

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

In re: ) Chapter 11  
)  
LIFE FUND, 5.1, LLC, et. al., ) Case No. 09-32672  
) (Jointly Administered)  
)  
Debtors. ) Hon. A. Benjamin Goldgar

**NOTICE OF MOTION**

PLEASE TAKE NOTICE that on **Wednesday, October 28, 2009 at 10:00 a.m.** or as soon thereafter as counsel may be heard, we will appear before the Honorable A. Benjamin Goldgar, or any other judge sitting in his stead, in Courtroom 613 of the Dirksen Federal Building, 219 S. Dearborn St., Chicago, Illinois, and present *Trustee's Motion for Entry of an Order Authorizing Him to Borrow Against Cash Value of Insurance Policy to Pay Certain Premium Obligations*, at which time and place you may appear as you see fit.

Dated: October 21, 2009

PATRICK M. COLLINS, not individually, but solely in his capacity as chapter 11 Trustee of the Debtors' estates

By: /s/ Brian A. Audette  
PERKINS COIE LLP  
David M. Neff (ARDC # 6190202)  
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*Proposed Attorneys for the Trustee*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re: ) Chapter 11  
)  
LIFE FUND 5.1, LLC, et. al., ) Case No. 09-32672  
) (Jointly Administered)  
)  
Debtors. ) Hon. A. Benjamin Goldgar

**TRUSTEE'S MOTION FOR ENTRY OF AN ORDER  
AUTHORIZING HIM TO BORROW AGAINST CASH VALUE  
OF INSURANCE POLICY TO PAY CERTAIN PREMIUM OBLIGATIONS**

Patrick M. Collins, not individually, but solely in his capacity as chapter 11 trustee (the "Trustee") of the bankruptcy estates of Life Fund 5.1, LLC (Case No. 09-32672), Life Fund 5.2, LLC (Case No. 09-32674), A&O Life Fund, LLC (Case No. 09-32678), Houston Tanglewood Partners, LLC (Case No. 09-32676), A&O Resource Management, LP (Case No. 09-32677), A&O Bonded Life Assets, LLC (Case No. 09-32679), and A&O Bonded Life Settlement, LLC (Case No. 09-32681) (collectively, the "Debtors"), by his undersigned counsel, pursuant to 11 U.S.C. §§ 105(a) and 363 and Federal Rules of Bankruptcy Procedure 2002 and 6004, files this motion (this "Motion") for the entry of an order authorizing the Trustee to borrow against the cash value of a certain insurance policy owned by one or more of the Debtors to pay immediate premium obligations owed under three insurance policies owned by one or more of the debtors (all as set forth in more detail herein) and in support of this Motion, the Trustee states as follows:

**JURISDICTION**

1. The Bankruptcy Court exercises jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of these cases and this Application in this District is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested by this Application are sections 105(a) and 363 of title 11 of the United States Code (the "Bankruptcy Code"), and Rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

### **BACKGROUND**

3. On September 2, 2009 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

4. On September 16, 2009, the Court entered an Order Directing Joint Administration of Related Chapter 11 Cases, which directed joint administration of the Debtors' cases under Case No. 09-32672.

5. On September 16, 2009, the Court entered an Order Granting U.S. Trustee's Motion to Appoint a Chapter 11 Trustee.

6. On September 21, 2009, the Office of the United States Trustee appointed the Trustee as chapter 11 trustee of the Debtors' estates.

7. The Debtors operated in the "life settlement industry." The Debtors solicited and obtained funds from hundreds of individual investors to acquire life insurance policies (the "Policies") and were obligated to maintain sufficient funds to satisfy premium obligations coming due under the Policies. Due to circumstances still under investigation, the Debtors' estates currently have no cash in them to pay premium obligations under the Policies. Other than potential causes of action against third parties, it appears that the Policies are the primary assets of the Debtors' estates.

**RELIEF REQUESTED**

8. By this Motion and as set forth in more detail below, the Trustee seeks the entry of an order authorizing him to borrow up to \$75,000 from life policy number 00060081812, which policy is with Transamerica and which has a face amount of \$21,000,000 (the "Transamerica Policy"). The Trustee further requests the entry of an order authorizing him to use the Borrowed Funds to pay premium obligations owed under the following three policies: (a) life policy number JJ7002605, which policy is with The Lincoln National Insurance Company and which has a face amount of \$1,500,000 (the "Lincoln Policy"); (b) flexible premium adjustable life policy number B05020454, which policy is with AVIVA Life and Annuity Company and which has a face amount of \$5,000,000 (the "AVIVA Policy"); and (c) converted term policy number 6802499, which is with Genworth Life and Annuity Insurance Company and which has a face amount of \$1,900,000 (the "Genworth Policy").

**BASIS FOR RELIEF REQUESTED**

**A. The Applicable Policies.<sup>1</sup>**

1. The Lincoln Policy.

9. Upon information and belief, Life Fund 5.2, LLC owns the Lincoln Policy. Based on communications with the insurer, the Trustee has been informed that the next quarterly premium payment in the amount of \$11,951.25 is due under the Lincoln Policy on or before November 9, 2009 (the "Lincoln Premium Obligation"). Absent this payment, the Trustee believes that the Lincoln Policy *could* lapse and/or terminate by its terms.

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<sup>1</sup> The statements and representations made herein relating to the ownership of the Debtors' insurance policies are based solely upon the Debtors' respective Schedules of Assets and Liabilities and Statements of Financial Affairs. Nevertheless, the Trustee is continuing to review and analyze the facts and circumstances surrounding the Debtors' insurance policies and that investigation, combined with the information supplied by the Debtors, has led the Trustee to believe that one or more of the Debtors possess an interest in and to the insurance policies discussed in this Motion.

2. The AVIVA Policy.

10. Upon information and belief, A&O Resource Management, LP and Houston Tanglewood Partners, LLC own interests in the AVIVA Policy. Based upon communications from the insurer, the Trustee has been informed that a premium payment may have been missed on July 20, 2009, which the insurer contends caused a "grace period" to begin to run on that date. Absent the Debtors' intervening bankruptcy cases, the AVIVA Policy might have automatically terminated if the missed premium payment was not paid on or before the expiration of the purported grace period, *i.e.*, September 19, 2009. However, because the Debtors commenced these bankruptcy cases prior to September 19, 2009, the Trustee has at least 60 days following the Petition Date, or until November 2, 2009, to pay the missed premium and avoid a potential termination of the AVIVA Policy. *See* 11 U.S.C. § 108(b).<sup>2</sup> The Trustee has been informed that \$24,090.40 must be paid to maintain the AVIVA Policy through November 19, 2009 and that an additional payment in the amount of \$7,253.88 will maintain the AVIVA Policy for an additional quarter (the "AVIVA Premium Obligation").

3. The Genworth Policy.

11. Upon information and belief, A&O Life Fund, LLC and Life Fund 5.1, LLC own interests in the Genworth Policy. The Trustee has been informed by the insurer that a premium payment was missed on the Genworth Policy on or about September 4, 2009 due to a missed premium payment, which may have caused a "grace period" to begin to run on that date. Absent the Debtors' intervening bankruptcy cases, the Genworth Policy might have automatically terminated if the missed premium payment was not paid on or before the expiration of the

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<sup>2</sup> Section 108(b) provides, in pertinent part, that "if . . . an agreement fixes a period within which the debtor . . . may . . . cure a default, or perform any other similar act, and such period has not expired before the commencement of the date of filing of the petition, the trustee may only . . . cure, or perform, as the case may be, before the later of – (1) the end of such period . . . or (2) 60 days after the order for relief."

purported grace period, *i.e.*, October 4, 2009. However, because the Debtors commenced these bankruptcy cases prior to both September 4, 2009 and October 4, 2009, the Trustee has at least 60 days following the Petition Date, or until November 2, 2009, to pay the missed premium and avoid a potential termination of the Genworth Policy. *See* 11 U.S.C. § 108(b). The Trustee has been informed that \$25,460.93 must be paid to maintain the Genworth Policy for an indeterminate amount of time (the "Genworth Premium Obligation" and together with the Lincoln Premium Obligation and the AVIVA Premium Obligation, the "Premium Obligations").

12. The Lincoln, AVIVA, and Genworth Policies do not appear to have sufficient cash value to satisfy recurring premium obligations. Thus, based upon the foregoing, the Trustee needs immediate access to cash in the amount of \$68,756.46 to prevent the potential lapse and/or termination of the Lincoln, AVIVA, and Genworth Policies. The Trustee is requesting to borrow up to \$75,000 (the "Borrowed Funds") from the Transamerica Policy to ensure that he will have access to sufficient cash in the event one or more of the Premium Obligations exceed the amounts set forth herein. The Trustee will only use the Borrowed Funds to pay the Premium Obligations and the Trustee will not use any surplus of the Borrowed Funds remaining in the Debtors' estates after satisfaction of the Premium Obligations absent further order of Court.

4. The Transamerica Policy.

13. Upon information and belief, A&O Life Fund, LLC, A&O Resource Management, LP, Houston Tanglewood Partners, LLC, and Life Fund 5.1, LLC own interests in the Transamerica Policy. The Trustee proposes to obtain the Borrowed Funds by taking a loan from the cash value in the Transamerica Policy, which cash value totals \$596,738.03. In connection with such a loan, a 7.4% interest advance is payable in addition to 8% annual interest on the loan. If interest is not paid when due, unpaid interest gets added to the principal amount

of the loan. The Trustee submits that, if he obtains a loan from the Transamerica Policy's cash value for the Borrowed Funds, the Transamerica Policy will still maintain sufficient cash value to meet the policy's premium obligations coming due in the near future.

14. Although other Policies have cash value available against which to borrow, the Trustee chose to pursue a loan<sup>3</sup> from the Transamerica Policy because: (a) the extent of the cash value afforded the Trustee the opportunity to borrow against a single policy, rather than borrowing smaller amounts from multiple policies; (b) it will maintain substantial cash value even after the Borrowed Funds are deducted from the amount of current cash value; and (c) the Trustee's counsel has been in prior contact with Transamerica's outside counsel regarding the transactions contemplated by this Motion and counsel has indicated Transamerica's willingness to cooperate with the Trustee on an expedited basis, provided an appropriate order is entered approving this Motion.<sup>4</sup>

**B. Treatment Of Any Claims By And Among The Debtors' Estates.**

15. There is only partial overlap among (a) the Debtors' estates that will acquire the Borrowed Funds (A&O Life Funds, LLC, A&O Resource Management, LP, Houston Tanglewood Partners, LLC, and Life Fund 5.1, LLC) and (b) the Debtors' estates that hold ownership interests in and to the Lincoln Policy (Life Fund 5.2, LLC), the AVIVA Policy (A&O Resource Management, LP and Houston Tanglewood Partners, LLC), and the Genworth Policy

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<sup>3</sup> Although the Trustee might have the option to obtain funds from the Transamerica Policy through a partial surrender as opposed to taking a loan from the cash value in that policy, the Trustee elected to obtain the Borrowed Funds pursuant to a loan to avoid any adverse consequences to the Transamerica Policy due to a partial surrender. Nevertheless, if the loan and all interest thereon is not repaid, the potential sale value of the Transamerica Policy could be reduced by the amount of the loan plus all outstanding unpaid interest. If the loan and all interest is repaid, the potential sale value of the Transamerica Policy should not be impaired due to the loan.

<sup>4</sup> To assist with expediting the Trustee's access to the Borrowed Funds, the Trustee will be submitting a demand/application to Transamerica for the loan contemplated herein prior to the entry of any order approving this Motion. The Trustee is doing so solely to cause Transamerica to commence the processing of the loan. The Trustee and Transamerica have otherwise agreed that the transaction is subject to this Court's approval and the Trustee will not borrow funds and Transamerica will not loan funds absent an appropriate Court order.

(A&O Life Fund, LLC and Life Fund 5.1, LLC). Thus, the Debtors' estates acquiring the Borrowed Funds will be paying, at least in part, premiums for policies owned by different Debtors. Because the Debtors' estates have not been substantively consolidated, claims among the Debtors' estates might arise as a result of the transactions contemplated by this Motion, including administrative expense claims.

16. Notwithstanding the foregoing, the Trustee is not requesting that any and all such resulting claims be determined in connection with this Motion. Rather, in the event the Debtors' estates are not substantively consolidated in the future, the Trustee proposes that all creditors, investors and other parties-in-interest shall reserve all rights to make any arguments or take any positions regarding the extent, validity, or priority of claims that might arise among the Debtors' estates in connection with the entry of any order granting this Motion. The Trustee does not want a claims reconciliation process to detract from the most immediate and pressing aspect of this Motion, which is to ensure that the Lincoln, AVIVA, and Genworth Policies are preserved for the benefit of the Debtors' estates.

**C. Applicable Authority.**

17. Section 363(b)(1) of the Bankruptcy Code provides that: "[t]he Trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). The Trustee's use of property outside the ordinary course of business should be authorized pursuant to section 363 of the Bankruptcy Code as long as a sound business purpose exists for doing so. See, e.g., Fulton State Bank v. Schipper (In re Schipper), 933 F. 2d 513, 515 (7th Cir. 1991); Stephens Indus., Inc. v. McClung, 789 F.2d 386, 390 (6th Cir. 1986); Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1070 (2d Cir. 1983); Lounds v. Boyd, No. 98-CV-003, 1998 U.S. Dist. LEXIS

10925, at \*5 (W.D. Mich. June 23, 1998); In re Titusville Country Club, 128 B.R. 396 (W.D. Pa. 1991); In re Delaware & Hudson Railway Co., 124 B.R. 169, 176 (D. Del. 1991).

18. Once the Trustee articulates a valid business justification for use of property, "[t]he business judgment rule 'is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company.'" In re S.N.A. Nut Co., 186 B.R. 98 (Bankr. N.D. Ill. 1995); see also In re Integrated Resources, Inc., 147 B.R. 650, 656 (S.D.N.Y. 1992); Priddy v. Edelman, 679 F. Supp. 1425, 1434 (E.D. Mich. 1988), aff'd 883 F.2d 438 (6th Cir. 1989) ("the 'business judgment rule' creates a presumption that directors have acted in accordance with their fiduciary obligations on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company"); In re Johns-Manville Corp., 60 B.R. 612, 615-16 (Bankr. S.D.N.Y. 1986) ("a presumption of reasonableness attaches to a Debtor's management decisions.").

19. Here, the Trustee has determined, in his business judgment, that it is critical for him to obtain access to sufficient funds on an expedited basis to satisfy the Premium Obligations and maintain the Lincoln, AVIVA, and Genworth Policies for the benefit of the Debtors' applicable estates. Based upon information provided by the Debtors and the Trustee's own investigation,<sup>5</sup> the Trustee believes that the Lincoln, AVIVA, and Genworth Policies are worth maintaining and add value to the Debtors' estates. Absent the immediate payment of the relatively minor Premium Obligations needed to maintain these policies, the Policies could lapse and/or terminate by their own terms, in which case they would be worth nothing to the Debtors' estates.

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<sup>5</sup> Additional information concerning the Trustee's investigation is contained in the Trustee's Initial Status Report [Docket Entry #134], which the Trustee incorporates herein by reference.

20. In addition, the Debtors' estates lack any cash or other assets that can be quickly liquidated. Moreover, the Trustee's counsel has communicated with at least one lender that specializes in making "debtor-in-possession" loans and the lender indicated that it would not make a loan to the Trustee under the circumstances of these cases. Therefore, the Trustee has determined that his only current, viable source of funds is the cash value in a number of the Debtors' Policies. As stated earlier, the Trustee has chosen, in his business judgment, to borrow from the cash value of the Transamerica Policy because of the extent of the cash value in that Policy and Transamerica's indicated willingness to cooperate with the Trustee. However, notwithstanding such cooperation and because the Trustee needs access to the Borrowed Funds to make premium payments under the AVIVA and Genworth Policies prior to November 2, 2009 (which is a Sunday), the Court should compel Transamerica to advance the Borrowed Funds to the Trustee within 24 hours after the Court's entry of any order approving this Motion.

21. Based upon the foregoing, the Trustee's decision to obtain a loan for the Borrowed Funds from the Transamerica Policy so that he can use such funds to satisfy the Premium Obligations constitutes a proper exercise of the Trustee's business judgment. Moreover, the transactions contemplated by this Motion are in the overall best interests of the Debtors' estates, their creditors, their investors, and other parties in interest. As a result, the Court should grant the Motion.

### **NOTICE**

22. The Trustee has caused his claims and noticing agent, The Garden City Group, to serve via U.S. Mail a notice of this Motion in the form attached hereto as Exhibit A to all of the Debtors' known investors. In addition, the Trustee has caused notice of this Motion and a copy of this Motion to be served upon: (a) the Office of the United States Trustee; (b) the Debtors' counsel; (c) Transamerica's counsel; and (d) all parties that have appeared and/or requested

notice in these cases. Because of the exigent circumstances and the Trustee's need to obtain the Borrowed Funds on an expedited basis, the Trustee requests that the Court approve shortened notice of this Motion. The Trustee submits that the notice of this Motion is sufficient and reasonable under the circumstances and that no other or further notice is necessary.

**WHEREFORE**, the Trustee respectfully request that the Court enter an Order (a) authorizing the Trustee to obtain a loan from the Transamerica Policy's cash value for the Borrowed Funds, (b) authorizing the Trustee to pay the Premium Obligations up to the amount of the Borrowed Funds, (c) compelling Transamerica to advance the Borrowed Funds to the Trustee within 24 hours following the entry of an order granting this Motion, and (d) granting the Trustee such other and further relief the Court deems just and proper.

Dated: October 21, 2009

Respectfully submitted,

**PATRICK M. COLLINS**, not individually,  
but solely in his capacity as chapter 11  
Trustee of the Debtors' estates

By: /s/ Brian A. Audette

**PERKINS COIE LLP**

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*Counsel to the Trustee*

**EXHIBIT A**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re: ) Chapter 11  
)  
LIFE FUND 5.1, LLC, et. al., ) Case No. 09-32672  
) (Jointly Administered)  
)  
Debtors. ) Hon. A. Benjamin Goldgar

**BANKRUPTCY HEARING NOTICE**

**PLEASE TAKE NOTICE THAT** on October 21, 2009, Patrick M. Collins, as chapter 11 trustee ("Trustee") of the bankruptcy estates of Life Fund 5.1, LLC (Case No. 09-32672), Life Fund 5.2, LLC (Case No. 09-32674), A&O Life Fund, LLC (Case No. 09-32678), Houston Tanglewood Partners, LLC (Case No. 09-32676), A&O Resource Management, LP (Case No. 09-32677), A&O Bonded Life Assets, LLC (Case No. 09-32679), and A&O Bonded Life Settlement, LLC (Case No. 09-32681) (collectively, the "Debtors"), filed the *Trustee's Motion for Entry of an Order Authorizing Him to Borrow Against Cash Value of Insurance Policy to Pay Certain Premium Obligations* (the "Motion").

**PLEASE TAKE FURTHER NOTICE THAT** on Wednesday, October 28, 2009 at 10:00 a.m., the Trustee is presenting the Motion for hearing before the Honorable A. Benjamin Goldgar, or any judge sitting in his stead, in Room 613 of the Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois 60604.

**PLEASE TAKE FURTHER NOTICE THAT** pursuant to the Motion, the Trustee seeks the Bankruptcy Court's authority to borrow up to \$75,000 (the "Borrowed Funds") from the cash value of life policy number 00060081812, which policy is with Transamerica and which has a face amount of \$21,000,000. Upon information and belief, A&O Life Fund, LLC, A&O Resource Management, LP, Houston Tanglewood Partners, LLC, and Life Fund 5.1, LLC own interests in this policy.

**PLEASE TAKE FURTHER NOTICE THAT** pursuant to the Motion, the Trustee also seeks the Bankruptcy Court's authorization to use the Borrowed Funds to pay premium obligations under the following three policies: (a) life policy number JJ7002605, which policy is with The Lincoln National Insurance Company and which has a face amount of \$1,500,000 (the "Lincoln Policy"); (b) flexible premium adjustable life policy number B05020454, which policy is with AVIVA Life and Annuity Company and which has a face amount of \$5,000,000 (the "AVIVA Policy"); and (c) converted term policy number 6802499, which is with Genworth Life and Annuity Insurance Company and which has a face amount of \$1,900,000 (the "Genworth Policy"). Upon information and belief: (x) Life Fund 5.2, LLC owns the Lincoln Policy; (y) A&O Resource Management, LP and Houston Tanglewood Partners, LLC own interests in the AVIVA Policy; and (z) A&O Life Fund, LLC and Life Fund 5.1, LLC own interests in the Genworth Policy.

**PLEASE TAKE FURTHER NOTICE THAT** you may obtain a copy of the Motion by visiting the Trustee's website at: [www.lifefundtrustee.com](http://www.lifefundtrustee.com).

**CERTIFICATE OF SERVICE**

Brian Audette, an attorney, certifies that on October 21, 2009 he caused a copy of the *Notice of Motion and Trustee's Motion for Entry of an Order Authorizing Him to Borrow Against Cash Value of Insurance Policy to Pay Certain Premium Obligations* to be served on the parties listed below as so indicated.

	Delivery Method		Delivery Method
Sandra Rasnak Richard Friedman Office of the U.S. Trustee 219 S. Dearborn St., Room 873 Chicago, IL 60604-1702 <a href="mailto:sandra.rasnak@usdoj.gov">sandra.rasnak@usdoj.gov</a> <a href="mailto:richard.c.friedman@usdoj.gov">richard.c.friedman@usdoj.gov</a>	Email	Brian M. Graham Bryan Minier SMITHAMUNDSEN LLC 150 N. Michigan Ave., Suite 3300 Chicago, IL 60601 <a href="mailto:bgraham@salawus.com">bgraham@salawus.com</a> <a href="mailto:bminier@salawus.com">bminier@salawus.com</a>	Email and Court's ECF notice
David T. B. Audley Carly Jones Chapman & Cutler 111 W. Monroe Street, Suite 1600 Chicago, IL 60603 <a href="mailto:audley@chapman.com">audley@chapman.com</a> <a href="mailto:cmjones@chapman.com">cmjones@chapman.com</a>	Email and Court's ECF notice	Michael L. Gesas Thomas P. Yardley Miriam R. Stein Kevin H. Morse Arnstein & Lehr LLP 120 S. Riverside Plaza, Suite 1200 Chicago, IL 60606 <a href="mailto:mlgesas@arnstein.com">mlgesas@arnstein.com</a> <a href="mailto:mrstein@arnstein.com">mrstein@arnstein.com</a> <a href="mailto:tpyardley@arnstein.com">tpyardley@arnstein.com</a> <a href="mailto:khmorse@arnstein.com">khmorse@arnstein.com</a>	Email and Court's ECF notice
Deborah J. Fritsche Lori A. Hood Johnson, Trent, West & Taylor, LLP 919 Milam, Suite 1700 Houston, TX 77002 <a href="mailto:dfritsche@johnsontrent.com">dfritsche@johnsontrent.com</a> <a href="mailto:lhood@johnsontrent.com">lhood@johnsontrent.com</a>	Email and Court's ECF notice	Tony L. Visage Deana F. Tillotson Bracewell & Giuliani LLP 711 Louisiana St., Suite 2300 Houston, TX 77002-2770 <a href="mailto:tony.visage@bgllp.com">tony.visage@bgllp.com</a> <a href="mailto:deana.tillotson@bgllp.com">deana.tillotson@bgllp.com</a>	Email
Arlene N. Gelman Michael M. Eidelman Vedder Price P.C. 222 N. LaSalle St., Suite 2600 Chicago, IL 60601 <a href="mailto:agelman@vedderprice.com">agelman@vedderprice.com</a> <a href="mailto:meidelman@vedderprice.com">meidelman@vedderprice.com</a>	Email and Court's ECF notice	David S. Gragg Langley & Banack, Inc. Trinity Plaza II, 9th Floor 745 E. Mulberry San Antonio, TX 78212-3166 <a href="mailto:dgragg@langleybanack.com">dgragg@langleybanack.com</a>	Email

	Delivery Method		Delivery Method
Zala Forizs Forizs & Dogali, P.A. 4301 Anchor Plaza Pkwy., Ste 300 Tampa, FL 33634 <a href="mailto:zforizs@forizs-dogali.com">zforizs@forizs-dogali.com</a>	Email	Janet Douvas Chafin Jackson Walker LLP 1401 McKinney, Suite 1900 Houston, TX 77010 <a href="mailto:ichafin@jw.com">ichafin@jw.com</a>	Email
Daniel T. Graham Neil M. Rosenbaum Funkhouser, Vegosen, Liebman & Dunn, Ltd. 55 W. Monroe, Suite 2300 Chicago, IL 60603 <a href="mailto:dgraham@fvldlaw.com">dgraham@fvldlaw.com</a> <a href="mailto:nrosenbaum@fvldlaw.com">nrosenbaum@fvldlaw.com</a>	Email and Court's ECF notice	Gordon E. Gouveia Shaw Gussis Fishman Glantz Wolfson & Towbin 321 N. Clark Street, Suite 800 Chicago, IL 60654 <a href="mailto:ggouveia@shawgussis.com">ggouveia@shawgussis.com</a>	Email and Court's ECF notice
John W. Gerstner Mary Anne Spellman Gerstner Gerstner & Gerstner 53 W. Jackson Blvd., Suite 1538 Chicago, IL 60604 <a href="mailto:gerstlaw2@sbcglobal.net">gerstlaw2@sbcglobal.net</a>	Email and Court's ECF notice	Nancy J. Groppi 5837 Electric Avenue Berkeley, IL 60163-1522 <a href="mailto:ngroppi@adt.com">ngroppi@adt.com</a>	Email
Patricia A. Navin 32 Mill Road Hampton, NH 03842 <a href="mailto:navin32@comcast.net">navin32@comcast.net</a>	Email	Hal F. Morris Assistant Attorney General Managing Attorney - Bankruptcy Regulatory Section Texas Attorney General's Office <a href="mailto:hal.morris@oag.state.tx.us">hal.morris@oag.state.tx.us</a>	Email
Edith Stuart Phillips Assistant Attorney General Bankruptcy & Collections Division P.O. Box 12548, MC-008 Austin, TX 78711-2548 <a href="mailto:stuart.phillips@oag.state.tx.us">stuart.phillips@oag.state.tx.us</a>	Email and Court's ECF notice	Russell E. Mackert 5555 West Loop South, Suite 605 Houston, TX 77401 <a href="mailto:rmackert1@aol.com">rmackert1@aol.com</a>	Email
Ashley McKeand Gibbs & Bruns LLP 1100 Louisiana Suite 5300 Houston, Texas 77002 <a href="mailto:amckeand@gibbs-bruns.com">amckeand@gibbs-bruns.com</a>	Email		

/s/ Brian Audette

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re: ) Chapter 11  
)  
LIFE FUND 5.1, LLC, et. al., ) Case No. 09-32672  
) (Jointly Administered)  
)  
Debtors. ) Hon. A. Benjamin Goldgar

**ORDER AUTHORIZING TRUSTEE TO BORROW AGAINST CASH VALUE  
OF INSURANCE POLICY TO PAY CERTAIN PREMIUM OBLIGATIONS**

THIS MATTER COMING TO BE HEARD upon the Trustee's Motion for Entry of an Order Authorizing Him to Borrow Against Cash Value of Insurance Policy to Pay Certain Premium Obligations (the "Motion");<sup>1</sup> the Court having approved shortened notice of the Motion and found that notice of the Motion was proper and sufficient under the circumstances; and the Court having jurisdiction over this core proceeding; and the Court otherwise being fully advised in the premises, IT IS HEREBY ORDERED that:

1. The Motion is GRANTED.
2. The Trustee is authorized to borrow up to \$75,000 (the "Borrowed Funds") from life policy number 00060081812, which policy is with Transamerica and which has a face amount of \$21,000,000.
3. Transamerica shall advance the Borrowed Funds to the Trustee in immediately available funds within 24 hours after the entry of this Order.
4. The Trustee is authorized to use the Borrowed Funds solely to satisfy the Premium Obligations owed under: (a) life policy number JJ7002605, which policy is with The Lincoln National Insurance Company and which has a face amount of \$1,500,000; (b) flexible premium adjustable life policy number B05020454, which policy is with AVIVA Life and

Annuity Company and which has a face amount of \$5,000,000; and (c) converted term policy number 6802499, which is with Genworth Life and Annuity Insurance Company and which has a face amount of \$1,900,000. The Trustee shall not use any surplus of the Borrowed Funds remaining after satisfying the Premium Obligations absent further Court order.

5. Notwithstanding anything contained herein to the contrary, all creditors, investors and other parties-in-interest shall reserve all rights to make any arguments or take any positions regarding the extent, validity, or priority of claims that might arise among the Debtors' estates in connection with the consummation of the transactions contemplated and approved by this Order.

6. The ten day stay provided in Federal Rule of Bankruptcy Procedure 6004(h) is waived.

Dated: October \_\_\_\_\_, 2009

ENTER:

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United States Bankruptcy Judge

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.