

**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 NINTH REPORT TO THE COURT
FOR THE PERIOD FEBRUARY 1, 2009 – APRIL 30, 2009¹**

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 Ninth 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 February 1, 2009 to April 30, 2009. [Doc. No. 28, p. 8, ¶ XIII.] 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 Ninth 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 Andersen (“Andersen”) and Glenn Manterfield

¹ This Ninth Report includes the Receiver's activities for the months of February, March and April of 2009, as well as financial information for the first quarter (January, February and March) of 2009.

(“Manterfield”). [Doc. No. 1.] On the same date, the S.E.C. sought and, on April 13, 2007, 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 Andersen. [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;

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.]

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;

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 continued to diligently work to preserve the receivership assets and the policies comprising the portfolio. During this reporting period, the Receiver and his counsel have devoted significant time and attention to defending thirteen declaratory judgment lawsuits pending against the Receiver; prosecuting Third-Party Complaints filed by the Receiver against various third-parties who may have liability related to the claims asserted by AXA Equitable Life Insurance Company ("AXA") and Lincoln Life Insurance and Annuity Company ("Lincoln") in the declaratory judgment lawsuits; and engaging in extensive discussions and negotiations to finalize a settlement with Lincoln, AXA, and various life insurance agents, brokers, insureds, beneficiaries and trustees to resolve all pending claims and causes of action on all policies issued by AXA and on the Lincoln Black policy. *See* Discussion of Settlements with AXA and Lincoln, *infra*.

The Receiver and his counsel also completed the sale of the condominium previously owned by Defendant Evan Andersen, and transferred to the Receiver pursuant to this Court's Final Order dated September 12, 2008 [Doc. No. 184]. As a result of the sale of the condominium, the Receiver is in receipt of proceeds from the sale in the total amount of \$549,162.94.

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.

B. Investor Communications

On April 29, 2009, the Receiver and his counsel participated in a teleconference with 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 thirteen pending lawsuits; (2) the continuing settlement discussions and negotiations with various parties relating to the pending litigation and policies not currently in litigation; (3) the financial condition of the receivership estate; (4) the sale of the condominium previously owned by Defendant Evan Andersen; (5) short and long-term options for the portfolio; and (6) plans for a teleconference to take place during the next reporting period.

With respect to the short and long-term options for the portfolio, the Receiver and his Counsel discussed attempting to again initiate settlement discussions on policies in litigation that are not the subject of a current settlement agreement; contacting third-parties in the life settlement industry to explore a sale of those policies not in litigation; completing an analysis and evaluation of potential claims against third-parties who may have contributed to the losses sustained by Lydia, the Fund and the investors; the possibility of a limited distribution of funds to investors; and a general winding down of the Receivership within the next 12 months.⁴ The Receiver and the investors intend to more fully discuss these options within the next 60 days.

⁴ The Receiver wishes to advise the Court that he is always available to the Court should the Court determine that it would be advisable to schedule a status conference to more fully discuss any of these matters.

C. Pending Litigation

During this period, the Receiver continued to defend thirteen lawsuits filed by Lincoln, AXA, Sun Life Assurance Company of Canada and Hartford Life and Annuity Insurance Company seeking to void or rescind certain policies owned by Lydia (eight of these lawsuits involve policies that are the subject of settlement agreements which are being finalized by the parties). In addition to the thirteen lawsuits filed in various federal jurisdictions throughout the country, the Court has also granted another insurance company leave to file an additional declaratory judgment lawsuit, which would seek to void or rescind an additional Lydia policy.

The Receiver has been, and continues to be, very actively engaged in conducting discovery in the pending lawsuits that are not currently involved in settlement discussions. The Receiver continued to devote time during this reporting period to researching the applicable laws of the jurisdictions where these lawsuits have been, or may be, filed. Further, the Receiver has filed Third-Party Complaints in several of the pending lawsuits against various individuals involved in the sale and purchase of the subject life insurance policies, including agents, brokers, insureds, beneficiaries and trustees.

A summary of each lawsuit follows:

	DATE FILED	PLAINTIFF/INSURED	STATUS	COURT/ CASE NO.
1	12/21/2007	The Lincoln National Life Ins. Company/ Vandenbush	Scheduling Order in place. Written discovery has been issued and answered by both parties. Subpoenas duces tecum have been issued to third parties, who have responded with document production. Receiver has made written demand on parties involved in the sale of the policy to indemnify and otherwise compensate the receivership for its losses and damages. Receiver has filed a Third-Party Complaint against individuals involved in the sale and purchase of the subject insurance policy. The Third-Party Defendants have answered the Receiver's Third-Party Complaint, and the parties will be proceeding with discovery.	E.D. Wis. 07-C-1140
2	12/26/2007	The Lincoln Life & Annuity Company of New York/ Gisonni	Scheduling Order in place. Plaintiff filed a Second Amended Complaint and Receiver's Answer has been filed. Written discovery has been issued and answered by both parties. Subpoenas duces tecum have been issued to third parties, who have responded and/or	E.D.N.Y CV-08-699

			produced the requested documents. Receiver has made written demand on parties involved in the sale of the policy to indemnify and otherwise compensate the receivership for its losses and damages. Depositions of the insured and beneficiary have been taken. Receiver has filed a Third-Party Complaint against individuals involved in the sale and purchase of the subject insurance policy. All but one of the Third-Party Defendants have answered the Receiver's Third-Party Complaint. The remaining Third-Party Defendant's Answer is due on April 30, 2009.	
3	01/09/2008	The Lincoln National Life Ins. Company/ Black	Scheduling Order in place. Written discovery has been issued and answered by both parties. Subpoenas duces tecum have been issued to third parties; most have responded and/or produced the requested documents. Receiver has made written demand on parties involved in the sale of the policy to indemnify and otherwise compensate the receivership for its losses and damages. Receiver has requested, and has been granted, leave to file a Third-Party Complaint against the individuals involved in the sale and purchase of the insurance policy. The Court has allowed the Receiver until May 30, 2009, to file his Third-Party Complaint. Receiver, Lincoln and certain parties involved in the sale of the subject policy have reached a settlement agreement and are in the process of finalizing the terms of the agreement for the Court's consideration and approval. <i>See</i> Discussion of Settlements with AXA and Lincoln, <i>infra</i> .	S. D. Cal. 08-CV-0023- IEG-NLS
4	03/17/2008	AXA Equitable Life Ins. Company/ Lancet	Case has not yet matured to the point of discovery under Federal Rules. Receiver has made written demand on parties involved in the sale of the policy to indemnify and otherwise compensate the receivership for its losses and damages. Receiver, AXA and certain parties involved in the sale of the subject policy have reached a settlement agreement and are in the process of finalizing the terms of the agreement for the Court's consideration and approval. <i>See</i> Discussion of Settlements with AXA and Lincoln, <i>infra</i> . The parties have requested an extension of time for Defendants to answer the Complaint to allow sufficient opportunity to explore settlement.	S. D. Cal. 08-CV-497-H- JMA
5	03/17/2008	AXA Equitable Life Ins. Company/ Williamson	Receiver has filed his Answer. Receiver has also filed his Cross Claim and Third-Party Complaint against individuals involved in the sale and purchase of the insurance policy. Receiver has made written demand on parties involved in the sale of the policy to indemnify and otherwise compensate the receivership for its losses and damages. Receiver, AXA and certain parties involved in the sale of the subject policy have reached a settlement agreement and are in the process of finalizing the terms of the agreement for the Court's consideration and approval. <i>See</i> Discussion of Settlements with AXA and Lincoln, <i>infra</i> .	S. D. Cal. 08-CV-498-H- LSP
6	03/17/2008	AXA Equitable Life Ins. Company/ Williamson	Receiver has filed his Answer. Receiver has also filed his Cross Claim and Third-Party Complaint against individuals involved in the sale and purchase of the insurance policy. Receiver has made written demand on parties involved in the sale of the policy to indemnify and otherwise compensate the receivership for its losses and damages. Receiver, AXA and certain parties involved in the sale of the subject policy have reached a settlement agreement and are in the process of finalizing the terms of the agreement for the Court's consideration and approval. <i>See</i> Discussion of Settlements with AXA and Lincoln, <i>infra</i> .	D. Utah 08-CV- 00206

7	03/26/2008	AXA Equitable Life Ins. Company/ Fischbach	Case has not yet matured to the point of discovery under Federal Rules. Receiver has made written demand on parties involved in the sale of the policy to indemnify and otherwise compensate the receivership for its losses and damages. Receiver, AXA and certain parties involved in the sale of the subject policy have reached a settlement agreement and are in the process of finalizing the terms of the agreement for the Court's consideration and approval. <i>See</i> Discussion of Settlements with AXA and Lincoln, <i>infra</i> . The parties have requested a stay of proceedings to allow sufficient time for the finalization and execution of the various settlement agreements.	S. D. Cal. 08-CV-0569- BTN-BLM
8	04/02/2008	Sun Life Assurance Company of Canada/ Hoover	Scheduling Order has been entered. Rule 26 disclosures have been made. Receiver has filed a Third-Party Complaint against individuals involved in the sale and purchase of the insurance policy. All Third-Party Defendants have answered or otherwise pled. Written discovery has been issued and answered by the Plaintiff and Defendants. The Court, upon the motion of the parties, consolidated this matter with the Bawden matter. A new scheduling order will be entered.	D. Ariz. 2:08-CV- 00632-SRB
9	04/02/2008	Sun Life Assurance Company of Canada/ Bawden	Scheduling Order has been entered. Rule 26 disclosures have been made. Receiver has filed a Third-Party Complaint against individuals involved in the sale and purchase of the insurance policy. All Third-Party Defendants have answered. Written discovery has been issued and answered by the Plaintiff and Defendant. The Court, upon the motion of the parties, consolidated this matter with the Hoover matter. A new scheduling order will be entered.	D. Ariz. 2:08-CV- 00629-MHB
10	01/02/2009	AXA Equitable Life Ins. Company/ Richman	Suit filed January, 2009, and Defendants have been served. Receiver has been granted an extension of time to answer Plaintiff's Complaint. Receiver, AXA and certain parties involved in the sale of the subject policy have reached a settlement agreement and are in the process of finalizing the terms of the agreement for the Court's consideration and approval. <i>See</i> Discussion of Settlements with AXA and Lincoln, <i>infra</i> .	C.D. Cal. CV09-00006 AHM Plax
11	1/23/2009	AXA Equitable Life Ins. Company/ Menconi	Suit filed January, 2009, but Receiver has not been served. Receiver, AXA and certain parties involved in the sale of the subject policy have reached a settlement agreement and are in the process of finalizing the terms of the agreement for the Court's consideration and approval. <i>See</i> Discussion of Settlements with AXA and Lincoln, <i>infra</i> .	N.D. Ill. 1:09-CV- 004545
12	1/16/2009	Hartford Life & Annuity Ins. Company/ Williamson	Suit filed in January, 2009, and Defendants have been served. Receiver filed his Answer in April, 2009. A scheduling order has not yet been entered, and discovery is in the initial stages.	C.D. Cal. CV09-391 CAS-SS
13	2/27/09	AXA Equitable Life Ins. Company/ Herzog	Suit filed in February, 2009. Receiver has not yet been served. Receiver, AXA and certain parties involved in the sale of the subject policy have reached a settlement agreement and are in the process of finalizing the terms of the agreement for the Court's consideration and approval. <i>See</i> Discussion of Settlements with AXA and Lincoln, <i>infra</i> .	C.D. Cal. CV09-1429 AHM

D. Settlements with AXA and Lincoln

The Receiver has been very actively engaged in extensive discussions with AXA and Lincoln regarding the settlement of seven of the litigation cases involving all of the policies issued by AXA (the "AXA Policies") and litigation involving one policy issued by Lincoln (the "Black Policy"). The Receiver and his counsel originally met with an AXA representative and its counsel on September 4, 2008, in Oklahoma City to discuss a possible settlement. These initial discussions also involved the producer who sold two of the AXA Policies and the Black Policy to the original owners of those policies (the "Settling Producer"). The Receiver and his counsel also began discussions with Lincoln during this period of time regarding settlement of the litigation on the Black Policy. Since these initial discussions, the Receiver has been engaged in numerous ongoing discussions with counsel for AXA, Lincoln, and the Settling Producer, as well as counsel for a number of agents, brokers and insureds regarding settlement agreements.

The Receiver, AXA, Lincoln, the Settling Producer and related parties have now reached settlement agreements regarding all of the AXA Policies and the Black Policy. In the Receiver's prior Report to the Court, the Receiver advised the Court that he anticipated the settlements would be finalized during this reporting period. Although the Receiver and his counsel have worked diligently to finalize the settlements, complications have arisen that have delayed their completion. The finalization of the settlement agreements has been complicated by the requirement that the various individuals and entities involved in the procurement and subsequent sale of the AXA Policies (*i.e.*, the insureds, beneficiaries, trustees, *etc.*) execute separate agreements and releases. Because these third-party agreements will be attached as schedules to the master settlement agreement between AXA and the Receiver, the master settlement agreement cannot be submitted to the Court for approval until each third-party agreement has

been finalized and signed by the parties. It is the Receiver's understanding that AXA has provided the third-party agreements to the necessary signatories for their review and has obtained the necessary execution of most of the third-party agreements.

The finalization of the settlement agreements has been further complicated by an unforeseen development involving the terms of the Settling Producer's respective agreements with AXA, Lincoln and the Receiver. The Settling Producer recently requested modifications of the original terms of these agreements. These modifications in turn required the parties to enter into additional negotiations regarding other terms affected by the modifications. The parties have substantially completed these negotiations, although certain discrete terms are currently being negotiated between the Receiver, Lincoln and the Settling Producer.

The parties to the settlement agreements are currently circulating the agreements for final approval and signatures of the respective parties. Once the settlement agreements have been signed by the parties, the Receiver will submit them to the Court for approval. The Receiver anticipates that it will submit such a motion this month. Should the Court approve the settlement agreements, they will result in the payment of at least \$3,205,200.00 to the Receivership. Further, these settlement agreements will resolve all claims and causes of action relating to the seven AXA Policies and the Lincoln Black Policy.

E. Condominium Transferred by Defendant Evan Andersen to the Receiver

On September 12, 2008 the Court entered a Final Order finding that Defendant Evan Andersen was liable for disgorgement of \$2,527,089.00, which included principal of \$2,350,000.00 and pre-judgment interest of \$177,089.00. [Doc. No. 184]. The Court ordered Defendant Evan Andersen to pay \$1,124,000.00 in cash to Lydia Capital Alternative Investment Fund LP. This cash payment has been received by the Receiver.

The Court also ordered Defendant Evan Andersen to transfer free and clear title to a condominium located in Boston, Massachusetts (the "Condominium"). After the Court's Order, the Receiver determined that the property was encumbered by liens. As a result, the Receiver worked, in conjunction with the S.E.C., to clear title to the property and complete the transfer of the Condominium free and clear of all liens and encumbrances. In compliance with the Court's Order, Defendant Evan Andersen transferred clear title of the Condominium to the Receiver.

On January 19, 2009, the Receiver submitted to the Court Receiver's Motion for an Order Approving Sale of Condominium and Brief in Support [Doc No. 204], seeking to liquidate the Condominium for the benefit of the long-term interests of the investors in the fund. The Receiver, and its counsel, negotiated a Purchase and Sale Agreement with Zachary Sadek for the negotiated sale price of \$555,000.00. On January 26, 2009 the Court entered an Order granting Receiver's Motion for an Order Approving Sale of Condominium [Doc No. 206]. To effectuate the sale, the Receiver and his counsel negotiated the closing agreements, and completed the necessary documents to complete the sale under Massachusetts law. In performance of his duties, the Receiver closed on the sale of the Condominium on February 18, 2009. As a result of the sale, the Receiver is in receipt of proceeds in the amount of \$549,162.94. This amount represents the total sale price of \$555,000.00, less closing costs, recording fees and pro-rated property taxes.

F. Judgment Against Glenn Manterfield

On December 19, 2008, the Court granted the S.E.C.'s Motion for the entry of default against Glenn Manterfield, as a sanction for Mr. Manterfield's failure to appear at his deposition on December 12, 2008. [Doc. No. 202]. On February 4, 2009, the Court entered an Order setting the date for an evidentiary hearing regarding the assessment of damages against Mr.

Manterfield. This hearing was set for April 3, 2009. [Electronic Order, dated February 4, 2009]. The Receiver appeared at the April 3, 2009 hearing to provide testimony to the Court regarding damages suffered by Defendant Lydia, the Fund and its investors, as a result of Mr. Manterfield's misrepresentations to investors, and violations of federal securities laws.

Following the evidentiary hearing, on April 7, 2009, the Court entered a Final Judgment against Defendant Manterfield. [Doc No. 224]. The Court found that Defendant Manterfield received ill-gotten gains totaling \$2,350,000.00. The Court ordered that Defendant Manterfield is liable for disgorgement of this amount, together with pre-judgment interest in the amount of \$425,998.00 and a civil penalty in the amount of \$130,000.00. The Court further ordered Defendant Manterfield to pay \$2,905,998.00, within 10 business days of the Final Judgment, to the Clerk of the Court. Further, the Court ordered that the S.E.C. may, by motion, request that these monies be distributed to investors by the Receiver.

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 (the "April 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 certain April 2007 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. In addition, the Receiver has again requested

an initial Proof of Claim form from one investor. During this reporting period, the Receiver sent correspondence to the remaining three investors from whom revised Proof of Claims are still required, as well as the remaining investor from whom an initial Proof of Claim form is required. The Receiver still has not received these Proof of Claim forms; however, he will continue to use his best efforts to secure them.

IV. THE INSURANCE POLICIES.

In the Receiver's Sixth Report to the Court, the Receiver reported that based upon the Receiver's analysis of the data and documents received from the S.E.C. and others, the portfolio consisted 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, the Court approved the sale of five of the thirty-seven policies. As a result of this sale, the portfolio now consists of 32 policies ranging in face value from \$1,000,000.00 to \$10,000,000.00.

A. Premiums

The Receiver made \$1,055,634.00 in premium payments on the policies between January 1, 2009 and March 30, 2009. The Receiver estimates the total amount of policy premiums for April, 2009 to June, 2009 to be \$890,575.00.

B. Transfer of Title

As previously reported, the Receiver was working 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. Of the 32 remaining policies, transfers have been requested for 29 of the policies, and all have now been completed.

C. Updated Medical Information on Insureds

The Receiver continues to work toward 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 would not accept HIPAA release forms that were more than one year old. As such, the Receiver has mailed requests for updated HIPAA release forms to the insureds on two separate occasions. At the time of the Receiver's prior Report, the Receiver still had not received updated HIPAA release forms from all of the insureds. In March, the Receiver sent a third notice to the outstanding insureds who have not complied with the Receiver's requests for updated HIPAA release forms. The Receiver received some additional release forms in March and April.

As a result of the remaining insureds' failure to comply with the Receiver's repeated requests to execute updated release forms, the Receiver directed his Counsel to communicate directly with each of the non-complying insureds to advise each of their contractual obligations to execute updated release forms. In Counsel's communications with the insureds, Counsel for the Receiver advised each insured that should he/she continue to refuse to comply with the contractual obligations agreed upon by the insured, the Receiver will be forced to submit this matter to the Court. Current medical information on each insured is necessary for the Receiver to determine the current value of each of the policies within the portfolio.

D. Financing of Portfolio

The Receiver is continuing to explore potential financing sources should the need arise to pay premiums and expenses.

E. Partial Sale of the Portfolio

The Receiver is exploring the sale of a significant number of the policies in the Portfolio to determine if such a sale could result in the investors receiving at least a portion of what they have invested in Lydia in the short term. Such a sale could significantly reduce the costs of the Receivership (premium expenses, etc.) and may be in the best interests of the investors.

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 \$11,932,721.16⁵ on the day of the Receiver's appointment. The principal balance in the Receiver's accounts as of March 31, 2009 was \$2,216,281.81. A General Ledger summarizing the activity in those accounts is set forth in Exhibit A.

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 January, February and March, 2009. [Doc. Nos. 225 and 226.]⁶ As set forth therein, the Receiver and his counsel believe that 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.

⁵ As discussed in the Receiver's Fourth Report, \$4,553,858.11 was returned to the April Investors in January, 2008, pursuant to a settlement agreement with the April Investors.

⁶ A copy of each of the motions is attached hereto. (Exhibits B and C)

Dated: May 4, 2009

Respectfully submitted,

/s/ Melvin R. McVay, Jr.

Melvin R. McVay, Jr. (admitted *pro hac vice*)

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Attorneys for H. Thomas Moran, II, Court-Appointed Receiver for Lydia Capital, LLC

CERTIFICATE OF SERVICE

I hereby certify that on the 4th day of May, 2009, 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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Pro Se

/s/ Melvin R. McVay, Jr.

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