

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE 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: October 3, 2011
	)	Hearing Time: 9:30 a.m.
	)	<u>Response Deadline: September 30, 2011</u>

NOTICE OF CHAPTER 11 TRUSTEE'S FOURTH OMNIBUS OBJECTION TO CERTAIN PROOFS OF CLAIM (PRIORITY CLAIMS)

[Claimant Name]:

PLEASE TAKE NOTICE that on **October 3, 2011, at 9:30 a.m. (Central Standard Time)**, the undersigned shall appear before the Honorable A. Benjamin Goldgar, in Courtroom 613 at 219 S. Dearborn Street, Chicago, Illinois, or before any other Judge sitting in his place and stead, and then and there present the **CHAPTER 11 TRUSTEE'S FOURTH OMNIBUS OBJECTION TO CERTAIN PROOFS OF CLAIM (PRIORITY CLAIMS)** (the "Fourth Omnibus Objection") at which time you may appear if you see fit and a copy of which is attached hereto and herewith served upon you.

Specifically, the Fourth Omnibus Objection seeks to eliminate or modify your claim(s) in the manner listed below:

<p>Personalized Claim Information Here</p>

The Fourth Omnibus Objection seeks to reclassify asserted priority claims as Class 2 Unsecured claims because such claims do not fall under any of the categories enumerated in section 507 of the United States Bankruptcy Code.

If you wish to view the Fourth Omnibus Objection online, you can do so free of charge on <http://www.lifefundtrustee.com>. If you have any questions about this notice or the Fourth Omnibus Objection to your claim, please contact Trustee's counsel, Brandon W. Levitan, by telephone at 312-962-3550, or in writing to Proskauer Rose LLP, 70 W. Madison St., Chicago, IL 60602 (Attn: Brandon W. Levitan, Esq.). Questions regarding the amount of a claim or the filing of a claim should be directed to the Trustee's claims agent, Garden City Group, Inc., toll free at 800-826-6412 or on the Internet at <http://www.lifefundtrustee.com>. CLAIMANTS

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, Ltd.; (5) A&O Bonded Life Settlements, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

SHOULD NOT CONTACT THE CLERK OF THE BANKRUPTCY COURT TO DISCUSS THE MERITS OF THEIR CLAIMS.

If you disagree with this Fourth Omnibus Objection, you must file a response and serve it so that it is actually received by September 30, 2011. Your response, if any, to the Fourth Omnibus Objection must (a) be in writing, (b) conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Northern District of Illinois, (c) be filed with the Bankruptcy Court for the Northern District of Illinois (the “Bankruptcy Court”), and (d) be served upon (i) counsel to the Trustee, Proskauer Rose LLP, 70 W. Madison St., Chicago, IL 60602 (Attn: Brandon W. Levitan, Esq.).

Your response, if any, must also contain at a minimum the following: (a) an appropriate caption, including the title and date of the objection to which the response is directed; (b) the name of the claimant and the reference number of the relevant claim; (c) a concise statement setting forth the reasons why the Court should not sustain the objection, including, but not limited to, the specific factual and legal bases upon which the claimant relies in opposing the objection; (d) copies of any documentation and other evidence upon which you will rely in opposing the objection at a hearing or, if you cannot timely provide such documentation and other evidence, a detailed explanation in the response as to why it was not possible to timely provide such documentation and other evidence; and (e) the name, address, telephone number and facsimile number of a person authorized to reconcile, settle or otherwise resolve the claim on your behalf.

If you do not timely file and serve a response to the Fourth Omnibus Objection in accordance with the procedures set forth herein, an order will be presented to the Bankruptcy Court and the relief requested may be granted without further notice.

To the extent you timely and properly respond, (i) the Trustee may, in his discretion and in accordance with other orders of the Bankruptcy Court or the provisions of the Bankruptcy Code and the Bankruptcy Rules, seek to settle the priority, amount, and validity of your contested claim(s), and (ii) if the Trustee determines that discovery is needed to address your contested claim(s), the initial hearing on the objection may be converted into a status conference during which the parties may request that the Bankruptcy Court issue a scheduling order to facilitate resolution of the litigation. At the sole discretion of the Trustee and after notice to you, the hearing on any objection may be adjourned to a subsequent hearing date.

Dated: September 2, 2011
Chicago, Illinois

PROSKAUER ROSE LLP

/s/ Brandon W. Levitan

Brandon W. Levitan (ARDC# 6303819)
PROSKAUER ROSE LLP
70 West Madison, Suite 3800
Chicago, Illinois 60602-4342
(312) 962-3550
(312) 962-3551 (Fax)

Counsel to the Trustee

CERTIFICATE OF SERVICE

I, Brandon W. Levitan, an attorney, hereby certify that on September 2, 2011, I caused copies of the foregoing **Notice** and the following **Omnibus Objection** to be served upon: (1) those parties on the attached service list in the manner indicated therein; and (2) the claimants listed on Exhibit A to the Proposed Order via U.S. mail.

Dated: September 2, 2011

By: /s/ Brandon W. Levitan

Served Via Court ECF System	
OFFICE OF THE US TRUSTEE Richard C. Friedman Sandra Rasnak 219 S. Dearborn St. Room 873 Chicago, IL 60604-1702	PERKINS COIE LLP John M. Christian 131 S. Dearborn St. Suite 1700 Chicago, IL 60603
LANGLEY & BANACK INC. David S. Gragg Trinity Plaza II, 9 th Floor 745 E. Mulberry San Antonio, TX 78212-3166	ARNSTEIN & LEHR, LLP Michael Gesas Miriam Stein Barry Chatz Kevin Morse 120 South Riverside Plaza Suite 1200 Chicago, IL 60606-3910
CHAPMAN & CUTLER LLP David Audley Carly Jones 111 W. Monroe Suite 1600 Chicago, IL 60603	FUNKHOUSER VEGOSEN LIEBMAN & DUNN, LTD Daniel Graham Neil Rosenbaum 55 W. Monroe St. Suite 2300 Chicago, IL 60603

Served Via Court ECF System	
<p>GOULD & RATNER LLP Mark E. Leipold 222 N. LaSalle St. Suite 800 Chicago, IL 60601</p>	<p>GROCHOCINSKI, GROCHOCINSKI & LLOYD, LTD. David E. Grochocinski Ariane Holtschlag 1900 Ravinia Place Orland Park, IL 60462</p>
<p>HIRSCH & WESTHEIMER, P.C. Michael J. Durrschmidt Bank of America Center 25th Floor 700 Louisiana Houston, TX 77002</p>	<p>JOHNSON, TRENT, WEST & TAYLOR, LLP Lori Hood Deborah Fritsche 919 Milam Suite 170 Houtston, TX 77002</p>
<p>JONES, MORRIS, LLP Erin E. Jones 2700 Post Oak Suite 1120 Houston, TX 77056</p>	<p>KATTEN MUCHIN ROSENMAN LLP Paige E. Barr 525 W. Monroe St. Chicago, IL 60661</p>
<p>OFFICE OF THE TEXAS ATTORNEY GENERAL Edith Stuart Phillips Bankruptcy & Collection Division P.O. Box 12548, MC-008 Austin, TX 78711</p>	<p>SHAW GUSSIS FISHMAN Gordon Gouveia 321 N. Clark Suite 800 Chicago, IL 60654</p>
<p>SMITH AMUNDSEN LLC Brian M. Graham Ean L. Kryska Bryan Minier 150 N. Michigan Ave. Suite 3300 Chicago, IL 60601</p>	<p>VEDDER PRICE Michael Eidelman Arlene Gelman 222 N. LaSalle St. Suite 2600 Chicago, IL 60601</p>
<p>DRINKER BIDDLE & REATH LLP Timothy R. Casey Lionel Weaver 191 N. Wacker Dr., Ste. 3700 Chicago, Illinois 60606-1698</p>	

Served Via United States First Class Mail	
<p>LENTZ & LITTLE, PA William J. Little, Jr. 2012 23rd Ave. Gulfport, Mississippi 39501</p>	<p>Arturo C. Sapida 81870 Mountain View Lane LaQuita, CA 92253-7610</p>
<p>BLALOCK, WALTERS, HELD & JOHNSON, P.A. Mary Fabre Levine 802 11th Street West Bradenton, FL 34205</p>	<p>GIBBS & BRUNS LLP Ashley McKeand 1100 Louisiana Suite 5300 Houston, TX 77002</p>
<p>BRACEWELL & GIULIANI LLP Dean Tillostson Tony Visage 711 Louisiana Street Suite 2300 Houston, TX 77002</p>	<p>FORIZS & DOGALI, P.A. Zala Forizs 4301 Anchor Plaza Pkwy Suite 300 Tampa, FL 33634</p>
<p>GERSTNER & GERSTNER J.Gerstner M. Gerstner Attorney For Nancy J. Groppi 53 W. Jackson Blvd. Suite 1538 CHICAGO, IL 60604</p>	<p>HAL F. MORRIS Assistant Attorney General Texas Attorney General's Office P.O. BOX 12548, MC-008 Austin, TX 78711-2548</p>
<p>IDEAL SETTLEMENTS CORP Robert Taurosa, Agent Or Other Officer Or Managing Agent 3401 Shoreline Drive Allenwood, NJ 08720</p>	<p>JACKSON WALKER LLP Janet Douvas Chafin 1401 McKinney Suite 1900 Houston, TX 77010</p>

Served Via United States First Class Mail	
Nancy J. Groppi 5837 Electric Avenue Berkeley, IL 60163-1522	US SECURITIES & EXCHANGE COMM. Toby Galloway Fort Worth Regional Office 801 Cherry St. 19th Floor Fort Worth, TX 76102
WALDRON & SCHNEIDER, LLP Marc H. Schneider Attorney to Troy Broussard & Ivo Dabelic University Park 15150 Middlebrook Drive Houston, TX 77058	Patricia A. Navin 32 Mill Road Hampton, NH 03842
PHELAN HALLINAN & SCHMIEG, LLP Judith T. Romano 1617 John F. Kennedy Boulevard Suite 1400 Philadelphia, PA 19103	PROVIDENT CAPITAL INDEMNITY LTD Minor Vargas Calvo Desarrollos Comerciales Ronim,SA Oficinas Ejecutivas San Rafael San Rafael-Heredia, Costa Rica
PROVIDENT CAPITAL INDEMNITY LTD C/O Texas Secretary of State as Agent For Service P.O. Box 12887 Austin, TX 78711-2887	Russell E. Mackert 5555 West Loop South Suite 605 Houston, TX 77401
Sumner Kai 11911 Pine Belt Dr. Cypress, TX 77429	Thomas G. Ferrell 3006 Carrie Cove Ct. Spring, TX 77386
THOMPSON & KNIGHT LLP J. Brannon K. Richter 1722 Routh St. Suite 1500 DALLAS, TX 75201	CLARK HILL PLC Daniel T. Graham 150 N. Michigan Ave. Suite 2700 Chicago, IL 60601
Edward D. Hellekson 6889 Clearwater Rd. #104 Baxter, MN 56425	Gerald J. Milliken Living Trust c/o Gerald J. Milliken 2314 Central Blvd. Merrick, NY 11566-3719

Served Via United States First Class Mail	
John E. Spalding & Laura H. Spalding JTWROS 1561 Kirby Drive Houston, TX 77019	Dan Pascal Vincent 3400 Travis St. Houston, TX 77002
Linda M. Cox 15827 Mesa Gardens Drive Houston, TX 77095	Bonnie E. Bryant 951 Armour Rd. Oconomowoc, WI 53066-3935
Marilyn T. Wasson 921 E. Manzanita Dr. Union, WA 98592-9704	Alan Nordby 114 Camargo Lane Pasco, WA 99301-6114

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**CHAPTER 11 TRUSTEE’S FOURTH OMNIBUS OBJECTION TO
CERTAIN PROOFS OF CLAIM (PRIORITY CLAIMS)**

Jeff J. 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”), files this fourth omnibus objection (the “Objection”) to claims improperly categorized as priority claims and seeks entry of an order reclassifying such claims as Class 2 Unsecured claims. The claims that are improperly categorized as priority claims (the “Asserted Priority Claims”) are identified on Exhibit A to the proposed order submitted herewith (“Proposed Order”). In support of the Objection, the Trustee relies on the *Declaration of Jeff J. Marwil* (the “Marwil Declaration”), a true and accurate copy of which is attached hereto as Exhibit 1. In further support of the Objection, the Trustee respectfully states as follows:

JURISDICTION

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.
2. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

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, Ltd.; (5) A&O Bonded Life Settlements, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

3. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

4. The statutory and rule-based predicates for the relief requested herein are sections 105(a) and 502 of title 11 of the United States Code (11 U.S.C. §§ 101 *et seq.*, the “Bankruptcy Code”), rule 3007 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and rule 3007-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Northern District of Illinois (the “Local Rules”).

INTRODUCTION

5. Prior to the commencement of these chapter 11 cases, the Debtors purported to be in the business of selling interests in life insurance policies to individual investors. The Debtors’ business was a fraud. In fact, the former principals² of the Debtors fraudulently directed vast sums from the Debtors to themselves and others for personal gain. The Department of Justice, operating through the office of the United States Attorney for the Eastern District of Virginia (the “Department of Justice”), investigated and brought criminal actions against the former principals of the Debtors and certain other individuals involved in the scheme. All of the former principals of the Debtors either have plead guilty or been found after a trial to be guilty of criminal acts related to their operation of the Debtors.³

6. As described below, the Trustee was appointed to administer the Estates for the benefit of creditors. The Trustee’s goals include returning to creditors of the Debtors (almost

² The Debtors’ principals included Christian Allmendinger, Brent Oncale, and Adley Abdulwahab.

³ David White, Tomme Bromseth, Eric Kurz, Brent Oncale, and Rusell Mackert all pled guilty on various counts. *See Plea Agreement* (“White Plea Agreement”), Case No. 3:11cr248 (E.D. Va.) (Docket No. 155); *Plea Agreement* (“Bromseth Plea Agreement”), Case No. 3:10cr246 (E.D. Va.) (Docket No. 5); *Plea Agreement* (“Kurz Plea Agreement”), Case No. 3:10cr258 (E.D. Va.) (Docket No. 12); *Plea Agreement* (“Oncale Plea Agreement”), Case No. 3:10cr256 (E.D. Va.) (Docket No. 4); *Plea Agreement* (“Mackert Plea Agreement”), Case No. 3:10cr00257 (E.D. Va.) (Docket No. 2). Christian Allmendinger and Adley Abdulwahab were tried and convicted in the U.S. District Court for the Eastern District of Virginia. *See Verdict Form* (“Abdulwahab Verdict”), Case No. 3:10cr248 (E.D. Va.) (Docket No. 262); *Verdict Form* (“Allmendinger”) Case No. 3:10cr248 (E.D. Va.) (Docket No. 207).

exclusively individual investors) as much of their original investments as possible, through either: (a) distributions from the Trustee of the remaining assets of the Estates; or (b) distributions from the Department of Justice of assets seized by the Department of Justice from the Debtors' former principals in connection with related criminal proceedings (or cash proceeds of such assets). Distributions from the Trustee and the Department of Justice will not make investors whole; *i.e.*, investors will receive back far less than the principal amounts they invested in the Debtors.

7. Before either the Trustee or the Department of Justice may make any distributions, they must identify claimants and the accurate amounts of their claims. It is the purpose of this Objection and other objections that the Trustee will file to create a final, official register of allowed claims against the Estates in the amount of investors' principal investments in the Debtors with respect to investor claims. Under a Chapter 11 plan, the Trustee intends to distribute to all creditors from assets of the Estates an equal percentage of the amount of their original investments (*e.g.*, if the Trustee has assets sufficient to make distributions in the amount of 10% of allowed claims, an investor who loaned the Debtors \$1,000 would receive \$100 in distributions, while an investor who loaned the Debtors \$50,000 would receive \$5,000 in distributions). The Trustee will share his claims register with the Department of Justice and expects that the Department of Justice will use this register to make distributions of assets seized from former principals of the Debtors (or proceeds of such assets) in the same way.

8. The Trustee believes that these actions will result in equal and fair treatment of all investors in the Debtors. This Objection is filed to further that result.

BACKGROUND RELEVANT TO THE OBJECTION

9. Prior to the Petition Date, the Debtors' fraudulent business model included taking investments from individuals in the form of loans made by such investors to the Debtors. The

Debtors marketed and sold these loans to investors in the form of contracts (“Loan Contracts”) that, on their face, often were secured by the Debtors’ interests in life insurance policies. The Debtors also often told investors that payment of the Loan Contracts was “guaranteed” by reinsurance bonds issued by Provident Capital Indemnity, Ltd. The Loan Contracts came in a variety of forms, with a variety of promised returns on investment, but all the Loan Contracts provided for return of principal and “profit” on a future maturity date.

10. At some point prior to the Petition Date, the Debtors’ principals ceased operating the Debtors’ business (fraudulently or otherwise). As a result, many of the Debtors’ life insurance policies lapsed.

11. On September 2, 2009 (the “Petition Date”), Russell Mackert caused each of the Debtors to file 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 based on allegations of fraud against the Debtors. (*Motion for the Appointment of a Chapter 11 Trustee* at ¶ 4, filed on September 11, 2009 (Docket No. 9).) On September 21, 2009, this Court approved the appointment of Patrick Collins as chapter 11 trustee.

12. Subsequent to the Petition Date, Mr. Mackert: (a) prepared and filed with the Court schedules that identified from the Debtors’ books and records, among other things, original principal amounts invested in the Debtors; and (b) provided the Trustee with certain documents of the Debtors in his possession.

13. 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 in the Chapter 11 Cases.

14. On July 2, 2010, this Court entered an order (the "Bar Date Order") setting a general claims bar date of August 31, 2010 (the "Bar Date") for "all persons or entities holding or wishing to assert an unsecured or secured, priority or nonpriority claim accruing prior to the Petition Date."

THE CLAIMS RESOLUTION PROCESS

15. The Trustee or his professionals have reviewed: (a) the Debtors' schedules of liabilities and assets created by Mr. Mackert and filed in accordance with section 521 of the Bankruptcy Code (the "Schedules"), (b) proofs of claim filed by individual claimants, (c) the register of claims (the "Claims Register"), maintained by the Trustee's notice and claims agent Garden City Group, LLC ("GCG"), which summarizes all proofs of claim (collectively, the "Proofs of Claim") filed in the Chapter 11 Cases by holders asserting Claims (as defined in the Bar Date Order) against the Debtors (collectively, the "Claimants"), and (d) relevant portions of the Debtors' books and records (the "Books and Records") in the possession of the Trustee.

16. During this review, the Trustee identified Claims that the Trustee believes should be disallowed, reduced and allowed, or reclassified and allowed. Accordingly, the Trustee filed and is prosecuting this Objection and other objections, and anticipates filing and prosecuting other objections.

17. The vast majority of Claims are held by individuals who loaned money to the Debtors by purchasing a Loan Contract for the purpose of making an individual investment. Due to fraud perpetrated by the Debtors' principals, the Debtors have insufficient assets to repay defrauded investors the amount of their initial investment. The primary purpose of this and any

other objections filed by the Trustee is to allow each investor's claim in the amount of his or her original principal investment so that all investors will receive the same percentage return on their investment from the Debtors' remaining assets, and all investors' claims will be given general unsecured status.

18. To reduce the number of Claims, and to avoid possible double recovery, or otherwise improper recovery by Claimants, the Trustee may file additional omnibus objections to Claims.

RELIEF REQUESTED

19. The Trustee objects to the Asserted Priority Claims set forth on Exhibit A to the Proposed Order because such Claims do not fall under any category enumerated as a priority claim under section 507 of the Bankruptcy Code. Accordingly, the Trustee seeks entry of the Proposed Order, pursuant to section 502 of the Bankruptcy Code, Bankruptcy Rules 3007 and 9014, and Local Rule 3007-1, allowing such Claims to be reclassified as Class 2 Unsecured claims as set forth on Exhibit A.

LEGAL BASIS FOR OBJECTION

Claimant Bears Ultimate Burden of Demonstrating Validity of Proof of Claim

20. A proof of claim asserted against a bankrupt estate should "alert the court, trustee, and other creditors, as well as the debtor, to claims against the estate." *Maxwell v. Novell, Inc.* (*In re Marchfirst, Inc.*), 431 B.R. 436, 442–43 (Bankr. N.D. Ill. 2010) (citing *Adair v. Sherman*, 230 F.3d 890, 896 (7th Cir. 2000)). Therefore, a proof of claim must be "sufficiently specific" to give 'notice' of the claim." *Id.* at 443 (citing *Aetna Cas. & Sur. Co. v. LTV Steel Co.* (*In re Chateaugay Corp.*), 94 F.3d 772, 777 (2d Cir.1996); *Gens v. Resolution Trust Corp.*, 112 F.3d 569, 575 (1st Cir. 1997); *In re O'Malley*, 252 B.R. 451, 456 (Bankr.N.D.Ill.1999); *In re Rimsat, Ltd.*, 223 B.R. 345, 348 (Bankr. N.D. Ind. 1998); *In re Grocerland Coop., Inc.*, 32 B.R. 427,

437 (Bankr.N.D.Ill.1983)). Proofs of claim are “presumed valid under § 502(a) and are prima facie proof of their validity under Federal Rule of Bankruptcy Procedure 3001(f).” *In re Sentinel Mgmt. Group, Inc.*, 417 B.R. 542, 550 (Bankr. N.D. Ill. 2009) (citing *Conn. Gen. Life Ins. Co. v. Schaumburg Hotel Owner Ltd. P'ship (In re Schaumburg Hotel Owner Ltd. P'ship)*, 97 B.R. 943, 950 (Bankr. N.D. Ill. 1989)). A party wishing to dispute such a claim carries the “initial burden to produce some evidence to overcome the rebuttable presumption of validity.” *Id.* at 550. In practice, the objecting party must produce evidence “of probative force equal to that of the allegations asserted in the claim.” *Id.* Once the objecting party has produced a basis for calling into question the validity or amount of the asserted claim, “the burden then shifts back to the claimant to produce evidence to meet the objection and establish that the claim in fact is allowable.” *Id.* Throughout, the “ultimate burden of persuasion always remains with the claimant to prove entitlement to the claim.” *Id.*

The Claimants Did Not Carry Their Burden of Establishing That the Disputed Claims Are Entitled to Priority Status

21. Section 507(a) of the Bankruptcy Code sets out the categories of claims entitled to priority status. Because priorities grant preferential treatment to the holders of certain claims, priority status should only be granted when clearly authorized. *See Howard Delivery Serv. v. Zurich Am. Ins. Co.*, 547 U.S. 651, 655 (2006). A claimant who seeks to establish a priority claim bears the burden of proving that the party’s claim qualifies for priority status. *In re Terra Distrib., Inc.*, 148 B.R. 598, 600 (Bankr. D. Idaho. 1992); *In re Heritage Village Church & Missionary Fellowship*, 137 B.R. 888, 892 (Bankr. D.S.C. 1991).

22. The Asserted Priority Claims do not allege any facts that would entitle them to the priority sought in their Proofs of Claims. The Loan Contracts that serve as the basis for the Asserted Priority Claims do not fall into any of the enumerated categories of claims entitled to

special priority under section 507 of the Bankruptcy Code. The Claimants simply provided loans to the Debtors in exchange for a promised maturity value at a set date of an amount including both the principal amount of the loan and interest. These loan obligations are simply pre-petition debts for money owed as a result of commercial loans. Claimants do not possess claims afforded priority status under the Bankruptcy Code, and the Asserted Priority Claims should be classified as Class 2 Unsecured claims as set forth on Exhibit A.

SEPARATE CONTESTED MATTERS

23. To the extent that a response is filed regarding any Claim subject to the Objection and the Trustee is unable to resolve the response, each such Claim, and the objection by the Trustee to each such Claim asserted herein, shall constitute a separate contested matter as contemplated by Bankruptcy Rule 9014. Any order entered by the Court regarding an objection asserted in the Objection shall be deemed a separate order with respect to each Claim.

RESPONSES TO OMNIBUS OBJECTIONS

24. To contest an objection, a Claimant must file and serve a written response to this Objection (a “Response”) so that it is received by September 30, 2011 (the “Response Deadline”). Every Response must be filed with the Office of the Clerk of the United States Bankruptcy Court for the Northern District of Illinois: 219 S. Dearborn St., Room 713, Chicago, Illinois 60604, and served upon the following entities, so that the Response is received no later than the Response Deadline, at the following addresses:

PROSKAUER ROSE LLP
70 W. Madison St.
Suite 3800
Chicago, IL 60602
Attn: Brandon Levitan

OFFICE OF THE US TRUSTEE
219 S Dearborn St
Suite 873
Chicago, IL 60604

25. Every Response to the Objection must contain at a minimum the following information:

- (a) a caption setting forth the name of the Court, the names of the Debtors, the lead case number in the Chapter 11 Cases, and the title of the Objection to which the Response is directed;
- (b) the name of the Claimant, his/her/its Claim number, and a description of the basis for priority status of the Claim;
- (c) the specific factual basis and supporting legal argument upon which the party will rely in opposing the Objection;
- (d) any supporting documentation, to the extent it was not included with the Proof of Claim previously filed with the clerk or claims agent, upon which the party will rely to support the basis for priority status as asserted in the Proof of Claim; and
- (e) the name, address, telephone number, and, if available, email address or fax number of the person(s) (which may be the Claimant or the Claimant's legal representative) with whom counsel for the Trustee should communicate with respect to the Claim or the Objection and who possesses authority to reconcile, settle, or otherwise resolve the objection to the disputed Claim on behalf of the Claimant.

26. If a Claimant fails to file and serve a timely Response by the Response Deadline, the Trustee may present to the Court an appropriate order reclassifying the Claim, without further notice to the Claimant or a hearing.

RESERVATION OF RIGHTS

27. The Trustee reserves his right to object in the future to any of the Proofs of Claim subject to the Objection or on the exhibit attached hereto on any ground, and to amend, modify, and/or supplement the Objection, including, without limitation, to object to amended or newly-filed Claims. Separate notice and hearing will be scheduled for any such objection.

28. Notwithstanding anything contained in the Objection or the attached exhibit, nothing herein shall be construed as a waiver of any rights that the Trustee may have: (a) to bring avoidance actions under the applicable sections of the Bankruptcy Code against the holders of Claims subject to the Objection; or (b) to exercise rights of setoff against the holders of such Claims relating to such avoidance actions.

NOTICE

29. Notice of the Objection has been provided to: (a) the United States Trustee for the Northern District of Illinois; (b) the Claimants holding Asserted priority Claims; and (c) those parties entitled to receive notice in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Trustee submits that no other or further notice need be provided.

30. The Trustee has provided to all holders of Asserted Priority Claims: (1) personalized notices detailing information relevant to such Claimant's Claim or Claims, and (2) a cover letter in the form attached hereto as Exhibit 2, which letter explains in a plain and concise manner the reasons that the Trustee is prosecuting this and other objections.

31. Pursuant to Bankruptcy Rule 3007, the Trustee has provided all Claimants holding Asserted priority Claims with at least thirty (30) days' notice of the hearing to consider the Objection.

WHEREFORE, the Trustee respectfully requests entry of the Proposed Order, substantially in the form submitted herewith, granting the relief requested and granting such other and further relief as the Court deems just and proper.

Dated: September 2, 2011

**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/ Brandon W. Levitan

Brandon W. Levitan (ARDC# 6303819)
PROSKAUER ROSE LLP
70 West Madison, Suite 3800
Chicago, Illinois 60602-4342
(312) 962-3550
(312) 962-3551 (Fax)

Counsel to the Trustee

EXHIBIT 1

Marwil Declaration

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE 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
_____)	

**DECLARATION OF JEFF J. MARWIL
IN SUPPORT OF OMNIBUS OBJECTIONS TO CLAIMS 1-6**

Jeff J. Marwil declares and says, on personal knowledge or on the advice of his professionals and under penalty of perjury, as follows:

1. I am a partner in the law firm of Proskauer Rose LLP. I am the elected chapter 11 trustee (the “Trustee”) to the bankruptcy estates (the “Estates”) of the above-captioned debtors (collectively, the “Debtors”).

2. I or my professionals reviewed: (a) the Debtors’ schedules of liabilities and assets created and filed in accordance with section 521 of the Bankruptcy Code (the “Schedules”), (b) proofs of claim filed by individual claimants, and (c) the register of claims (the “Claims Register”), maintained by my notice and claims agent Garden City Group, LLC (“GCG”), which summarizes all proofs of claim (collectively, the “Proofs of Claim”) filed in the Chapter 11 Cases by holders asserting Claims (as defined in the Bar Date Order) against the Debtors (collectively, the “Claimants”), and (d) relevant portions of the Debtors’ books and records (the “Books and Records”).

3. During the process of reconciling Proofs of Claim, I or my professionals identified Proofs of Claim that should be disallowed, in whole, or in part, for purposes of

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, Ltd.; (5) A&O Bonded Life Settlements, LLC; (6) A&O Bonded Life Assets, LLC; and (7) Houston Tanglewood Partners, LLC.

receiving distributions and other treatment afforded to claims under the Plan. I relied on this analysis to prepare and file: (a) the *Trustee's First Omnibus Objection to Certain Overstated Claims* (the "First Omnibus Objection"); (b) the *Trustee's Second Omnibus Objection to Certain Proofs of Claim (Duplicative Claims)* (the "Second Omnibus Objection"); (c) the *Trustee's Third Omnibus Objection to Certain Proofs of Claim (Secured Claims)* (the "Third Omnibus Objection"); (d) the *Trustee's Fourth Omnibus Objection to Certain Proofs of Claim (Priority Claims)* (the "Fourth Omnibus Objection"); (e) the *Trustee's Fifth Omnibus Objection to Certain Proofs of Claim (Amended and Superseded Claims)* (the "Fifth Omnibus Objection"); and (f) the *Trustee's Sixth Omnibus Objection to Certain Overstated and Wrongly Classified Claims* (the "Sixth Omnibus Objection," and together with the First Omnibus Objection, Second Omnibus Objection, Third Omnibus Objection, Fourth Omnibus Objection and Fifth Omnibus Objection, the "Objections").

4. To the best of my knowledge, information and belief, the Claims listed in the proposed order submitted with the First Omnibus Objection fall into two categories: (a) Proofs of Claim that evidence an aggregate principal investment of one amount, but assert a claim for such aggregate principal plus fictitious profits promised by the Debtors under a Loan Contract; or (b) claims that do not provide evidence of the amount of any principal investment and assert an amount exceeding the amount of such Claimants' aggregate principal investment, as stated in the Schedules ("Overstated Claims").

5. To the best of my knowledge, information and belief, the Claims listed in the proposed order submitted with the Second Omnibus Objection are duplicative of other claims asserted against the Estates.

6. To the best of my knowledge, information and belief, the Claims listed in the proposed order submitted with the Third Omnibus Objection fall into three categories: (a) property pledged as security for a claim was not property of the Estates as of the Petition Date, (b) the loan contracts supporting a claim expressly state that no security interest has been pledged by the Debtors, and/or (c) the Claimants' security interest in the Policies allegedly securing a claim were never perfected, and thus are subject to avoidance by the Trustee under section 544 of the United States Bankruptcy Code (the "Bankruptcy Code").

7. To the best of my knowledge, information and belief, the Claims listed in the proposed order submitted with the Fourth Omnibus Objection are claims that improperly state they are entitled to priority status but provide no basis for such status under Section 507(a) of the Bankruptcy Code.

8. To the best of my knowledge, information and belief, the Claims listed in the proposed order submitted with the Fifth Omnibus Objection have been amended and superseded by subsequent claims asserted against the Debtors.

9. To the best of my knowledge, information and belief, the Claims listed in the proposed order submitted with the Sixth Omnibus Objection are objectionable on two bases. First, the Claims listed in the Sixth Omnibus Objection are overstated because they fall into one of two categories: (a) Proofs of Claim that evidence an aggregate principal investment of one amount, but assert a claim for such aggregate principal plus fictitious profits promised by the Debtors under a Loan Contract; or (b) claims that do not provide evidence of the amount of any principal investment and assert an amount exceeding the amount of such Claimants' aggregate principal investment, as stated in the Schedules. Second, the Claims listed in the Sixth Omnibus Objection are wrongly classified as secured and/or priority claims because: (a) property

pledged as security for a claim was not property of the Estates as of the Petition Date, (b) the loan contracts supporting a claim expressly state that no security interest has been pledged by the Debtors, (c) the Claimants' security interest in the Policies allegedly securing a claim were never perfected, and thus are subject to avoidance by the Trustee under section 544 of the Bankruptcy Code, and/or (d) the claims improperly state that they are priority but provide no basis for priority status under section 507 of the Bankruptcy Code.

10. Based upon my review of the Claims Register and the Schedules, I believe that granting the relief requested in the Objections is in the best interests of the Estates and their creditors.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this 2nd day of September, 2011.

/s/Jeff J. Marwil
Jeff J. Marwil

EXHIBIT 2

Trustee's Letter to Claimants

Jeff J. Marwil
Chapter 11 Trustee
Three First National Plaza
70 West Madison St.
Suite 3800
Chicago, IL 60602-4342

September 2, 2011

Re: Omnibus Objections to Proofs of Claim in Life Fund Bankruptcy Cases

Dear Investors in the Life Fund entities,

As you know by now, I am the bankruptcy trustee in the Life Fund bankruptcy cases. As Trustee, I administer the assets of and claims against multiple Life Fund entities.

You invested money with a Life Fund entity. The Life Funds' companies filed for bankruptcy not because they needed financial restructuring, but because the individuals who operated them committed criminal acts and left the companies with no leadership or direction and almost no money. The Life Funds companies do not have enough cash to refund to you or other investors 100% of your investments. As Trustee, I have operated the Life Funds' companies to be able to return to you as much of your investment as possible.

One of my duties as Trustee is to review and reconcile proofs of claim to ensure that all creditors receive fair treatment. Also, under the Bankruptcy Plan or any other plan, money cannot be distributed to you until the amount of your claim is agreed to. You are receiving this letter because I, or my professionals, have determined that your claim(s) are incorrect because they either: (1) seek an amount greater than your original principal investment, (2) were incorrectly classified as a secured, or priority claim, and/or (3) are duplicative of, or amended by, another claim you have filed. Accordingly, enclosed with this letter is an objection to your claim(s). The purpose of this objection is to change your claim(s) to one claim in the amount of your original principal investment.

If you agree (1) that the enclosed objection will leave you with a claim for your original principal investment and (2) otherwise do not contest the validity of the objection, then you do not need to take any action. If you have any questions, please contact Brandon Levitan at (312) 962-3550.

Very truly yours,

Jeff J. Marwil
Chapter 11 Trustee

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE 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
_____)	

**ORDER SUSTAINING FOURTH OMNIBUS OBJECTION
TO CLAIMS AND RECLASSIFYING ASSERTED PRIORITY CLAIMS
AS CLASS 2 UNSECURED CLAIMS**

Upon the *Trustee's Fourth Omnibus Objection to Certain Proofs of Claim (Priority Claims)* (the "Objection")²; it appearing that notice of the Objection was good and sufficient upon the particular circumstances and that no other or further notice need be given; the Court having considered the Objection, the claims listed on Exhibit A attached hereto, and any responses to the Objection; upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor; it is hereby

FOUND AND DETERMINED THAT:

- A. The Objection is a core proceeding under 28 U.S.C. § 157(b)(2);
- B. Each holder of a claim (as to each, a "Claim") listed on Exhibit A hereto was properly and timely served with a copy of the Objection, the accompanying exhibit, and the notice of hearing thereon;
- C. Any entity known to have an interest in the Claims subject to the Objection has been afforded reasonable opportunity to respond to, or be heard regarding, the relief requested in

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² Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Objection.

the Objection; and

D. The relief requested in the Objection is in the best interests of the Estates, their creditors, and other parties in interest; and therefore

IT IS HEREBY ORDERED THAT:

1. The Objection is GRANTED as set forth herein.
2. The Asserted Priority Claims are reclassified as Class 2 Unsecured claims as set forth on Exhibit A.
3. The Trustee's rights to amend, modify, or supplement the Objection, to file additional objections to the Claims or any other claims (filed or not) which may be asserted against the Debtors, and to seek further reduction of any Claim to the extent such Claim has been paid, are preserved. Additionally, should one or more of the grounds of objection stated in the Objection be dismissed, the Trustee's rights to object on other stated grounds or on any other grounds that the Trustee discovers during the pendency of the Chapter 11 Cases are further preserved.
4. Each Claim and the objections by the Trustee to such Claim, as addressed in the Objection and as set forth on Exhibit A hereto, constitutes a separate contested matter as contemplated by Bankruptcy Rule 9014. This Order shall be deemed a separate Order with respect to each Claim. Any stay of this Order pending appeal by any Claimants whose Claims are subject to this Order shall only apply to the contested matter which involves such Claimant and shall not act to stay the applicability and/or finality of this Order with respect to the other contested matters listed in the Objection or this Order.

5. Notwithstanding the possible applicability of Bankruptcy Rules 6004, 7062, 9014, or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

6. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

Dated:

Chicago, Illinois

United States Bankruptcy Judge

**Order Prepared By:
Proskauer Rose LLP
70 W. Madison St.
Chicago, IL 60602
Brandon W. Levitan
Counsel to the Trustee**

EXHIBIT "A"

Asserted Priority Claims

In re: Life Funds 5.1, LLC, et al. (09-32672)
Exhibit A - Fourth Omnibus Objection Claims

Note: Claimants are listed alphabetically by last name or by entity name.

SEQ#	NAME	DATE FILED	CLAIMED DEBTOR	CASE NUMBER	CLAIM NUMBER	CLAIMED AMOUNT AND CLASSIFICATION	MODIFIED AMOUNT AND CLASSIFICATION	REASON FOR RECLASSIFICATION
1	THOMAS AND SUZANNE ARMSTRONG 3319 ALDEN MANOR LN. KATY, TX 77494	08/16/10	Life Fund 5.2, LLC	09-32674	681	Priority: \$50,000.00	Priority: \$0.00 Unsecured: \$50,000.00	No basis for priority under section 507 of the Bankruptcy Code.
2	ENTRUST RETIREMENT SERVICES FBO HARRY L GOLLIER 27239 ISABELLA WARSAW, MO 65355	09/15/09	A&O Resource Management, Ltd	09-32677	297	Priority: \$169,613.87	Priority: \$0.00 Unsecured: \$169,613.87	No basis for priority under section 507 of the Bankruptcy Code.
3	ENTRUST RETIREMENT SERVICES FBO HARRY L. GOLLIER 27239 ISABELLA LN WARSAW, MO 65355	09/15/09	Houston Tanglewood Partners, LLC	09-32676	58	Priority: \$151,773.52	Priority: \$0.00 Unsecured: \$151,773.52	No basis for priority under section 507 of the Bankruptcy Code.
4	JANE R. GORIN 7206 NW 94 WAY TAMARAC, FL 33321	07/20/10	A&O Resource Management, Ltd	09-32677	609	Priority: \$50,000.00	Priority: \$0.00 Unsecured: \$50,000.00	No basis for priority under section 507 of the Bankruptcy Code.
5	REED HILL SR 5539 BELL FLOWER CT PRINCE GEORGE, VA 23875	09/22/09	A&O Resource Management, Ltd	09-32677	283	Secured: \$83,599.38 Priority: \$83,599.38	Secured: \$0.00 Priority: \$0.00 Unsecured: \$83,599.38	No basis for priority under section 507 of the Bankruptcy Code.
6	GREGORY JOHNSON 600 NOTTINGHAM OAKS TRAIL #251 HOUSTON, TX 77079	07/19/10	Houston Tanglewood Partners, LLC	09-32676	552	Priority: \$50,000.00 Unsecured: \$161,130.00	Priority: \$0.00 Unsecured: \$211,130.00	No basis for priority under section 507 of the Bankruptcy Code.
7	ERIC JOHN KOCAN 8126 WINDING OAK LANE SPRING, TX 77379	08/31/10	A&O Life Fund, LLC	09-32678	866	Priority: \$201,681.89	Priority: \$0.00 Unsecured: \$201,681.89	No basis for priority under section 507 of the Bankruptcy Code.
8	JESSE MAYO 572 JUNE ST. HEMPHILL, TX 75948	09/02/10	A&O Resource Management, Ltd	09-32677	894	Priority: \$201,000.00	Priority: \$0.00 Unsecured: \$201,000.00	No basis for priority under section 507 of the Bankruptcy Code.
9	TEXAS COMPTROLLER OF PUBLIC ACCOUNTS OFFICE OF THE ATTORNEY GENERAL BANKRUPTCY-COLLECTIONS DIVISION PO BOX 12548 AUSTIN, TX 78711	05/25/10	A&O Resource Management, Ltd	09-32677	563	Priority: \$2,365.35	Priority: \$0.00 Unsecured: \$2,365.35	No basis for priority under section 507 of the Bankruptcy Code.