

The Insolvency Act 1986

Statement of administrator's proposals**2.17B**

Name of Company Cherry Tree Mortgages Limited	Company Number 05529374
In the High Court of Justice, Chancery Division Companies Court (full name of court)	Court case number 8953 of 2008

(a) Insert full name(s) and address(es) of administrator(s)

I / We (a) Anthony Victor Lomas, Derek Anthony Howell and Dan Yoram Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT

attach a copy of *my / our proposals in respect of the administration of the above company.

* Delete as applicable

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 03 December 2008

Signed

Joint / Administrator(s)

Dated

04/12/08

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

Daisy Bassila	
PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT	
	Tel 020 7804 8683
DX Number	DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

THURSDAY



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11/12/2008

COMPANIES HOUSE

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To all known creditors

2 December 2008

Our ref: SAP/LMD/VB/960

Dear Sir/Madam

Cherry Tree Mortgages Limited - in Administration (the "Company" or "Cherry Tree")

This letter is addressed to all known parties who might be creditors of the Company and to whom notice of the appointment of Administrators to Cherry Tree was sent.

Enclosed with this letter is a document entitled "Cherry Tree Mortgages Limited - in Administration, Joint Administrators' Proposals for Achieving the Purpose of Administration". This document provides an account of the steps that have been taken in the Administration to date, together with the Administrators' proposals. Also enclosed is a formal notice of conduct of business by correspondence (Form 2.25B)

The enclosed document provides an overview of the various actions that the Administrators have taken and the progress made to date. At this stage, we have not included any detailed financial information as work is still underway in preparing the directors' Statement of Affairs.

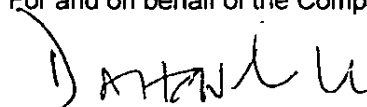
What steps should you be taking now?

A creditors' committee may be formed if there are sufficient nominations. Creditors should make nominations for membership of the creditors committee by completing the appropriate part of the enclosed form 2.25B. Please return your completed form to the above address or by facsimile on +44 (0) 20 7212 6598.

We have fixed 18 December 2008 as the date by which creditors must return the enclosed Form 2.25B to vote on the proposals and the formation of a creditors' committee.

If the proposals are approved by the requisite majority of creditors you will be bound by them. It is important therefore that you read this document carefully.

Yours faithfully
For and on behalf of the Company



DA Howell
Joint Administrator

Enclosures:

- 1) Joint administrators' proposals for achieving the purpose of the administration
- 2) Form 2.25B (Notice of conduct of business by correspondence)
- 3) Statement of claim form

DA Howell, AV Lomas and DY Schwarzmenn were appointed as Joint Administrators of Cherry Tree Mortgages Limited on 13 October 2008 to manage its affairs, business and property as agents without personal liability. DA Howell, AV Lomas and MJA Jervis are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Cherry Tree Mortgages Limited- in Administration

Joint Administrators' Proposals for Achieving the
Purpose of the Administration

2 December 2008

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Section 1: Purpose of this document

Introduction

AV Lomas, DY Schwarzmann and I were appointed as Administrators (hereinafter referred to as "the Administrators" or the "Joint Administrators") of Cherry Tree Mortgages Limited ("Cherry Tree" or the "Company"), following an application made by the directors of the Company on 13 October 2008.

The purpose of this Administration is to realise the Company's business and assets in a manner which will result in a more advantageous realisation than would be achieved on a winding up (a formal liquidation, as defined in the Insolvency Act 1986 ("IA86")).

The powers and duties of the Joint Administrators are set out in the IA86, as amended by the 2002 Enterprise Act and the related rules. Each of the Administrators of the Company is a partner in the UK firm of PricewaterhouseCoopers LLP ("PwC") and a licensed Insolvency Practitioner, regulated by the Institute of Chartered Accountants in England and Wales.

This document and the appendix are provided to you in accordance with paragraph 49, Schedule B1 of the IA86. Within it we set out:

- the background to this Administration, including the events immediately leading up to the appointment of Administrators;
- an overview of the Company's business and structure;
- the manner in which the Company's affairs are being managed, including details of the steps taken to date and the Administrators' proposed actions;
- the Administrators' proposals, in accordance with the IA86;
- comments on the availability of financial information;
- statutory information regarding the Company; and

- information regarding the meeting of creditors and the creditors' committee.

Creditors' meeting

The creditors' meeting for Cherry Tree will be conducted by correspondence due to the limited number of creditors of the Company.

Creditors will be bound by the Administrators' proposals if such proposals are approved by the requisite majority. It is therefore important that you read this document carefully and return the postal resolutions on the enclosed Form 2.25B to the address stated thereon, by 12:00pm on 18 December 2008.

A creditor is entitled to propose modifications to these proposals for the Administrators' and creditors' consideration.

Future reporting

At six monthly intervals further reports will be provided to the creditors of the Company, setting out the progress that has been made together with the Company's receipts and payments for each six monthly period.

Signed:



Derek Anthony Howell
Joint Administrator
Cherry Tree Mortgages Limited

Section 2: The circumstances giving rise to the Administrators' appointment

Background information

Cherry Tree is a subsidiary of LB SF No1 and part of the Lehman Brothers Group of companies ("the Lehman Group"). Its trading activities were financed by its immediate parent, LB SF No1, which was in turn funded via Lehman Brothers Holdings Inc ("LBHI"), the ultimate US registered parent of the Lehman Group.

Events immediately preceding the Administrators' appointment

On 15 September 2008, LBHI announced that it was preparing to file for Chapter 11 insolvency protection in the USA, precipitating the appointment of Administrators to protect the business and assets of Lehman Brothers International (Europe), amongst other Lehman Group companies, on the same day.

Following a detailed review of the UK operations of the Lehman Group it was established that Cherry Tree could not repay its liabilities to LB SF No 1, or, to its only known third party creditor, More 2 Life Limited. The directors of Cherry Tree therefore resolved to place the Company into Administration on 13 October 2008.

Objectives of the Administration

As it was not reasonably practicable to rescue Cherry Tree as a going concern, the Administrators are pursuing the objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company was wound up (without first being in Administration).

The specific aims of this Administration are to:

- protect and control the Company's portfolio of assets; and
- realise the assets, including debtors and mortgage portfolios, on a managed basis.

Section 3: An overview of the Company's business and structure and the Administrators' actions to date

Overview of the Company's business

The principal activity of Cherry Tree was investment in the equity release mortgage portfolio of More 2 Life Limited with funding procured from LB SF No 1.

Cherry Tree utilised employees seconded from Lehman Brothers Limited ("LBL") and operated from the Lehman Group's premises at 25 Bank Street, London, E14 5LE, England.

Administrators' actions to date

The Joint Administrators have gained control of Cherry Tree's mortgage portfolios and are working with More 2 Life Limited in order to ensure an orderly realisation of assets.

The realisation process is at an early stage therefore the Joint Administrators are unable to provide a meaningful estimate of realisations at the date of this report.

Section 4: Proposals for achieving the purpose of the Administration

The Administrators make the following proposals for achieving the purpose of the administration.

- i) The Administrators will continue to manage and finance the business, affairs and property from asset realisations in such manner as they consider expedient with a view to achieving a better result for the Company's creditors as a whole than would be likely if the Company had been immediately liquidated.
- ii) The Administrators may investigate and if appropriate, pursue any claims that the Company may have under the Companies Act 1985, the Companies Act 2006 or the IA86 or otherwise. In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals.
- iii) The Administrators will at their discretion establish in principle the claims of unsecured creditors for adjudication by a subsequent liquidator or supervisor of a company voluntary arrangement and the costs of so doing be met as a cost of the Administration as part of the Administrators' remuneration.
- iv) The Administrators may at their discretion make an application to court for permission to make distributions to unsecured creditors under Paragraph 65(3) Schedule B1 IA86.
- v) A creditors' committee will be established for the company if sufficient creditors from the company are willing to act on the committee. The Administrators propose to seek the election of a creditors' committee and to consult with them from time to time. Where the Administrators consider it appropriate, they will seek sanction from the committee to a proposed action rather than convening a meeting of all creditors.
- vi) The Administrators will consult with the relevant creditors' committee concerning the necessary steps to extend the Administrations beyond the statutory duration of one year if an extension is considered advantageous. The Administrators shall either apply to the court or seek consent from the appropriate classes of creditors for an extension.
- vii) The Administrators may use any one or a combination of "exit route" strategies in order to bring the Administrations to an end. The Administrators wish to retain a number of the options which are available to them, including:
 - (a) The Administrators may place the Company into creditors' voluntary liquidation. In these circumstances, it is proposed that Dan Yoram Schwarzmann, Anthony Victor Lomas, and Derek Anthony Howell be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either any or all of them. In accordance with Paragraph 83(7) Schedule B1 IA86 and Rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate alternative liquidators, provided that the nomination is made after the receipt of these proposals and before they are approved, OR
 - (b) The Administrators may formulate proposals for a company voluntary arrangement ("CVA") and put them to meetings of the Company's creditors and shareholders for approval. If the CVA is approved, the Administrations will be brought to an end by notice to the Registrar of Companies on completion of the Administrations under Paragraph 84 Schedule B1 IA86, following registration of which the Company will be dissolved three months later, OR
 - (c) Once all of the assets have been realised and the Administrators have

- concluded all work within the Administration, the Administrators will file a notice under Paragraph 84(1) Sch.B1 IA86 with the Registrar of Companies, following registration of which the Company will be dissolved three months later or apply to court under Paragraph 79 Sch. B1 of the Administration to be ended, OR
- (d) The Administrators may apply to the Court to allow the Administrators to distribute surplus funds to unsecured non-preferential creditors. If such permission is given, the Administrations will be brought to an end by notice to the Registrar of Companies under Paragraph 84 Schedule B1 IA86, following registration of which the Company will be dissolved three months later. If permission is not granted the Administrators will place the Company into creditors' voluntary liquidation or otherwise act in accordance with any Order of the Court.
- viii) The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Schedule B1 IA86 in respect of any action of theirs as Administrators at a time determined by the creditors committee or, if no creditors committee appointed, by the general body of creditors.
 - ix) The Administrators' fees will be fixed under Rule 2.106 of the Insolvency Rules 1986 by reference to the time properly given by the Administrators and the various grades of their staff according to their firm's usual charge-out rates for work of this nature and that disbursements for services provided by the Administrators' own firm (defined as Category 2 disbursements in Statement of Insolvency Practice No.9) be charged in accordance with the Administrators' firm's policy. It will be for the creditors' committee to fix the basis and level of the Administrators' fees and Category 2 disbursements but if no committee is appointed, it will be for the general body of creditors to determine these instead.
- i) The approval of the Administrators' proposals for achieving the purpose of the administration; and
 - ii) The formation of a creditors' committee.

Voting

Creditors are asked to vote upon the following matters by completing and returning the enclosed Form 2.25B:

Section 5: Financial Information

The Administrators have granted the Directors an extension of time in which to prepare a Statement of Affairs due to the complexity of the task.

When available, copies of the Statements of Affairs signed by the directors will be lodged at Companies House.

Below is a draft Balance Sheet to 13 October 2008. Please note that the amounts listed are book values and do not take into consideration the impact of insolvency on asset values, which is expected to be considerable.

Draft Balance Sheet as at 13 October 2008	
	£ millions
Assets	
Equity release mortgage portfolio	23,563,842
Liabilities	
Unsecured Creditors	(26,467,172)
Net Liabilities	(2,903,330)

Below is a list of the Company's creditors as at 13 October 2008:

Name of creditor or Claimant	Address	Amount of debt £
Lehman Brothers Holdings Inc	25 Bank Street, London, E14 5LE	702,622
Lehman Brothers International (Europe)	25 Bank Street, London, E14 5LE	455,040
LB SF No.1	25 Bank Street, London, E14 5LE	25,256,472
More 2 Life Limited	Harbour House, Portway, Ashton on Ribble - Preston PR2 2PR	53,038

Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court - Court case 8953 of 2008
Full name:	Cherry Tree Mortgages Limited
Trading name:	Cherry Tree Mortgages Limited
Registered number:	05529374
Registered address:	25 Bank Street, London E14 5LE
Company directors:	CJ Patrick, EW Marley Shaw,
Company secretary:	Clifford Chance Secretaries (CCA) Limited
Shareholdings held by the directors and secretary:	None of the directors own shares in the Company.
Date of the Administration appointment:	13 October 2008
Administrators' names and addresses:	DA Howell, DY Schwarzmann & AV Lomas of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
Appointer's name and address:	High Court of Justice, Chancery Division, Companies Court
Objective being pursued by the Administrators:	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration)
Division of the Administrators' responsibilities:	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators may be done by any or one or more of the persons for the time being holding that office.
Proposed end of the Administration:	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
Estimated dividend for unsecured creditors:	It is too early to estimate the likely dividend for unsecured creditors.
Estimated values of the prescribed part and the company's net property:	There is no qualifying floating chargeholder, so there will be no prescribed part.
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	Not applicable as there is no prescribed part.
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings does not apply to this Administration.