

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: June 2, 2010
	) Hearing Time: 9:30 a.m.
	) *****If Necessary – See Notice Below***

**NOTICE OF HEARING ON ROUTINE MOTION OF TRUSTEE SEEKING
BANKRUPTCY RULE 2004 DISCOVERY FROM PRINCIPAL FINANCIAL GROUP**

PLEASE TAKE NOTICE that on **Wednesday, June 2, 2010 at 9:30 a.m.** (“**Hearing Date**”) or as soon thereafter as counsel may be heard, the undersigned may 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 Routine Motion For Entry Of An Order: (1) Directing Principal Financial Group to Produce Documents and (2) Authorizing Trustee to Issue Subpoenas and Conduct Discovery Pursuant To Bankruptcy Rule 2004 (the “Motion”)**, a copy of which is enclosed herewith and hereby served upon you.

PLEASE TAKE FURTHER NOTICE THAT THE MOTION IS A ROUTINE MOTION AND THAT, PURSUANT TO LOCAL RULE 9013-9, THE COURT MAY ENTER THE PROPOSED ORDER ENCLOSED WITH THE MOTION UNLESS, PRIOR TO THE HEARING DATE, A PARTY IN INTEREST NOTIFIES THE JUDGE OF AN OBJECTION TO THE MOTION.

DATED: May 24, 2010
Chicago, Illinois

JEFF MARWIL, not individually, but solely in his capacity as Trustee

/s/ Bianca R. Chapman

Marc E. Rosenthal (ARDC #06202850)
Jeremy T. Stillings (ARDC# 06279868)
Bianca R. Chapman (ARDC # 6292541)
PROSKAUER ROSE LLP
70 West Madison, Suite 3800
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(312) 962-3550, (312) 962-3551 (Fax)
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.

CERTIFICATE OF SERVICE

I, Bianca R. Chapman, an attorney, hereby certify that on May 24, 2010, I caused copies of the enclosed **Trustee's Routine Motion For Entry Of An Order: (1) Directing Principal Financial Group to Produce Documents and (2) Authorizing Trustee to Issue Subpoenas and Conduct Discovery Pursuant To Bankruptcy Rule 2004** to be served upon those parties on the attached service lists via US Mail or the Court's Electronic Case Filing system, as indicated.

Dated: May 24, 2010

By: /s/ Bianca R. Chapman

ECF Service List	
<p>OFFICE OF THE US TRUSTEE ATTN: RICHARD C FRIEDMAN & SANDRA RASNAK 219 S DEARBORN, ROOM 873 CHICAGO, IL 60604-1702</p>	<p>ARNSTEIN & LEHR, LLP ATTN: MICHAEL GESAS & MIRIAM STEIN 120 SOUTH RIVERSIDE PLAZA SUITE 1200 CHICAGO, IL 60606-3910</p>
<p>CHAPMAN & CUTLER LLP ATTN: DAVID T B AUDLEY & CARLY JONES 111 W MONROE, SUITE 1600 CHICAGO, IL 60603</p>	<p>FUNKHOUSER VEGOSEN LIEBMAN & DUNN, LTD ATTN: DANIEL GRAHAM & NEIL ROSENBAUM 55 WEST MONROE ST. SUITE 2300 CHICAGO, IL 60603</p>
<p>GOULD & RATNER LLP ATTN: MARK E. LEIPOLD ATTY FOR BETTY WILLIS 222 N. LASALLE ST., SUITE 800 CHICAGO, IL 60601</p>	<p>GROCHOCINSKI, GROCHOCINSKI & LLOYD, LTD. ATTN: ARIANE HOLTSCHLAG ATTY FOR MARY RYBARZYK 1900 RAVINIA PLACE ORLAND PARK, IL 60462</p>
<p>HIRSCH & WESTHEIMER, P.C. ATTN: MICHAEL J. DURRSCHMIDT BANK OF AMERICA CENTER, 25TH FL. 700 LOUISIANA HOUSTON, TX 77002</p>	<p>JOHNSON, TRENT, WEST & TAYLOR, LLP ATTN: LORI HOOD & DEBORAH FRITSCH 919 MILAM SUITE 170 HOUSTON, TX 77002</p>
<p>JONES, MORRIS, LLP ATTN: ERIN E. JONES 2700 POST OAK STE 1120 HOUSTON, TX 77056</p>	<p>KATTEN MUCHIN ROSENMAN LLP ATTN: PAIGE E. BARR ATTORNEY FOR MS. GRACE JOHNSON 525 WEST MONROE STREET CHICAGO, IL 60661</p>
<p>OFFICE OF THE TEXAS ATTORNEY GENERAL ATTN: EDITH STUART PHILLIPS BANKRUPTCY & COLLECTION DIVISION PO BOX 12548, MC-008 AUSTIN, TX 78711</p>	<p>SHAW GUSSIS FISHMAN ATTN: GORDON GOUVEIA 321 N CLARK, STE 800 CHICAGO, IL 60654</p>

ECF Service List

SMITH AMUNDSEN LLC ATTN: BRIAN M GRAHAM 150 N MICHIGAN, SUITE 3300 CHICAGO, IL 60601	VEDDER PRICE ATTN: MICHAEL EIDELMAN & ARLENE GELMAN 222 N. LASALLE STREET SUITE 2600 CHICAGO, IL 60601
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United States Mail Service List	
<p>BLALOCK, WALTERS, HELD & JOHNSON, P.A. ATTN: MARY FABRE LEVINE, ESQ. ATTY FOR JOHN G. FRANK 802 11TH STREET WEST BRADENTON, FL 34205</p>	<p>GIBBS & BRUNS LLP ATTN: ASHLEY MCKEAND 1100 LOUISIANA, SUITE 5300 HOUSTON, TX 77002</p>
<p>BRACEWELL & GIULIANI LLP ATTN: DEAN TILLOSTSON & TONY VISAGE 711 LOUISIANA STREET SUITE 2300 HOUSTON, TX 77002</p>	<p>FORIZS & DOGALI, P.A. ATTN: ZALA FORIZS 4301 ANCHOR PLAZA PKWY, STE 300 TAMPA, FL 33634</p>
<p>GERSTNER & GERSTNER ATTN: J.GERSTNER & M. GERSTNER ATTY FOR NANCY J. GROPP 53 W. JACKSON BLVD., SUITE 1538 CHICAGO, IL 60604</p>	<p>ASSISTANT ATTORNEY GENERAL TEXAS ATTY GENERAL'S OFFICE ATTN: HAL F. MORRIS PO BOX 12548, MC-008 AUSTIN, TX 78711-2548</p>
<p>IDEAL SETTLEMENTS CORP ATTN: ROBERT TAURORA, AGENT OR OTHER OFFICER OR MNG AGENT 3401 SHORELINE DRIVE ALLENWOOD, NJ 08720</p>	<p>JACKSON WALKER LLP ATTN: JANET DOUVAS CHAFIN 1401 MCKINNEY, SUITE 1900 HOUSTON, TX 77010</p>
<p>NANCY J. GROPP 5837 ELECTRIC AVENUE BERKELEY, IL 60163-1522</p>	<p>LANGLEY & BANACK INC ATTN: DAVID S GRAGG TRINITY PLAZA II, 9TH FLOOR 745 E MULBERRY SAN ANTONIO, TX 78212-3166</p>

United States Mail Service List	
<p>WALDRON & SCHNEIDER, LLP ATTN: MARC H. SCHNEIDER ATTORNEY TO TROY BROUSSARD & IVO DABELIC UNIVERSITY PARK 15150 MIDDLEBROOK DRIVE HOUSTON, TX 77058</p>	<p>PATRICIA A. NAVIN 32 MILL ROAD HAMPTON, NH 03842</p>
<p>PHELAN HALLINAN & SCHMIEG, LLP ATTN: JUDITH T. ROMANO, ESQ. ATTY FOR INDU R. SHAH 1617 JOHN F. KENNEDY BOULEVARD, STE 1400 PHILADELPHIA, PA 19103</p>	<p>PROVIDENT CAPITAL INDEMNITY LTD MINOR VARGAS CALVO AND DESARROLLOS COMERCIALES RONIM,SA OFICINAS EJECUTIVAS SAN RAFAEL SAN RAFAEL-HEREDIA, COSTA RICA</p>
<p>PROVIDENT CAPITAL INDEMNITY LTD C/O TEXAS SECRETARY OF STATE AS AGENT FOR SERVICE PO BOX 12887 AUSTIN, TX 78711-2887</p>	<p>RUSSELL E. MACKERT 5555 WEST LOOP SOUTH SUITE 605 HOUSTON, TX 77401</p>
<p>SUMNER KAI 11911 PINE BELT DR. CYPRESS, TX 77429</p>	<p>THOMAS G. FERRELL 3006 CARRIE COVE CT. SPRING, TX 77386</p>
<p>THOMPSON & KNIGHT LLP ATTN: J BRANNON & K RICHTER 1722 ROUTH ST, SUITE 1500 DALLAS, TX 75201</p>	<p>US SECURITIES & EXCHANGE COMM ATTN: TOBY GALLOWAY FORT WORTH REGIONAL OFFICE 801 CHERRY ST, 19TH FLOOR FORT WORTH, TX 76102</p>
<p>PRINCIPAL LIFE INSURANCE COMPANY 711 HIGH STREET DES MOINES, IA 50392-001</p>	<p>FIGARI & DAVENPORT, L.L.P. ATTN: ANDREW C. WHITAKER 3400 BANK OF AMERICA PLAZA 901 MAIN STREET DALLAS, TEXAS 75202</p>

**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: June 2, 2010
	)	Hearing Time: 9:30 a.m.
	)	*****If Necessary – See Notice Below***

**TRUSTEE’S ROUTINE MOTION FOR ENTRY OF AN ORDER (1) DIRECTING
PRINCIPAL FINANCIAL GROUP TO PRODUCE DOCUMENTS AND
(2) AUTHORIZING TRUSTEE TO ISSUE SUBPOENAS AND CONDUCT DISCOVERY
PURSUANT TO BANKRUPTCY RULE 2004**

Jeff Marwil, not individually, but solely in his capacity as chapter 11 trustee (the “Trustee”) to the bankruptcy estates (the “Estates”) of the above-captioned debtors (collectively, the “Debtors”), hereby moves (the “Motion”) the Court, pursuant to sections 105(a) and 1106(a)(3) of title 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) and rule 2004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for entry of an order: (1) directing Principal Financial Group (“Principal”) to produce certain documents related to insurance policy #4621303² (the “Policy” or “Policy #4621303”), in which, upon information and belief, one of more of the Debtors has an ownership interest; and (2) authorizing the Trustee to issue subpoenas and conduct discovery on the Policy under Bankruptcy Rule 2004.

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 The Motion does not seek any information that would be protected by HIPPA. Furthermore, the Trustee is willing to agree to a confidentiality agreement in this case in order to protect the confidential information of the individual insured by the Policy.

JURISDICTION

1. The Court has jurisdiction over this matter 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).

2. Venue of these bankruptcy cases and the Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

3. The statutory bases for the relief requested herein are sections 105(a) and 1106(a)(3) of the Bankruptcy Code and Bankruptcy Rule 2004.

INTRODUCTION

4. On September 2, 2009 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, commencing the above-captioned chapter 11 cases (the "Chapter 11 Cases"). On September 16, 2009, this Court granted a motion of the office of the United States Trustee (the "UST") requesting appointment of a chapter 11 trustee under section 1104(a) of the Bankruptcy Code. On September 21, 2009, this Court approved the appointment of Patrick Collins as chapter 11 trustee. On March 8, 2010, after Mr. Marwil was elected Trustee by creditors of the Debtors, this Court entered an order certifying Mr. Marwil's election as Trustee.

5. Pursuant to section 1106 of the Bankruptcy Code, it is the trustee's duty to "investigate the acts, conduct, assets, liabilities, and financial condition of the debtor, the operation of the debtor's business, and any other matter relevant to the case or to the formulation of the plan." 11 U.S.C. § 1106. Thus, it is the Trustee's duty to investigate information regarding Policy #4621303 as a potential asset of the Estates.

BACKGROUND

6. Prior to the Petition Date, the Debtors operated in the “life settlement” industry, soliciting funds from individual investors to acquire ownership or beneficial interests in life insurance policies on third party insureds.

7. Other than claims and potential causes of action against third parties, the policies are the primary assets of the Estates.

8. Upon information and belief, one or more of the Debtors purchased an interest in Policy #4621303. However, the Trustee has been unable to locate certain documents related to such interest in the Policy.

9. The Trustee has reason to believe that: (a) the individual insured by the Policy died in mid 2009; (b) sometime thereafter in 2009, a principal of the Debtors asserted against Principal a claim to collect death benefits due to the Debtors on account of their interest in the Policy; and (c) Principal, instead of paying benefits to the Debtors under the Policy, initiated an investigation regarding the Policy and whether benefits should be paid thereunder. To the extent one or more Debtors has an interest in the Policy, the Trustee believes that the Estates are entitled to receive death benefits provided for thereunder.

10. Principal has continually refused to provide the Trustee with any documents related to Policy #4621303, refusing even to identify its owner. In an attempt to justify its refusal to turn over even basic information that is routine to every insurance application and policy, Principal has posited several excuses, including that none of the Debtors own the Policy, and that no death claim has been asserted relating to the Policy. Principal has also refused to acknowledge the authority of the Trustee. Principal has maintained this position even though the

Trustee has provided it documents identifying Policy# 4621303 as an asset of the Estates and confirming the July 2009 death claim that the Debtors made on the Policy.

11. The Trustee will be unable to adequately evaluate the Policy unless he receives documents related to the Policy showing, among other things, ownership, beneficiary, underwriting, premium, and claims information. These are documents that are a part of every insurance policy and insurance file.

RELIEF REQUESTED AND AUTHORITY

12. The Trustee requests that this Court enter an order: (a) directing Principal to produce certain documents related to the Policy, in which, upon information and belief, one or more of the Debtors has an ownership interest; and (b) authorizing the Trustee to issue subpoenas and conduct discovery on the Policy, all under Bankruptcy Rule 2004.

13. Section 1106 of the Bankruptcy Code provides that “[a] trustee shall . . . investigate the acts, conduct, assets, liabilities, and financial condition of the debtor, the operation of the debtor’s business and the desirability of the continuance of such business, and any other matter relevant to the case or to the formulation of a plan.” 11 U.S.C. § 1106(a)(3). The Policy is among such “assets.”

14. Section 105(a) of the Bankruptcy Code empowers this Court to assist the Trustee in carrying out his duties by, among other things, issuing “any order, process, or judgment that is necessary or appropriate to carry out the provisions” of the Bankruptcy Code. 11 U.S.C. §105.

15. Consistent with the Court’s broad authority under section 105(a) of the Bankruptcy Code, and in furtherance of the Trustee’s duties under section 1106(a) of the Bankruptcy Code, Bankruptcy Rule 2004 provides that “on motion of a party in interest, the court may order the examination of any entity.” Fed. R. Bankr. P. 2004(a). The scope of this

examination may relate, among other things, to “the acts, conduct, or property or to the liabilities and financial condition of the debtor, or to any matter which may affect the administration of the debtor’s estate.” Fed. R. Bankr. P. 2004(b).

16. The documents the Trustee seeks regarding the Policy are clearly relevant to the Chapter 11 Cases. In fact they are essential to the Trustee’s investigation into the Debtors’ assets and business.

17. Moreover, it is generally accepted that “the scope of a Rule 2004 examination is very broad, and great latitude of inquiry is ordinarily permitted.” *In re Wilcher*, 56 B.R. 428, 433 (Bankr. N.D. Ill. 1985). Because the primary purpose of a Bankruptcy Rule 2004 examination is to permit the trustee to quickly ascertain the extent and location of the estate’s assets, courts have acknowledged that Bankruptcy Rule 2004 allows for a “fishing expedition,” not limited to the debtor’s agents, but extending to creditors and third parties who have had dealings with the debtor, without the limits as to scope placed upon examinations under Federal Rules of Civil Procedure. *Id.*; *see also In re Enron Corp.*, 281 B.R. 386, 840 (Bankr. S.D.N.Y. 2002) (recognizing that “Rule 2004 examination is a broad ‘fishing expedition’ into a party’s affairs for the purpose of obtaining information relevant to the administration of the bankruptcy estate”).

18. The information that the Trustee requests regarding the Policy is relevant to the case and is discoverable under Bankruptcy Rule 2004’s liberal standard. The Trustee must obtain ownership, underwriting, claims, premium, beneficiary, and other information relating to the Policy in order to continue investigating the status, viability, and value of the Policy and the death benefit that has now accrued. Without this information, the Trustee will be unable to fully evaluate, and ultimately realize, the value of the Estates’ assets.

NOTICE

19. Notice of this Motion has been provided to Prudential, the Office of the United States Trustee, and all parties who have requested notice of service in the Chapter 11 Cases. As set forth in the notice accompanying this motion, pursuant to Local Rule 9013, the Court may enter the proposed order submitted herewith unless a party in interest notifies the Court of an objection to the motion prior to the scheduled hearing date and time of the motion.

WHEREFORE, the Trustee respectfully requests that this Court grant the attached Order: (1) directing Principal to produce certain documents related to policy #4621303 in which, upon information and belief, one of more of the Debtors has an ownership interest; and (2) authorizing the Trustee to issue subpoenas to Principal regarding the Policy under Bankruptcy Rule 2004.

DATED: May 24, 2010

JEFF MARWIL, not individually, but solely in his capacity as Trustee

/s/ Bianca R. Chapman

Marc E. Rosenthal (ARDC #06202850)
Jeremy T. Stillings (ARDC# 06279868)
Bianca R. Chapman (ARDC # 6292541)
PROSKAUER ROSE LLP
70 West Madison, Suite 3800
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(312) 962-3550, (312) 962-3551 (Fax)
Counsel to the Trustee

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

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

**ORDER GRANTING ROUTINE MOTION AND DIRECTING
PRINCIPAL FINANCIAL GROUP TO PRODUCE DOCUMENTS AND
AUTHORIZING TRUSTEE TO ISSUE SUBPOENAS AND CONDUCT
DISCOVERY PURSUANT TO BANKRUPTCY RULE 2004**

This matter having come before this Court upon the *Trustee's Motion for Entry of an Order Directing Principal Financial Group to Produce Documents and Granting Trustee Authority to Issue Subpoenas and Conduct Discovery Pursuant to Bankruptcy Rule 2004* (the "Motion")²; this Court having considered the Motion and the arguments thereon (if any) at a hearing on the Motion (if any); this Court finding that (1) it has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334, (2) venue is proper in this district pursuant to 28 U.S.C. § 1409, (3) this is a core proceeding pursuant to 28 U.S.C. § 157 (b), and (4) granting the relief requested in the Motion is in the best interests of the Debtors, the Estates, and other parties-in-interest; it appearing that notice of the Motion has been given, and that no other or further notice need be given; and for sufficient cause shown,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted.

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 to it in the Motion.

2. The Trustee is authorized, but not directed, to issue and serve subpoenas upon Principal for discovery conducted under Bankruptcy Rule 2004, including depositions, related in any way to the Policy.

3. Principal is directed to produce the following documents related to Policy # 4621303:

- a. The Policy file maintained by Principal including, without limitation, (i) all documents in Principal's underwriting file used to underwrite the Policy, (ii) all documents in Principal's claim file related to the Policy, (iii) all documents relating to any death claim made under the Policy and any related investigation by Principal or its agents, (iv) all documents concerning payment of or request for payment of death benefits under the Policy, (v) all documents illustrating the identity of any beneficiary of the Policy, (vi) all documents related to any change in beneficiary of the Policy, and (vii) all documents related to the ownership of the Policy and any change in the ownership of the Policy.
- b. If the owner of the Policy is a trust, all documents concerning the trust, including the identity of the trustee and beneficiaries.
- c. All communications between Principal or its agents and any individual or entity holding ownership interest in the Policy, including any trust that may have then, or may now, hold an ownership interest in the Policy.
- d. All communications between Principal or its agents and any of the Debtors.
- e. All communications between Principal or its agents and Russell Mackert.

f. Documents sufficient to show the amount of premium paid in connection with the Policy, from its inception.

4. Prudential is directed to produce all of the requested information in its possession or control, whether in written form or otherwise, so that such information is received no later than twenty (20) days after entry of this Order, to counsel to the Trustee, by directing the same to:

Proskauer Rose LLP
70 W. Madison, Suite 3800
Chicago, Illinois 60602
Attn: Jeremy T. Stillings
jstillings@proskauer.com

DATED:

ENTERED:

United States Bankruptcy Judge