OF FEES AND EXPENSES.

Contemporaneously with the filing of this Report, the Receiver and his counsel have submitted motions seeking the approval of their fees and expenses for the months of April, May and June, 2008. (Doc. Nos. 169 and 170.⁴) As set forth therein, the fees and expenses itemized in the applications are reasonable. Accordingly, for the reasons set forth in the Motions, the Receiver respectfully requests the Court enter an Order approving the payment of those fees and expenses.

Dated: July 29, 2008

Respectfully submitted,

/s/ Melvin R. McVay, Jr.

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⁴ A copy of each of the motions is attached hereto. (Exhibits 2 and 3.)

CERTIFICATE OF SERVICE

I hereby certify that on the 29th day of July, 2008, I electronically transmitted the attached document to the Clerk of Court using the ECF System for filing and transmittal of a Notice of Electronic Filing to the following ECF registrants:

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