

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

_____	)	Chapter 11
In re:)	
LIFE FUND 5.1, LLC, <i>et al.</i> , ¹	)	Case No. 09 B 32672
)	
Debtors.	)	Jointly Administered
_____	)	Re Docket No: 403

**ORDER APPROVING (A) COMPETITIVE SALE PROCEDURES AND
(B) PROCEDURES TO REDEEM AND ALLOW LIFE POLICY ASSETS TO LAPSE**

This matter coming before the Court on the Trustee's Motion for Orders: (1) Approving (A) Procedures for the Sale of Life Policy Assets Free and Clear of Claims and Encumbrances and With Certain Findings and (B) Procedures to Redeem or Allow Life Policy Assets to Lapse; (2) Determining Estates' Rights to and in Policies; (3) Preventing Insurers From Taking Certain Acts With Respect to Policies; and (4) Granting Related Relief [Docket No. 403] (the "Motion")²; and upon review and consideration of the Motion, the limited objection to the Motion filed by certain Insurers, arguments of counsel at the hearing on the Motion (the "Hearing"), and the docket and proceedings in the Chapter 11 Cases,

THE COURT HEREBY FINDS THAT:

- A. This Court has jurisdiction over the Motion.
- B. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O).

¹ The Debtors in the cases are: (1) Life Fund 5.1, LLC; (2) Life Fund 5.2, LLC; (3) A&O Life Fund, LLC; (4) A&O Resource Management, LLC; (5) A&O Bonded Life Settlement, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

² Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the Motion.

C. Venue of the Chapter 11 Cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

D. The relief granted in this Order is in the best interests of the Debtors and the Estates.

E. The Trustee provided notice of the Motion and the Hearing to: (1) the office of the United States Trustee, (2) each Insurer, (3) all parties with an interest of record with the Trustee in any Policy, (4) all known creditors of the Debtors, and (5) all parties that have requested notice in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002.

F. Notice of the Motion and the Hearing was due and proper under the circumstances and all interested parties were afforded the opportunity to be heard at the Hearing with respect to the Motion and the relief granted by this Order.

G. The Trustee has articulated good and sufficient reasons for, and the best interests of the Estates will be served by, this Court granting at this time certain of the relief requested in the Motion, including of: (1) the Competitive Sale Procedures attached hereto as **Exhibit 2**; (2) the form of Notice of Proposed Sale attached hereto as **Exhibit 3**; (3) the form of Notice of Redemption attached hereto as **Exhibit 5**; and (4) the form of Notice of Lapse attached hereto as **Exhibit 6**. Each form of notice and proposed order attached hereto may be modified by the Trustee as appropriate, including, without limitation, to reflect subsequent orders of the Bankruptcy Court.

H. The best interests of the Estates will be served by authorizing the Trustee and his advisors and professionals to market for sale the Life Policy Assets identified on **Exhibit 1** to this Order in accordance with the Competitive Sale Procedures attached as **Exhibit 2** to this Order, and, in the event that the Trustee accepts any offer to purchase a Life Policy Asset, to file

the notices required by the Competitive Sale Procedures and return to this Court for a subsequent Sale Hearing to authorize the sale and transfer of any Life Policy Asset.

I. The Competitive Sale Procedures provide a full, fair and reasonable opportunity for persons to make offer to purchase the Life Policy Assets and, specifically, the form of Notice of Proposed Sale provides a full, fair and reasonably opportunity for persons to object to the sales proposed thereby in accordance with the Bankruptcy Code and Bankruptcy Rules.

J. The form of the Notice of Redemption provides full, fair, reasonable and sufficient notice of the proposed redemption of any Policy for cash and, together with the Redemption Procedures approved by this Order, satisfies applicable bankruptcy notice requirements for the Trustee to redeem Policies for their cash value.

K. The form of Notice of Lapse provides full, fair, reasonable and sufficient notice of the proposed lapse of any Policy and, together with the procedures approved by this Order, satisfies applicable notice requirements for the Trustee to allow Policies to lapse.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED

THAT:

1. The Motion is granted as set forth herein and denied otherwise.

~~2. The findings of fact set forth above and conclusions of law stated herein shall~~
constitute this Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any finding of fact later shall be determined to be a conclusion of law, it shall be so deemed, and to the extent ~~any conclusion of law later shall be determined to be a finding of fact, it shall be so deemed.~~ AEU

Competitive Sale Procedures

3. The Competitive Sale Procedures attached hereto as **Exhibit 2** are approved and the Trustee and his professionals are authorized and empowered to take any and all actions necessary and/or appropriate to implement the Competitive Sale Procedures.

4. The Trustee and his professionals are authorized to agree to, document and execute confidentiality agreements and documents evidencing Break-Up Fees, in each case as described in and in accordance with and in furtherance of the Competitive Sale Procedures.

5. The form of Notice of Proposed Sale attached hereto as **Exhibit 3** is approved.

6. After acceptance by the Trustee of any offer to purchase a Life Policy Asset, the Trustee shall file with the Bankruptcy Court and serve on the Asset Notice Parties for such Life Policy Asset(s) a Notice of Proposed Sale. Such service of the Notice of Proposed Sale, in addition to the notice of Motion provided to parties in interest in the Chapter 11 Cases, shall constitute good and sufficient notice under the Bankruptcy Code and the Bankruptcy rules to sell and convey the Life Policy Assets identified in the Notice of Proposed Sale. Other than notice of the Motion already provided, service of the Notice of Proposed Sale in accordance with the Competitive Sale Procedures and this Order, and the occurrence of the Sale Hearing, no other or further notice or hearing shall be necessary to sell or convey Life Policy Assets identified in the Notice of Proposed Sale.

Redemption Procedures

7. The form of Notice of Redemption attached hereto as **Exhibit 5** is approved.

8. At any time, the Trustee may file with the Court and serve on the Asset Notice Parties for any Policy or group of Policies to be redeemed a Notice of Redemption. The Notice of Redemption shall identify: (a) each Policy to be redeemed; (b) the approximate amount the

Trustee expects to receive in redemption for each such Policy, in each case net of fees and costs payable to the insurer; (c) any PCI Bond related to each Policy to be redeemed; and (d) the last date to file an objection to any proposed redemption (which date shall not be less than seven (7) days after the filing and service of the Notice of Redemption).

9. If an objection is filed to any Notice of Redemption, then the Trustee may file and serve on the Asset Notice Parties for the Policy subject to such Notice of Redemption a notice that identifies the date, time and location of a hearing (a "Redemption Hearing") before the Bankruptcy Court. At the Redemption Hearing, the Trustee may ask the Court to authorize the Trustee to redeem for its cash value the Policy or Policies identified in the Notice of Redemption (in accordance with the Policies) and subject to objection.

10. If no objection is filed with respect to any Policy identified in a Notice of Redemption, then the Trustee shall be authorized to redeem such Policy in accordance with the terms of the Policy to be redeemed and as set forth in such notice, without further notice to any party or order of the Court.

Lapse Procedures

11. The form of Notice of Lapse attached hereto as **Exhibit 6** is approved.

12. At any time, the Trustee may file with the Court and serve on the Asset Notice Parties for any Policy or Policies a Notice of Lapse. The Notice of Lapse shall identify: (a) the Policies that the Trustee intends to allow to lapse; (b) any PCI Bond related to such Policies; and (c) the proposed date on which such lapse shall become effective.

13. If no objection is filed with respect to any Policy identified in a Notice of Lapse prior to the proposed lapse date or such earlier date identified in the notice, then the Trustee shall be authorized to (a) allow such Policy to lapse without further notice to any party or order of the

Court and (b) in his sole discretion, accept any consideration in exchange for the transfer of such Policy, with subsequent notice of such transfer to be filed with the Court and served on the Asset Notice Parties for such Policy.

14. If an objection is filed to any Notice of Lapse, the Trustee shall not be required to incur any cost or take any action to prevent such lapse without further order of the Court.

Related Relief

15. The Trustee is authorized to expend Estate assets in furtherance of the Competitive Sale Procedures and the other relief granted herein, including, without limitation, to obtain information from Insurers, insureds and other third parties.

16. The Trustee and his professionals are authorized to take all actions reasonable or necessary to market the Policies in furtherance of the Competitive Sale Procedures and to effectuate the relief granted pursuant to this Order.

17. To the extent any provisions of this Order are inconsistent with the Motion, the terms of this Order shall control.

Dated: **AUG 20 2010**
Chicago, Illinois

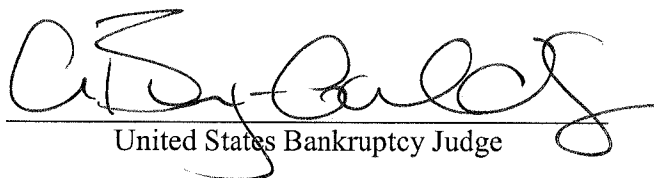

United States Bankruptcy Judge

EXHIBIT 1
TO SALE PROCEDURES ORDER

Life Policy Assets

attached hereto

Exhibit 1

Insurer	Policy Number	Death Benefit Amount	Accrued Cash Value ¹	Cost & Period of Premium Payment	PCI Bond Maturity Date ²	PCI Bond Amount
Met Life and Annuity Company of Connecticut/Travelers Life and Annuity Co.	Policy No. U7403296	\$1,500,000	\$21,828.49 as of July 1, 2010	\$13,484.24 Annually	12/5/2012	\$1,500,000
Pacific Life Insurance Company	Policy No. VP60832870	\$6,137,593.04 as of June 30, 2010	\$137,593.04 as of June 30, 2010	\$15,000 Quarterly	12/5/2012	\$6,000,000
Transamerica Occidental Life	Policy No. 60134439	\$5,000,000	\$71,506.42 as of June 30, 2010	\$8,211.85 Monthly	3/20/2012	\$5,000,000
Transamerica Occidental Life	Policy No. 60134440	\$5,000,000	\$71,349.44 as of June 30, 2010	\$8,211.85 Monthly	3/20/2012	\$5,000,000
C.M. Life (Mass Mutual)	Policy No. 8275165	\$2,000,000	\$92,967.17 as of June 30, 2010	\$7,585.00 Quarterly	6/29/2011	\$2,000,000
Transamerica Occidental Life	Policy No. 60059453	\$725,000	\$51,914.02 as of June 30, 2010	\$1,724.50 Monthly	11/30/2013	\$725,000

¹ The approximate cash value stated here is as of July 26, 2010 unless provided otherwise and varies on a regular basis. Policies listed as in freeze, in grace, or holding no current cash value may require an additional lump sum payment.

² As set forth in other documents filed with the Court, PCI contests the validity of many PCI Bonds, including several of the PCI Bonds summarized herein.

Transamerica Occidental Life	Policy No. 60081812	\$21,421,011.37 as of June 30, 2010	\$124,736.09 as of June 30, 2010	\$30,247.83 Monthly	10/25/2010	\$21,500,000
Pacific Life Insurance Company	Policy No. VF51212390	\$1,000,000	\$22,545.96 as of June 30, 2010	\$21,000 Annually	9/19/2012	\$1,000,000
Pacific Life Insurance Company	Policy No. VF51212400	\$1,000,000	\$37,257.15 as of June 30, 2010	\$19,975 Annually	9/19/2012	\$1,000,000
Pacific Life Insurance Company	Policy No. VP61029750	\$1,000,000	\$36,955.17 as of June 30, 2010	\$22,847 Annually	9/19/2012	\$1,000,000
National Life	Policy No. NL2364882	\$2,000,000	\$161,574.85 as of July 1, 2010	\$3,455 Monthly	6/27/2013	\$2,000,000
John Hancock	Policy No. 57169674	\$650,000	\$64,949.31 as of July 1, 2010	\$4,045.33 Monthly	11/30/2011	\$650,000
John Hancock	Policy No. UL00267681	\$1,000,000	\$136,546.06 as of July 1, 2010	\$7,937.49 Quarterly	5/19/2012	\$1,000,000
John Hancock	Policy No. UL001402937	\$1,000,000	\$0 as of April 14, 2010	IN FREEZE \$9,691.14 Quarterly	5/3/2012	\$1,000,000
Prudential	Policy No. V1168732	\$10,000,000	\$294,300 as of June 28, 2010	\$634,820.00 Annually	2/19/2010	\$10,000,000
Lincoln National	Policy No. 7016282	\$1,000,000	\$205,742.96 as of June 24, 2010	\$1,666.67 Monthly	10/14/2009	\$1,000,000
Lincoln National	Policy No. JG5462406	\$2,000,000	\$5,441.97 as of July 1, 2010	IN GRACE \$6,041.67 Monthly	5/3/2011	\$2,000,000

Sun Life	Policy No. 020068584	\$5,000,000	\$237,084.85 as of June 30, 2010	\$36,504 Semi-Annually	1/2/2010	\$5,000,000
West Coast Life Insurance Company	Policy No. ZUA341379	\$13,700,000	\$0 as of July 1, 2010	IN GRACE	10/29/2011	\$13,700,000
Lincoln National	Policy No. 7000058	\$4,283,995.70 as of June 24, 2010	\$283,995.70 as of June 24, 2010	\$4,166.67 Monthly	1/16/2012	\$4,000,000
Lincoln National	Policy No. 2722294	\$250,000	\$30,382.87 as of June 24, 2010	\$625.00 Monthly	6/17/2010	\$250,000
American General	Policy No. U10033937L	\$10,000,000	\$0 as of June 28, 2010	\$26,000 Monthly	1/1/2011	\$10,000,000
Lincoln National	Policy No. JF5571385	\$2,000,000	\$47,321.49 as of July 8, 2010	\$4,043.16 Monthly	6/6/2013	\$2,000,000
Lincoln National	Policy No. JP5578112	\$1,000,000	\$9,458.20 as of June 27, 2010	\$7,368.02 Quarterly		
Lincoln National	Policy No. JJ7002605	\$1,500,000	\$3,605.68 as of July 9, 2010	IN GRACE \$3,983.75 Monthly		
Lincoln National	Policy No. JF5571244	\$1,000,000	\$29,313 as of June 15, 2010	\$3,467.57 Monthly		
ING	Policy No. 1618622	\$2,000,000	\$98,118.29 as of July 1, 2010	IN GRACE \$21,848 Quarterly		

EXHIBIT 2
TO SALE PROCEDURES ORDER

Competitive Sale Procedures

attached hereto

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

_____	)	Chapter 11
In re:)	
LIFE FUND 5.1, LLC, <i>et al.</i> , ¹	)	Case No. 09 B 32672
)	
Debtors.	)	Jointly Administered
_____)	

Competitive Sale Procedures

Participation Requirements and Initial Due Diligence

1. The Trustee, in his sole discretion, may require from any party seeking to investigate or consummate a purchase of a Life Policy Asset²: (a) an executed confidentiality agreement in form and substance satisfactory to the Trustee, and (b) evidence satisfactory to the Trustee of such party's financial wherewithal to consummate any proposed purchase of any Life Policy Asset, which may include, in the sole discretion of the Trustee, that a potential purchaser provide the Trustee a deposit or escrow all or a part of a purchase price. After executing a confidentiality agreement and providing the Trustee evidence of financial wherewithal, the Trustee may afford any such party access to the Life Policy Assets and related documents.

¹ The Debtors in the cases are: (1) Life Fund 5.1, LLC; (2) Life Fund 5.2, LLC; (3) A&O Life Fund, LLC; (4) A&O Resource Management, LLC; (5) A&O Bonded Life Settlement, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

² Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the motion filed on July 26, 2010 in the above-captioned chapter 11 cases titled the "Trustee's Motion for Orders Approving: (A) Competitive Sale Procedures; (B) Procedures to Redeem or Allow Life Policy Assets to Lapse; (C) Procedures for the Sale of Life Policy Assets Free and Clear of Claims and Encumbrances and With Certain Findings; and (D) Related Relief" [Docket No. 403].

Competitive Sale Process

2. Taking into account indications of interest already received for any Life Policy Asset, Melville shall solicit offers to purchase any or all of the Life Policy Assets, alone or in groups. If Melville receives more than one bona fide offer to purchase any Life Policy Asset or the portfolio of Life Policy Assets, then: (a) at the discretion of the Trustee, Melville may inform all such interested purchasers of all existing offers to purchase such Life Policy Assets or the portfolio of Life Policy Assets and solicit from all such interested purchasers improved offers to purchase such assets in a competitive process; and (b) the Trustee, in consultation with Melville, shall ultimately determine the highest and best bona fide offer for each Life Policy Asset or group of Life Policy Assets, which may be the entire portfolio of Life Policy Assets, if any. In making such determination, the Trustee may consider, among other things, (i) the amount of the purchase price, (ii) the ability and likelihood of any potential purchaser to consummate a transaction and the timing thereof, and (iii) the net benefit of such proposed purchase to the Estates. The Trustee reserves the right to reject any offer and to withdraw from sale any and/or all of the Life Policy Assets at any time.

3. The Trustee may accept, subject to Court approval as set forth below, any such offer, but shall be under no obligation to accept any offer to purchase any or all of the Life Policy Assets or to present any such offer to the Court for approval. When accepting a binding, non-contingent offer to purchase one or more Life Policy Assets, the Trustee may agree to provide such purchaser a break-up fee (each a "Break-Up Fee") in an amount no greater than four percent (4%) of the purchase price for such Life Policy Asset to be sold. Break-Up Fees will be paid to potential purchasers: (a) only upon consummation of a sale of such Life Policy Asset to another purchaser after approval of same by the Court (an "Alternate Transaction"); (b) only from the

portion of the proceeds of the Alternate Transaction that exceed the amount of the transaction originally accepted by the Trustee; and (c) only in the event that the original purchaser at all times prior to the consummation of the Alternate Transaction remained ready, willing and able to consummate the purchase of the Life Policy Asset in question on the terms originally accepted (subject to approval of the Court) by the Trustee.

4. If the Trustee accepts any proposed purchase of any or all of the Life Policy Assets, than the Trustee shall: (a) file with the Bankruptcy Court and (b) serve on (i) each party that has requested notice in the Chapter 11 Cases, (ii) each party that, as of that date, had expressed to the Trustee or his professionals any interest in the purchase of the Life Policy Assets to be purchased, (iii) each Insurer that issued any Policy to be purchased, (iv) all persons of record with the Trustee that assert an actual or beneficial interest in any Life Policy Assets to be sold, and (v) PCI, if the assets to be conveyed include any PCI Bond, a notice (the "Notice of Proposed Sale") of proposed sale and hearing. The Notice of Proposed Sale shall identify: (1) the date (no less than 10 days after the filing and service of the Notice of Proposed Sale), time and location of a hearing (a "Sale Hearing") before the Bankruptcy Court; (2) the Life Policy Asset(s) to be sold (without naming any insured) and any PCI bond to be conveyed; (3) the economic terms of the proposed sale; and (4) the last date to file any objection to any proposed sale (which date shall not be less than seven days after the filing of the Notice of Proposed Sale). At the Sale Hearing, the Trustee will describe the sale process and the proposed sale of the Life Policy Assets in question and request that the Court enter an order authorizing (i) the sale or other conveyance of the Life Policy Asset(s) in question to the proposed purchaser(s), free and clear of all liens, claims and encumbrances to the fullest extent authorized under section 363 of the Bankruptcy Code, and (ii) if necessary or appropriate with respect to any PCI Bond, the

assumption and assignment of such bond in accordance with section 365 of the Bankruptcy Code.

EXHIBIT 3
TO SALE PROCEDURES ORDER

Form Notice of Proposed Sale

attached hereto

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:	)	Chapter 11
)	
LIFE FUND 5.1, LLC, <i>et al.</i> , ¹	)	Case No. 09 B 32672
)	
Debtors.	)	Jointly Administered
	)	Hearing Date and Time: [_____]
	)	Objection Deadline: [_____]

**NOTICE OF PROPOSED SALE OF LIFE POLICY ASSETS
FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES
AND WITH CERTAIN FINDINGS OF FACT AND DIRECTIONS**

PLEASE TAKE NOTICE THAT ON [Insert Date of Entry of Order] the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the “Court”) entered an order approving Competitive Sale Procedures (the “Sale Procedures Order”)².

PLEASE TAKE NOTICE THAT in accordance with the Sale Procedures Order, Jeff Marwil, the elected Trustee of the chapter 11 estates of the above-captioned Debtors, and/or his professionals, subject to approval of the Court, proposes to sell and convey the following Life Policy Assets on the following terms:

Policy Issuer	Policy Number	PCI Bond (y/n)	Terms of Sale and Cure for Transfer of PCI Bond

PLEASE TAKE NOTICE THAT on [Insert Date and Time of Sale Hearing] (the “Sale Hearing”) the Trustee shall appear before the Honorable A. Benjamin Goldgar, United States Bankruptcy Judge for the United States Bankruptcy Court, Northern District of Illinois, Eastern Division, or any other Judge who may be sitting in his place and stead, in Courtroom 613 of the Dirksen Federal Building, 219 S. Dearborn Street, Chicago, Illinois, 60604, and then and there request that the Court authorize the sale and conveyance of the Debtors’ interests (and, with the consent of the holders of such interests, other interests) in the above Life Policy Assets free and clear of liens, claims and encumbrances to the fullest extent authorized under section 363 of the Bankruptcy Code.

¹ The Debtors in the cases are: (1) Life Fund 5.1, LLC; (2) Life Fund 5.2, LLC; (3) A&O Life Fund, LLC; (4) A&O Resource Management, LLC; (5) A&O Bonded Life Settlement, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

² Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the Auction and Sale Order.

PLEASE TAKE NOTICE THAT [identify cure costs, if any, under PCI Bonds to be assumed and assigned, if any.]

PLEASE TAKE NOTICE THAT any objections to the sale or conveyance of the Life Policy Assets identified above (including any objection to the assumption and assignment of any PCI Bond) must: (1) be in writing; (2) state the name and address of the objecting party and the nature of such party's claim against or interest in the Debtors; (3) state with particularity the basis and nature of the objection; (4) be filed with the Court; and (5) be served on undersigned counsel to the Trustee no later than **[Objection time] on [Objection Date]**.

Dated: **[Date]**

Chicago, Illinois

**LIFE FUND 5.1, LLC
LIFE FUND 5.2, LLC
A&O LIFE FUND, LLC
A&O RESOURCE MANAGEMENT, LLC
A&O BONDED LIFE SETTLEMENT, LLC
A&O BONDED LIFE ASSETS, LLC; and
HOUSTON TANGLEWOOD PARTNERS, LLC**

/s/ _____

Jeff Marwil (ARDC # 06194054)
Jeremy T. Stillings (ARDC# 06279868)
PROSKAUER ROSE LLP
70 West Madison, Suite 3800
Chicago, Illinois 60602-4342
(312) 962-3529
(312) 962-3551 (Fax)

Counsel to the Trustee

EXHIBIT 4
TO SALE PROCEDURES ORDER

Form of Sale Order

attached hereto

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:) Chapter 11
)
LIFE FUND 5.1, LLC, *et al.*,¹) Case No. 09 B 32672
)
Debtors.) Jointly Administered

**ORDER AUTHORIZING SALE OF LIFE POLICY ASSETS
FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES
AND WITH CERTAIN FINDINGS OF FACT AND DIRECTIONS**

This matter coming before the Court on the Trustee’s Motion for Orders: (1) Approving (A) Procedures for the Sale of Life Policy Assets Free and Clear of Claims and Encumbrances and With Certain Findings and (B) Procedures to Redeem or Allow Life Policy Assets to Lapse; (2) Determining Estates’ Rights to and in Policies; (3) Preventing Insurers From Taking Certain Acts With Respect to Policies; and (4) Granting Related Relief (the “Motion”)²; the Court having entered an order (Docket No. ___, the “Procedures Order”) granting certain of the relief requested in the Motion and approving Competitive Sale Procedures (the “Sale Procedures”); the Trustee and his professionals having marketed for sale the following Life Policy Assets in accordance with the Sale Procedures and the Procedures Order:

[identify Life Policy Assets to be sold]

(the “Subject Assets”); the Trustee having determined that **[Insert name of Highest Bidder]** (the “Purchaser”) submitted the highest and best bona fide offer to purchase the Subject Assets; the Trustee having accepted the Purchaser’s offer (subject to approval of the Court); the Trustee

¹ The Debtors in the cases are: (1) Life Fund 5.1, LLC; (2) Life Fund 5.2, LLC; (3) A&O Life Fund, LLC; (4) A&O Resource Management, LLC; (5) A&O Bonded Life Settlement, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

² Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the Motion.

having issued a Notice of Proposed Sale (Docket No. __, the “Notice of Sale”) in accordance with the Procedures Order; and upon review and consideration of the Motion, objections (if any) to the sale of the Subject Assets, arguments of counsel and evidence proffered or adduced at the hearing on the sale of the Subject Assets in accordance with the Notice of Sale (the “Sale Hearing”), and the docket and proceedings in the Chapter 11 Cases,

THE COURT HEREBY FINDS THAT:

- A. This Court has jurisdiction over the Motion.
- B. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O).
- C. Venue of the Chapter 11 Cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.
- D. This Sale Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), the Court expressly finds that there is no just reason for delay in the implementation of this Sale Order, and expressly directs entry of judgment as set forth herein.
- E. The relief requested in the Motion and granted in this Order is in the best interests of the Debtors and the Estates.
- F. The Trustee provided notice of the Sale Hearing to the Asset Notice Parties for the Subject Assets in accordance with the Procedures Order.
- G. Given the notice of the Sale Hearing and the notice provided of the first hearing on the Motion, notice of the Sale Hearing was due and proper under the circumstances and all interested parties were afforded the opportunity to be heard respect to the sale of the Subject Assets to the Purchaser.

H. The Trustee seeks to convey the Subject Assets to the Purchaser (the "Sale").

I. The Trustee has demonstrated both (1) good, sufficient, and sound business purposes and justifications for the Sale; and (2) compelling circumstances for the Sale pursuant to section 363(b) of the Bankruptcy Code.

J. On **[Date of Procedures Order]**, the Court entered the Procedures Order approving the Competitive Sale Procedures. The Competitive Sale Procedures provided a full, fair and reasonable opportunity for any person to make an offer to purchase the Subject Assets. The Trustee and/or his professionals marketed the Subject Assets in accordance with the Procedures Order and complied with that order in all respects. The Purchaser complied with the Procedures Order.

K. As demonstrated by the testimony and other evidence proffered or adduced at the Sale Hearing: (1) the Trustee has adequately marketed the Subject Assets; (2) the offer of the Purchaser constitutes the highest and otherwise best offer for the Subject Assets and provides fair and reasonable consideration therefor; (3) the Sale will provide a greater recovery for the Estates than would be provided by any other practical available alternative; (4) no other party has offered to purchase the Subject Assets for greater economic value to the Estates; and (5) the consideration to be paid by the Purchaser constitutes reasonably equivalent value and fair consideration for the Subject Assets under the Bankruptcy Code and under the laws of the United States, any state, territory or possession thereof or the District of Columbia.

L. Approval and consummation of the Sale to the Purchaser at this time is in the best interests of the Debtors, their creditors, the Estates and other parties in interest in the Chapter 11 Cases.

M. The Sale was negotiated, proposed and entered into by the Estates and the Purchaser in good faith, without collusion and from arm's-length bargaining positions. The Purchaser is a "good faith purchaser" within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to all the protections afforded thereby. Neither the Trustee, his professionals, the Estates, nor the Purchaser have engaged in any conduct that would cause or permit the Sale to be avoided or impose costs and damages under section 363(n) of the Bankruptcy Code or any other provision of the Bankruptcy Code, the Bankruptcy Rules, or applicable law.

N. As evidenced by the certificates of service filed with the Court: (1) the Trustee provided proper, timely, adequate and sufficient notice of the Motion and the Sale Hearing; (2) such notice was good, sufficient and appropriate under the particular circumstances; and (3) no other or further notice of the Motion, the Sale Hearing or the Sale is or shall be required. A reasonable opportunity to object or be heard with respect to the Motion and the Sale has been afforded to all interested persons and entities, including, but not limited to:

(i) any party who expressed in writing to the Trustee or his professionals an interest in the Subject Assets;

(ii) all parties who are known or reasonably believed to have asserted a lien, encumbrance, claim or other interest in the Subject Assets;

(iii) **[Name of Insurance Companies]**, the issuer of the Policy or Policies to be conveyed in the Sale;

(iv) **[PCI]**;

(v) the Office of the United States Trustee for the Northern District of Illinois, Eastern Division;

(vi) all parties of record with the Trustee who may have an interest in the Subject Assets;

(vii) all known creditors of the Estates; and

(viii) all entities that have requested notice in the Chapter 11 Cases under Bankruptcy Rule 2002.

O. [In accordance with the provisions of the Procedures Order, the Trustee has served upon PCI notice of the Estates' intent to assume and assign the PCI Bonds that are Subject Assets and of the related proposed cure costs (the "Cure Costs"). The service of such notice was good, sufficient and appropriate under the circumstances and no further notice need be given with respect to the Cure Costs and the assumption and assignment of the PCI Bonds that are Subject Assets. PCI had a reasonable opportunity to object to both the Cure Costs and the assumption and assignment of the PCI Bonds.]

P. The Trustee is authorized to sell and convey the Subject Assets free and clear of liens, claims, interests and encumbrances in accordance with section 363 of the Bankruptcy Code (collectively, "Claims"), because, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code have been satisfied. Those holders of Claims who did not object, or who withdrew their objections, to the Sale or the Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. Those holders of Claims who did object to the Sale of the Subject Assets free and clear of Claims fall within one or more of the other subsections of section 363(f) of the Bankruptcy Code and are adequately protected by having their Claims, if any, attach to the proceeds of the Sale ultimately attributable to the property against which they have a Claim, in the same order of priority and with the same validity, force and effect that such creditor had prior to the Sale, subject to any defenses of the Debtors or the Trustee.

Q. The Insurer that issued the Policies that are Subject Assets received sufficient notice of the Motion, Procedures Order, Sale and the terms of the Sale.

R. The Purchaser would not consummate the Sale if the sale of the Subject Assets will not be free and clear of all Claims.

S. The Sale provides the Estates with reasonably equivalent value and fair consideration (as those terms are defined in the Uniform Fraudulent Transfer Act, the Uniform Fraudulent Conveyance Act and the Bankruptcy Code) for the Subject Assets, and was not entered into for the purpose of, nor does it have the effect of, hindering, delaying or defrauding creditors of any of the Debtors under any applicable law.

T. The assumption and assignment of the PCI Bonds that are Subject Assets is integral to the Sale, in the best interests of the Debtors and the Estates, and represents the reasonable exercise of the Trustee's sound business judgment.

U. The Trustee has satisfied all requirements of section 365(b) of the Bankruptcy Code with respect to the assumption and assignment of each PCI Bond that is a Subject Asset. The Purchaser has provided all necessary adequate assurance of future performance under such PCI Bonds in satisfaction of sections 365(b) and 365(f) of the Bankruptcy Code. Accordingly, such PCI Bonds may be assumed by the Estates and assigned to the Purchaser.

V. As of the closing of the Sale (the "Closing"), the transfer of the Subject Assets to the Purchaser will be a legal, valid and effective transfer of the Subject Assets, and will vest the Purchaser with all right, title and interest of the Debtors in and to the Subject Assets, free and clear of (1) all Claims and (2) all debts arising under or out of, in connection with, or in any way relating to, any acts of the Debtors, claims (as defined in section 101(5) of the Bankruptcy Code), rights or causes of action (whether in law or in equity, including any rights or causes of action based on theories of transferee or successor liability under any law, statute, rule or regulation of the United States, any state, territory, or possession thereof or the District of

Columbia), obligations, demands, guaranties, rights, contractual commitments, restrictions, interests and matters of any kind or nature whatsoever, whether arising prior to or subsequent to the commencement of these cases, and whether imposed by agreement, understanding, law, equity or otherwise.

W. The Trustee: (1) has full power and authority to consummate the Sale and to execute and deliver all documents in connection therewith; and (2) requires no consents or approvals (other than the entry of this Sale Order), to consummate the Sale.

**NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED
THAT:**

1. The Motion is granted as set forth herein.
2. The findings of fact set forth above and conclusions of law stated herein shall constitute this Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any finding of fact later shall be determined to be a conclusion of law, it shall be so deemed, and to the extent any conclusion of law later shall be determined to be a finding of fact, it shall be so deemed.
3. All objections to the relief requested by the Motion and granted by this Sale Order that have not been withdrawn, waived or settled as announced to the Court at the Sale Hearing or by stipulation filed with the Court, and all reservations of rights included therein, are hereby overruled on the merits, except as expressly provided herein.
4. The Sale is approved.
5. The Trustee, as well as his professionals and agents, are authorized to execute and deliver, and authorized to perform under, consummate and implement, any instruments and documents that may be reasonably necessary or desirable to consummate the Sale and to take all

further actions as may be reasonably requested by the Purchaser for the purpose of assigning, transferring, granting, conveying and conferring to the Purchaser, or reducing to possession, the Subject Assets, all without further order of the Court.

6. Pursuant to sections 105(a) and 363(f) of the Bankruptcy Code, the transfer of the Subject Assets to the Purchaser shall: (a) be valid, legal, binding and effective; (b) vest the Purchaser with all right, title and interest of the Debtors in the Subject Assets; and (c) be free and clear of all Claims, with all Claims to attach to the net proceeds of the Sale, in the order of their priority and with the same validity, force and effect which they now have against the Subject Assets, subject to any claims and defenses the Debtors may possess with respect thereto.

7. Following the Closing, no holder of any Claim shall interfere with the Purchaser's title to or use and enjoyment of the Subject Assets based on or related to any Claim or based on any actions taken or not taken by the Debtors or the Trustee prior to or during the Chapter 11 Cases.

8. Pursuant to sections 105(a) and 365 of the Bankruptcy Code, the Debtors' assumption and assignment to the Purchaser of any PCI Bonds that are Subject Assets is approved, and all requirements of section 365 of the Bankruptcy Code are determined to have been satisfied with respect to such PCI Bonds.

9. The Trustee is authorized in accordance with sections 105(a) and 365 of the Bankruptcy Code to assume and assign to the Purchaser the PCI Bonds that are Subject Assets free and clear of all Claims.

10. The PCI Bonds transferred in accordance with this Sale Order shall be transferred to, and remain in full force and effect for the benefit of, the Purchaser in accordance with their respective terms, notwithstanding any provision in any such PCI Bonds (including those of the

type described in sections 365(e)(1) and (f) of the Bankruptcy Code) that prohibits, restricts or conditions such assignment or transfer.

11. Upon the Closing, the Purchaser shall be fully and irrevocably vested with all right, title and interest of the Debtors under the Subject Assets, including the PCI Bonds that are Subject Assets.

12. The transactions authorized by this Sale Order are undertaken by the Purchaser in good faith, as that term is used in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein of the Sale shall not affect the validity of the Sale to the Purchaser, unless such authorization is duly stayed pending such appeal.

13. Each and every federal, state and local governmental agency, department or official is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by this Sale Order.

14. The Trustee is directed to serve a copy of this Order via U.S. Mail on the Insurer that issued each Policy that is a Subject Asset.

15. The Trustee and his professionals are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order.

16. As provided by rules 6004(h) and 6006(d) of the Bankruptcy Rules, this Sale Order shall not be stayed for 10 days after its entry but shall be effective immediately upon entry, and the Trustee and the Purchaser are authorized to close the Sale immediately upon entry of this Sale Order.

Dated:

Chicago, Illinois

United States Bankruptcy Judge

EXHIBIT 5
TO SALE PROCEDURES ORDER

Form Notice of Redemption

attached hereto

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:	)	Chapter 11
)	
LIFE FUND 5.1, LLC, <i>et al.</i> , ¹	)	Case No. 09 B 32672
)	
Debtors.	)	Jointly Administered
	)	Objection Deadline: [_____]

NOTICE OF REDEMPTION OF POLICY FOR CASH VALUE

PLEASE TAKE NOTICE THAT ON [Insert Date of Entry of Order] the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the “Court”) entered an order (the “Procedures Order”)² approving procedures for the redemption for cash of Policies.

PLEASE TAKE NOTICE THAT in accordance with the Procedures Order, the Trustee proposes to redeem the following Policies for the following amounts:

Policy Issuer	Policy Number	Net Redemption Amount	PCI Bond (y/n)

PLEASE TAKE NOTICE THAT the Trustee proposes to redeem the Policy because: (1) the Trustee has marketed the Policy for sale and has not received any indications of interest to purchase the Policy that will result in a gain (net of transaction costs) to the Estates, and (2) the Trustee’s analysis indicates that the Net Redemption Amount represents the greatest value to the Estates from the Policy (taking into consideration, among other things, continuing premium funding obligations under the Policy and the life expectancy of the insured under the Policy).
[Modify as necessary or appropriate.]

PLEASE TAKE NOTICE THAT if you object to the Policy being redeemed on the terms set forth above, you must file an objection (an “Objection”) to this proposed redemption. Any Objection must: (1) be in writing; (2) state the name and address of the objecting party and the nature of such party’s claim against or interest in the Debtors; (3) state with particularity the basis and nature of the objection; (4) be filed with the Court; and (5) be served on undersigned counsel to the Trustee no later than [**Objection time**] on [**Objection Date**] (the “Objection Deadline”).

¹ The Debtors in the cases are: (1) Life Fund 5.1, LLC; (2) Life Fund 5.2, LLC; (3) A&O Life Fund, LLC; (4) A&O Resource Management, LLC; (5) A&O Bonded Life Settlement, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

² Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the Auction and Sale Order.

PLEASE TAKE NOTICE THAT if an Objection is filed prior to the Objection Deadline, then, in accordance with the Redemption Procedures Order, the Trustee shall: (1) schedule a hearing before the Court; (2) provide a separate notice of such hearing to all parties who received this notice; and (3) at such hearing, ask the Court to overrule all Objections and authorize the Trustee to redeem the Policy.

PLEASE TAKE NOTICE THAT if no party files and serves an Objection prior to the Objection Deadline, then, in accordance with the Redemption Procedures Order, the Trustee shall be authorized to redeem the Policy without further notice or action by the Court.

Dated: **[Date]**
Chicago, Illinois

**LIFE FUND 5.1, LLC
LIFE FUND 5.2, LLC
A&O LIFE FUND, LLC
A&O RESOURCE MANAGEMENT, LLC
A&O BONDED LIFE SETTLEMENT, LLC
A&O BONDED LIFE ASSETS, LLC; and
HOUSTON TANGLEWOOD PARTNERS, LLC**

/s/ _____

Jeff Marwil (ARDC # 06194054)
Jeremy T. Stillings (ARDC# 06279868)
PROSKAUER ROSE LLP
70 West Madison, Suite 3800
Chicago, Illinois 60602-4342
(312) 962-3529
(312) 962-3551 (Fax)

Counsel to the Trustee

EXHIBIT 6
TO SALE PROCEDURES ORDER

Form Notice of Lapse

attached hereto

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:	)	Chapter 11
)	
LIFE FUND 5.1, LLC, <i>et al.</i> , ¹	)	Case No. 09 B 32672
)	
Debtors.	)	Jointly Administered

NOTICE OF LAPSE OF POLICY

PLEASE TAKE NOTICE THAT ON [Insert Date of Entry of Order] the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the “Court”) entered an order (the “Procedures Order”)² approving procedures for the Trustee to allow certain Policies to Lapse.

PLEASE TAKE NOTICE THAT in accordance with the Procedures Order, the Trustee shall allow the following Policies to Lapse:

Policy Issuer	Policy Number	Date of Lapse	PCI Bond (y/n)

PLEASE TAKE NOTICE THAT the Trustee proposes to allow the Policy to lapse because: (1) the Trustee has marketed the Policy for sale and has not received any indications of interest to purchase the Policy that will result in a gain (net of transaction costs) to the Estates; (2) the Policy has insufficient accrued value to remain in effect without future premium payments; and/or (3) the Trustee’s analysis indicates that there is no net value (after accounting for premium payments required to maintain the Policy) in the Policy and that the greatest value to the Estates from the policy (taking into consideration, among other things, continuing premium funding obligations under the Policy and the life expectancy of the insured under the Policy) is to allow the Policy to lapse. **[Modify as necessary or appropriate.]**

PLEASE TAKE NOTICE THAT if you object to the proposed lapse of the any Policy identified above, you may file an objection (an “Objection”) to the proposed lapse. Any Objection must: (1) be in writing; (2) state the name and address of the objecting party and the nature of such party’s claim against or interest in the Debtors; (3) state with particularity the basis and nature of the objection; (4) be filed with the Court; and (5) be served on undersigned counsel to the Trustee.

¹ The Debtors in the cases are: (1) Life Fund 5.1, LLC; (2) Life Fund 5.2, LLC; (3) A&O Life Fund, LLC; (4) A&O Resource Management, LLC; (5) A&O Bonded Life Settlement, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

² Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the Auction and Sale Order.

PLEASE TAKE FURTHER NOTICE THAT absent further order of the Court, the Trustee shall make no additional premium payments to maintain the Policy and that, as a result, the Policy may lapse whether or not an Objection is filed and, if an Objection is filed, prior to the occurrence of any hearing on such Objection.

Dated: **[Date]**
Chicago, Illinois

**LIFE FUND 5.1, LLC
LIFE FUND 5.2, LLC
A&O LIFE FUND, LLC
A&O RESOURCE MANAGEMENT, LLC
A&O BONDED LIFE SETTLEMENT, LLC
A&O BONDED LIFE ASSETS, LLC; and
HOUSTON TANGLEWOOD PARTNERS,
LLC**

/s/ _____

Jeff Marwil (ARDC # 06194054)
Jeremy T. Stillings (ARDC# 06279868)
PROSKAUER ROSE LLP
70 West Madison, Suite 3800
Chicago, Illinois 60602-4342
(312) 962-3529
(312) 962-3551 (Fax)

Counsel to the Trustee