

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 2783 / September 22, 2008

ADMINISTRATIVE PROCEEDING
File No. 3-13228

In the Matter of

EVAN K. ANDERSEN,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Evan K. Andersen (“Respondent” or “Andersen”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and the Respondent’s Offer, the Commission finds that:

1. Andersen was a partner and principal of Lydia Capital, LLC (“Lydia Capital”), a registered investment adviser located in Boston, Massachusetts. Between at least June 2006 and April 2007, Andersen acted as an investment adviser to Lydia Capital Alternative Investment Fund LP (the “Fund”). Andersen, 26 years old, is a resident of Boston, Massachusetts.

2. On September 16, 2008, a final judgment was entered by consent against Andersen, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act in a civil action entitled Securities and Exchange Commission v. Lydia Capital, LLC, et al., Civil Action No. 07-CV-10712-RGS, in the United States District Court for the District of Massachusetts.

3. The Commission’s amended complaint alleged, among other things, that Andersen sold limited partnership interests and retained investors in the Fund through a series of material misrepresentations and omissions, including but not limited to: (1) materially overstating, and in some instances completely fabricating the Fund’s performance; (2) inventing business partners, offices, and investors in an attempt to legitimize the firm and concealing the truth as to why key vendors and banks ceased relationships with the Respondent; (3) making material misstatements and omissions about the significant criminal history of another Lydia Capital partner and principal, and failing to disclose a February 2007 criminal asset freeze in England; (4) making material misstatements and omissions about how the Fund planned to address certain material risks and failing to disclose others; and (5) misstating the nature of the Fund’s assets and its investment process. In addition, the Commission’s amended complaint alleged that Andersen took approximately \$2.35 million of Fund assets to which he was not entitled.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Andersen’s Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(f) of the Advisers Act, that Respondent Andersen be, and hereby is, barred from association with any investment adviser.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Florence E. Harmon
Acting Secretary