

**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 INTENDED LAPSE OF
LINCOLN NATIONAL INSURANCE POLICY JF5571385**

PLEASE TAKE NOTICE THAT ON August 20, 2010, 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: (1) in accordance with the Procedures Order and for the reasons set forth below, the Trustee intends to make no further payment on account of the Policy identified below; and (2) the Trustee expects that, as a result of such non-payment, the Policy will lapse on the date set forth below.

Policy Issuer	Policy Number	Face Amount of Policy	Expected Date of Lapse	PCI Bond (y/n)
Lincoln National Life Insurance Company	JF5571385	\$2,000,000	May 7, 2011	Yes ³

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;
- (2) the Trustee’s life settlement advisors have informed him that in light of information available regarding the Policy and the insured under the Policy, including, without limitation, the value of the Policy, the cost of insurance payments required to maintain the Policy, the lack of life expectancy information on the insured, and other relevant factors, the Trustee likely will not be able to sell the Policy at any time in foreseeable future;

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 Procedures Order.

³ As the Trustee has reported, Provident Capital Indemnity, Ltd. (“PCI”) has failed to make any payments to the Estates in several months on account of myriad financial obligations due and owing to the Estates, its principals have been arrested and charged with criminal fraud and other criminal conduct for the business dealings of PCI, and the Trustee has no reason to believe that PCI will ever be able to honor any of its commitments to the Estates.

- (3) the Policy requires a cost of insurance payment in the amount of \$7,193.07 to be made prior to May 7, 2011 in order to not lapse on the date and to keep the Policy in force for two additional months;
- (4) thereafter, the Policy would require regular premium / cost of insurance payments in the anticipated amount of approximately \$4,043.16 to be made each month in order to prevent future lapse; and
- (5) 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) is to allow the Policy to lapse.

PLEASE TAKE FURTHER 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.

PLEASE TAKE FURTHER NOTICE THAT absent further order of the Court, the Trustee shall make no additional premium payments to maintain the Policy. Accordingly, even if an objection is filed, the Policy may lapse prior to a hearing on the objection unless the Court directs otherwise.

PLEASE TAKE FURTHER NOTICE THAT the Trustee expressly reserves all of the rights, remedies, claims, causes of action and defenses, in law or equity, common law or statutory, related in any way to the Policy and that nothing herein or omitted herefrom is, or shall be construed to be, a waiver or release of any such right, remedy, claim, cause of action or defense.

Dated: April 27, 2011
Chicago, Illinois

LIFE FUND 5.1, LLC, ET AL.

/s/ Jeremy T. Stillings

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