

**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 INITIAL REPORT TO THE COURT
FOR THE PERIOD JUNE 1, 2007 THROUGH JULY 31, 2007**

Pursuant to the Court’s June 1, 2007, Order for Appointment of Receiver (“Order”) (Doc. No. 28), H. Thomas Moran, II, Court-Appointed Receiver for Defendant Lydia Capital, LLC (“Lydia”), submits his initial 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.” (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 this initial report to the Court covering the period June 1, 2007 through July 31, 2007.

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”).¹ (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

¹ Pursuant to the stipulation of the parties to the lawsuit, Defendants Lydia, Anderson and Manterfield have until October 1, 2007, to file an answer or to otherwise respond to the S.E.C.’s Amended Complaint. (Doc. No. 51.)

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;

F. have access to and take control of all books, records, papers and other documents of Lydia and Lydia Capital Alternative Investment Fund LP,

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.)

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

The Receiver was notified of his appointment on Friday, June 1, 2007. On Sunday, June 3, 2007, the Receiver and one member of his staff traveled to Boston, Massachusetts. On Monday, June 4, 2007, the Receiver met with S.E.C. staff and commenced the duties contained in the Order for Appointment. On that date, the Receiver began the process of taking control of all the Receivership Assets, including the former offices of Lydia and the contents thereof which included a computer and all files which were maintained in that office. The Receiver also took

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 hereto.

control of the bank accounts which had been frozen as a result of the Court's May 3, 2007, Orders. (Doc. Nos. 21 and 22.)

After returning to Oklahoma City, the Receiver and his staff began analyzing and categorizing the information and documents seized from the Lydia offices as well as the documents received from the S.E.C. The Receiver has communicated with all known vendors and service providers for Lydia and the Fund and has sought the voluntary production of various documents from each of those entities, including copies of contracts; unpaid invoices; a summary or description of services provided to Lydia and/or the Fund; and a summary of data maintained by the vendor related to Lydia and/or the Fund. As such documents are received, the Receiver has: begun an analysis thereof to determine whether additional assets exist and the extent of Lydia's liabilities; begun, as explained further herein, an analysis of the Lydia bank accounts including both deposits to and disbursements from the accounts; analyzed the insurance policies comprising the Portfolio; and investigated certain available information regarding the investors. Since his appointment, the Receiver has paid \$314,767.44 in premiums on seven policies within the Portfolio.

The Receiver is in the process of obtaining an analysis and valuation of the policies comprising the Portfolio from Lewis & Ellis, Inc.⁴ The report detailing the valuation of the policies should be completed very shortly. The Receiver recently communicated with five entities in an attempt to determine the level of interest, if any, in a third-party purchasing some or all of the policies in the Portfolio. In doing so, the Receiver specifically solicited inquiries regarding the purchase of the entire Portfolio or any single policy therein. The Receiver is awaiting responses.

⁴ Lewis & Ellis, Inc. is an international actuary and consultant firm which provides support to companies and funds examining the Senior Life Settlement market.

Following the Receiver's appointment, several of the contracts or vendor relations between Lydia and third-parties have terminated. Most, if not all, of the terminations will have a positive impact on the financial status of the Receivership Estate. For example, the contract with a third-party which contracted with Lydia to physically hold the policies comprising the insurance portfolio, Wells Fargo Delaware Trust Company, was terminated effective July 20, 2007. Prior to the termination of that contract, Wells Fargo was charging and receiving from Lydia approximately \$6,000 per year.

III. REPORT OF INVESTOR RELATED MATTERS.

On or about June 28, 2007, the Receiver sent correspondence to each of the individuals or companies which had been identified by the S.E.C.⁵ as investors in the Fund. The correspondence notified each of the recipients that the S.E.C. had filed a lawsuit against the Defendants and sought the appointment of a Receiver for Lydia and the Fund. As part of the correspondence, the Receiver provided each investor with a copy of the June 1, 2007, Order for Appointment and a proof of claim form which the investor could complete and return in order to submit a claim to the Receiver.⁶ As of the close of business on July 29, 2007, forty-one completed claim forms (representing fifty-five percent (55%) of the investors) have been returned to the Receiver.⁷ The Receiver is in the process of reviewing and confirming the claims

⁵ Counsel for the S.E.C. initially identified that there were fifty-seven investors in the Fund. (Doc. No. 1, p. 3.) Based on a review of the records seized at the Lydia office and through records obtained from Dundee Leeds and others that number has grown to seventy investors (which number currently includes those persons who wired money to the Fund in March and April of 2007). However, as a result of the Receiver's correspondence to investors, an additional five people have returned claim forms to the Receiver, identifying themselves as insureds.

⁶ The correspondence to the investors was made by first class mail and, in instances when an e-mail address for the investor was known by the Receiver, by e-mail as well.

⁷ The Receiver intends to confirm receipt of the claim forms to each investor who has returned such a claim form by correspondence which will accompany a copy of this report.

submitted by the investors. Based on the records the Receiver obtained from Dundee Leeds and others, it appears that the total amount invested in the Fund is \$42,434,193.64.⁸

Such confirmation process will include, without limitation, confirmation of the investor's identity; analysis of the total amount of investment dollars claimed by each investor; and, comparison of the investor's claim to the information reflected in Lydia's books and records and to the records received from Dundee Leeds and others. Similarly, the Receiver will confirm the number of investors, the amount of each investor's investment and other information contained in the investor files received from Dundee Leeds and others.

Prior to the deadline for the filing of the next periodic report with the Court, the Receiver intends to correspond with the investors, if any, who have not submitted a claim form in response to the Receiver's initial correspondence. In addition, the Receiver will communicate with the investors and/or their authorized representatives as such need arises.⁹ It is hoped that given the relatively small number of investors that a large portion of the communication which will necessarily pass between the Receiver's office and the investors will be via e-mail in order to conserve Receivership assets by avoiding long distance telephone charges, international mail charges and interpreter services.

The Receiver and his counsel are currently seeking to determine whether certain investments made in the Fund in March and April of 2007, when approximately ten investors submitted subscription agreements to Dundee Leeds and wired their investment dollars (collectively totaling \$8,507,633.74) to the Fund's Smith Barney account, were completed

⁸ This figure includes \$8,507,633.74 which was wired to the Fund in March and April of 2007. This portion of the total investment is discussed more fully, below.

⁹ Such communication is ongoing at the present time as the Receiver, his staff and his attorneys have had, for example, communication with two lawyers, each of whom represents a separate group of investors, and two or three individual investors.

subscriptions.¹⁰ In this regard, counsel for the Receiver is conducting an investigation into the facts preceding and surrounding the submission of these subscription agreements and the wiring of these funds and analyzing the legal issues surrounding these investment funds in order to determine the availability of these funds to meet the obligations of the Receivership Estate.

IV. REPORT OF ISSUES RELATING TO INSURANCE POLICIES.

Based on the Receiver's preliminary analysis of the data and documents received from the S.E.C. and others, the Receiver has determined that the Portfolio contains thirty-five policies, ranging in face value from \$1,000,000.00 to \$10,000,000.00. The total face value of the portfolio is currently calculated to be \$152,550,000.00. There are thirty-five insureds and the insureds range in age from seventy-one to ninety-one. The thirty-five policies were issued by fourteen insurance companies. Life expectancies on the insureds, from AVS, 21st Services, EMSI and Midwest Medical Review, LLC, have been reviewed by the Receiver and show life expectancies ranging from 55 months to 260 months.

Because of the manner in which the insurance policies were transferred to the Fund, the Receiver has encountered considerable difficulty in gathering all information and documents relating to the policies in order to accurately account for the anticipated premiums.

In July, the Receiver had communication with each of the insurance companies at which time the Receiver requested that the insurance companies: begin communicating with the Receiver regarding the policies; send the Receiver copies of past correspondence; and make any maturity- or premium-related disbursements only to the Receiver.¹¹ To date, only one insurance

¹⁰ The Smith Barney account was one of the accounts frozen by the Court's temporary restraining and preliminary injunction orders. The funds in the account are, as set forth below, currently under the control and management of the Receiver.

¹¹ Each insurance company received, as part of the Receiver's correspondence, a copy of the Order for Appointment.

company has complied with the Receiver's request or acknowledged that they will comply with the request. Two insurance companies have requested additional information from the Receiver and two have claimed there is no known link between the policy and Lydia. The Receiver has received no response to his correspondence from nine insurance companies. As such, the Receiver anticipates filing a motion seeking the Court's assistance in obtaining the insurance companies' compliance with the Court's Order for Appointment, including cooperation in the production of documents which will facilitate the Receiver's management, preservation and analysis of the policies comprising the Lydia Portfolio. Should the Receiver's Motion be granted and the necessary information received from the insurance companies, the Receiver will then be equipped to evaluate the exact cost of the annual premiums necessary to maintain the Portfolio and to perform other necessary duties as set forth in the Order for Appointment.

V. REPORT OF ACCOUNTING ISSUES.

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.¹² All funds are currently being held in interest bearing accounts. A Balance Sheet and summary of the activity in those accounts is set forth on Exhibit 1. As part of the Receiver's on-going duties, the Receiver is reviewing account records to track the flow of money into and out of the accounts in order to attempt to locate recoverable assets and to be able to provide an accounting of the expenditure of the investors' funds.

¹² As discussed elsewhere herein, the total amount of deposits includes the \$8,507,633.74 in subscription proceeds received by the Fund in March and April of 2007. The Receiver and his counsel are still investigating whether these subscriptions were completed, and, as such, whether these funds are available to the Receiver to meet the obligations of the Receivership.

VI. APPLICATION 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 May and June, 2007. (Doc. Nos. 54 and 55.¹³) 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.

Respectfully submitted,

/s/ Melvin R. McVay, Jr.

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

Leslie L. Lynch (admitted *pro hac vice*)

Phillips McFall McCaffrey McVay & Murrah, P.C.

Corporate Tower, Thirteenth Floor

101 North Robinson Avenue

Oklahoma City, Oklahoma 73102

Telephone: (405) 235-4100

Facsimile: (405) 235-4133

mrmcvay@phillipsmcfall.com

llynch@phillipsmcfall.com

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

Dated: August 1, 2007

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¹³ A copy of each of the motions is attached hereto. (Exhibits 2 and 3.)

05 - Lydia Receivership
Balance Sheet
July 31, 2007

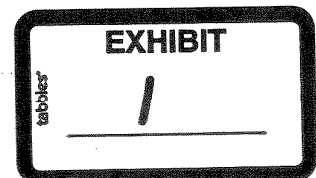
ASSETS

Current Assets		
KBank Money Market - 1521	\$	2,696,998.81
Lydia Kbank MM 1576		3,004,093.15
Lydia Vbank MM 4434		3,001,178.63
Lydia Bank7 Svg 9835		2,000,863.14
Lydia Smith Barney 00257		914,578.31
		<u>11,617,712.04</u>
Total Current Assets		11,617,712.04
Property and Equipment		
		<u>0.00</u>
Total Property and Equipment		0.00
Other Assets		
Capitalized Premiums		315,009.12
		<u>315,009.12</u>
Total Other Assets		315,009.12
Total Assets	\$	<u><u>11,932,721.16</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Suspense	\$	11,887,443.05
		<u>11,887,443.05</u>
Total Current Liabilities		11,887,443.05
Long-Term Liabilities		
		<u>0.00</u>
Total Long-Term Liabilities		0.00
Total Liabilities		11,887,443.05
Capital		
Net Income		45,278.11
		<u>45,278.11</u>
Total Capital		45,278.11
Total Liabilities & Capital	\$	<u><u>11,932,721.16</u></u>

Unaudited - For Management Purposes Only



7/30/07 at 13:04:44.34

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**05 - Lydia Receivership
General Ledger**

For the Period From Jun 1, 2007 to Jul 31, 2007

Filter Criteria includes: 1) IDs from 10200 to 10200. Report order is by ID. Report is printed with Truncated Transaction Descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
10200	6/1/07			Beginning Balance			
KBank Money Market	6/8/07	Transfer fr	GEN	Transfer from Natio	141,542.69		
	6/8/07	Transfer fr	GEN	Transfer from Natio	2,862,562.07		
	6/11/07	Trans to pr	GEN	Transfer from mon		100,000.00	
	6/12/07	trans to pre	GEN	Transfer to ASG to		72,860.00	
	6/21/07	trans for pr	GEN	Transfer from mon		26,500.00	
	6/27/07	trans for pr	GEN	Transfer from mon		49,290.32	
				Current Period Cha	3,004,104.76	248,650.32	2,755,454.44
	7/1/07			Beginning Balance			2,755,454.44
	7/5/07	trans for pr	GEN	Transfer to ASG to		66,358.80	
	7/5/07	Interest ear	GEN	Interest earned for	7,903.17		
				Current Period Cha	7,903.17	66,358.80	-58,455.63
	7/31/07			Ending Balance			2,696,998.81

7/30/07 at 13:05:06.13

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**05 - Lydia Receivership
General Ledger
For the Period From Jun 1, 2007 to Jul 31, 2007**

Filter Criteria includes: 1) IDs from 10201 to 10201. Report order is by ID. Report is printed with Truncated Transaction Descriptions and in Detail Format.

Account ID	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
Account Description							
10201	6/1/07			Beginning Balance			
Lydia Kbank MM 1576	6/27/07	Trans fr Sm	GEN	Transfer from Smit	3,000,000.00		
	6/30/07	Interest ear	GEN	Interest earned for	4,093.15		
				Current Period Cha	3,004,093.15		3,004,093.15
	7/1/07			Beginning Balance			3,004,093.15
	7/31/07			Ending Balance			3,004,093.15

7/30/07 at 13:05:19.35

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**05 - Lydia Receivership
General Ledger**

For the Period From Jun 1, 2007 to Jul 31, 2007

Filter Criteria includes: 1) IDs from 10202 to 10202. Report order is by ID. Report is printed with Truncated Transaction Descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
10202	6/1/07			Beginning Balance			
Lydia Vbank MM 4434	6/27/07	Trans fr Sm	GEN	Transfer from Smit	3,000,000.00		
	6/30/07	Interest ear	GEN	Interest earned for	1,178.63		
				Current Period Cha	3,001,178.63		3,001,178.63
	7/1/07			Beginning Balance			3,001,178.63
	7/31/07			Ending Balance			3,001,178.63

7/30/07 at 13:05:32.89

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**05 - Lydia Receivership
General Ledger**

For the Period From Jun 1, 2007 to Jul 31, 2007

Filter Criteria includes: 1) IDs from 10203 to 10203. Report order is by ID. Report is printed with Truncated Transaction Descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
10203	6/1/07			Beginning Balance			
Lydia Bank7 Svg 9835	6/27/07	Trans fr Sm	GEN	Transfer from Smit	2,000,000.00		
	6/30/07	Interest ear	GEN	Interest earned for		863.14	
				Current Period Cha	2,000,863.14		2,000,863.14
	7/1/07			Beginning Balance			2,000,863.14
	7/31/07			Ending Balance			2,000,863.14

7/30/07 at 13:10:53.54

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**05 - Lydia Receivership
General Ledger**

For the Period From Jun 1, 2007 to Jul 31, 2007

Filter Criteria includes: 1) IDs from 10800 to 10800. Report order is by ID. Report is printed with Truncated Transaction Descriptions and in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
10800	6/1/07			Beginning Balance			
Lydia Smith Barney 0	6/1/07	Opening en	GEN	Balance in Smith B	8,883,338.29		
	6/27/07	Trans fr Sm	GEN	Transfer from Smit		2,000,000.00	
	6/27/07	Trans fr Sm	GEN	Transfer from Smit		3,000,000.00	
	6/27/07	Trans fr Sm	GEN	Transfer from Smit		3,000,000.00	
	6/30/07	SB Interest	GEN	Interest paid by Sm	31,240.02		
				Current Period Cha	8,914,578.31	8,000,000.00	914,578.31
	7/1/07			Beginning Balance			914,578.31
	7/31/07			Ending Balance			914,578.31