



Large Company

Turnaround of the Year

Life Partners Holdings, Inc.

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In January 2015, publicly traded Life Partners Holdings, Inc., a life settlement company responsible for a \$2.4 billion portfolio of life insurance policies, filed a Chapter 11 bankruptcy in the Northern District of Texas. Within days, the SEC, the U.S. Trustee, and the Committee were engaged in a protracted fight to remove management and appoint a Chapter 11 trustee. In March 2015, Thompson & Knight LLP was retained as counsel for H. Thomas Moran II, the Chapter 11 trustee appointed by the U.S. Trustee and confirmed by the Bankruptcy Court. Mr. Moran's appointment was predicated on a finding of gross mismanagement by prior management, and part of Mr. Moran's charge included investigating and reporting the wide-ranging fraud scheme perpetrated by prior management.

The Life Partners bankruptcy put approximately \$1.4 billion at risk, which represents all or a significant portion of the life savings of more than 20,000 (mostly individual) investors. This very long and contentious bankruptcy process, which was largely financed by the professionals involved, included three competing plans of reorganization, and turned, in part, on the approval of a class action settlement. The United States Bankruptcy Court for the Northern District of Texas confirmed the plan of reorganization advanced jointly by Mr. Moran and the Committee that preserved the \$2.4 billion portfolio for the benefit of affected investors and created a litigation trust to seek redress of the misdeeds of prior management. The Joint Plan, among other things, created options for the affected investors that enabled them to either tie their future returns to the individual policies that had been the basis of their original investment, or to limit their financial exposure and spread their risk by joining a portfolio of pooled policy interests.

The Joint Plan became effective on December 9, 2016, becoming the first successful Chapter 11 bankruptcy reorganization of a life settlement company. Within weeks after the Joint Plan effective date, more than \$100 million in funds collected from matured life insurance policies was distributed to investors. In total, the Joint Plan is projected to return, over time, in excess of 90 percent of invested capital (more than \$1.2 billion, net) to the affected investors.

In collaboration with the Official Committee of Unsecured Creditors, Vida Capital, Inc. agreed to act as the post-confirmation policy servicer and investor account administrator. Vida Capital also provided the exit financing in connection with the emergence from bankruptcy. Bridgepoint Consulting LLC served as the financial advisor to the Chapter 11 trustee, was an expert witness in

support of the plan, and handled the cash management in a highly constrained liquidity situation. Munsch Hardt represented the Official Unsecured Creditors' Committee for Life Partners Holdings.

The Life Partners case is notable, as it converted a massive fraudulent scheme to a legitimate enterprise, preserving the asset portfolio to run off in the ordinary course, against the odds of what was expected by many to be a liquidation at pennies on the dollar.