

To All Known Creditors

11 May 2009


Our ref: DAH/RDM/CJW/P11-1

Dear Sirs

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

Pursuant to Rule 2.47 of the Insolvency Rules 1986, I attach a copy of the Joint Administrators' report on the progress of the Administration for the six months ended 12 April 2009, together with Form 2.24B, and Form 2.25B

Yours faithfully
For and on behalf of the Company


DA Howell
Joint Administrator

Enclosures: Joint Administrators' Progress report
Form 2.25B
Form 2.24B

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 DY Schwarzmenn 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' progress report for the period
13 October 2008 to 12 April 2009

11 May 2009

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This report has been prepared by the Joint Administrators (the "Administrators") of Cherry Tree Mortgages Limited (the "Company" or "Cherry Tree"), under Rule 2.47(3)(a) of the Insolvency Rules 1986.

Creditors were notified of the Administrators' Proposals for achieving the purpose of these Administrations on 2 December 2008.

The Administrators' Proposals for Cherry Tree were approved without modification on 18 December 2008.

This report provides details of the work undertaken and the progress made during the first six months to 12 April 2009.

Objective of the Administration

The Administrators are pursuing the objective of achieving a better result for the creditors of the Companies as a whole, than would be likely if the Companies were wound up (without first being in Administration).

The specific aim of the Administration is to:

- Protect and control the Companies' portfolios of assets; and
- Realise these assets, including debtors and mortgage portfolios, on a managed basis.

Creditors' Committee

There were insufficient nominations to enable the formation of a Creditors' Committee in Cherry Tree.

Creditors' meeting by correspondence

In the absence of a Creditors' Committee, the Administrators' remuneration is subject to the approval of the general body of creditors.

I am therefore convening a meeting of creditors by correspondence in respect of Cherry Tree to enable the creditors to consider the basis and level of the Administrators' remuneration and Category 2 disbursements. Further details can be found at Section 5 of this report.

Outcome for unsecured creditors

At this time the Administrators are unable to provide a reliable estimate of the likely dividend to ordinary unsecured creditors as there are uncertainties regarding future net realisations. The timing and level of any dividend therefore remains uncertain.

What steps should be taken now

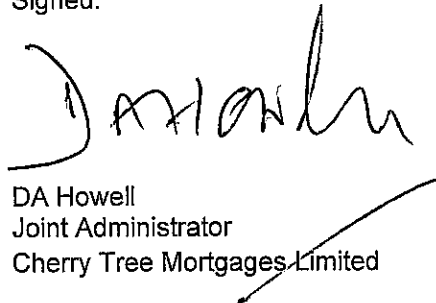
The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors.

Until there is more certainty regarding dividend prospects, claims agreement work will be restricted to gathering information. If you have not already submitted your claim to the Administrators, please do so by completing the enclosed statement of claim form.

Future reports

The next progress report to creditors will be in six months time.

Signed:



DA Howell
Joint Administrator
Cherry Tree Mortgages Limited

Section 2: Background information

Background information

Cherry Tree was 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.

Section 3: Joint Administrators' actions to date

Overview

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

Administrators' actions to date

Upon their appointment, the Administrators took immediate action to identify and protect Cherry Tree's assets, principally comprising 400 equity release policies in which the Company holds beneficial title.

Specialist agents have conducted a valuation exercise across this portfolio. This valuation is commercially sensitive and so not available to creditors.

The Administrators will determine the appropriate method and timing of any disposals to ensure the maximum benefit for creditors.

Two options have been considered and are set out below:

- Holding and managing the Portfolio
 - An option would be for the Administrators to hold onto the portfolio for an extended period of time. This may result in improved realisations from the assets than would be achieved from a sale to a third party. The final strategy will be informed by results of the valuation and the value of offers received from third parties wishing to purchase the portfolio
- Sale of the portfolio
 - A further option would be to sell the full portfolio to a third party. The Administrators currently have an offer which they are pursuing to see if an appropriate agreement can be concluded.

Section 4: Statutory and other information

Court details for the Administrations:	High Court of Justice, Chancery Division, Companies Court Case no: 8953 of 2008
Full names:	Cherry Tree Mortgages Limited
Trading names:	Cherry Tree Mortgages Limited
Registered numbers:	05529374
Registered address:	First Floor, 6 Broadgate, London EC2M 2QS
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 appointments:	13 October 2008
Administrators' names and address:	DA Howell, D Y Schwarzmann and AV Lomas of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT.
Appointor's name and address:	The directors of the Company, 25 Bank Street, London E14 5LE England.
Objective being pursued by the Administrators:	Achieving a better result for creditors as a whole than would be likely if the Companies were wound up (without first being in Administration).
Division of the Administrators' responsibilities:	Statement of Power for the purposes of paragraph 100(2) Schedule B1 to the Insolvency Act 1986. The Directors of Cherry Tree Mortgages Limited (the "Company") have appointed Anthony Victor Lomas, Derek Anthony Howell and Dan Yoram Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT as joint administrators of the Company. The joint administrators will act jointly and severally so that all functions may be exercised by any or all of them.
Proposed end of the Administrations:	The Administrators are not yet in a position to determine the most likely exit route from these Administrations 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 net property:	There is no prescribed part.
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	Not applicable.
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to these Administrations and these are the main proceedings.

Section 5: Financial information

Statements of Affairs

The Administrators granted the Directors an extension of time in which to prepare a Statement of Affairs (the "Statement"), due to the complexity of the task. The Statement has now been received, allowing the Administrators to prioritise and focus their activities on asset recovery and claims management.

The Statement is not attached to the progress report as disclosure of the information therein may impact adversely upon future realisations.

Administrators' remuneration

By way of context, the manner in which Administrators' remuneration is determined and approved is set out in the Insolvency Rules 1986 2.106 to 2.109 (the "Rules").

There are two alternative bases of determining the remuneration under the Rules, either:

- A percentage of the value of the property with which the Administrator has to deal; or
- By reference to the time properly given by the Insolvency Practitioner and his staff in attending to matters arising in the Administration.

The Rules also provide that in arriving at its decision on remuneration the creditors are required to consider the following matters:

- The complexity (or otherwise) of the case;
- Any responsibility of an exceptional kind or degree which falls on the Administrators;
- The effectiveness with which the Administrators appear to be carrying out, or have carried out, their duties; and
- The value and nature of the property which the Administrators have to deal with.

Statement of Insolvency Practice No.9 ("SIP 9")

In addition to the Rules, SIP 9, issued by the Joint Insolvency Committee provides guidance to insolvency practitioners and creditors in relation to the remuneration of, *inter alia*, Administrators.

The purpose of SIP 9 is to:

- Ensure that Administrators are familiar with the statutory provisions relating to office holders' remuneration;
- Set out best practice with regard to the observance of the statutory provisions;
- Set out best practice with regard to the provision of information to those responsible for the approval of remuneration to enable them to exercise their rights under the insolvency legislation; and
- Set out best practice with regard to the disclosure and drawing of disbursements.

A copy of SIP 9 is attached at Appendix A to this report.

When seeking agreement for remuneration, the Administrators are required to provide sufficient supporting information to enable those responsible for approving their remuneration ('the approving body') to form a judgement as to whether the proposed remuneration is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend upon:

- The nature of the approval being sought;
- The stage during the Administration of the case at which it is being sought; and
- The size and complexity of the case.

Attached at Appendix B to this report is a copy of the Administrators' charging and disbursement recovery policy.

The Administrators' remuneration in respect of Cherry Tree will be calculated based upon the time properly spent on the Administration by the Administrators and the various grades of their staff.

Remuneration review and approval process for Cherry Tree

As the Administrators' remuneration request in respect of Cherry Tree is based on time costs, an analysis of the time spent and the charge-out value is provided at Appendix C of this report.

Section 5: Financial information

This time analysis gives details of the work performed and grade of staff by Activity for monthly periods.

SIP 9 guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The analysis that has been provided contains five subdivisions properly reflecting the allocation of time spent.

The following categories are suggested by SIP9 as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

Appendix C includes an analysis of staff allocated between four grades.

Creditors meeting by correspondence

In the absence of a Creditors' Committee, the Administrators' are hereby convening a meeting of creditors by correspondence in respect of Cherry Tree to enable the creditors to consider and approve the basis and level of the Administrators' remuneration and Category 2 disbursements.

There are two resolutions in respect of the Administrators' remuneration for Cherry Tree, detailed on the enclosed Form 2.25B.

Creditors of Cherry Tree wishing to vote should complete and return the enclosed Form 2.25B by post or by facsimile +44 (0) 20 7212 6598.

We have fixed Friday 22 May 2009, as the date by which creditors should return the completed Form 2.25B to vote on the Administrators' fees.

The Administrators' will only draw remuneration when appropriate approval has been given and when funds are available to do so.

Administrators' discharge from liability

Paragraph 98, Schedule B1, of the Insolvency Act 1986 provides that the Administrators' discharge from liability, in respect of any action of theirs as Administrators, shall take effect at a time appointed by resolution of the Creditor's Committee (or if there is no Committee, by resolution of the creditors).

As there is no Creditors' Committee for Cherry Tree, the Administrators have included a third resolution on the enclosed Form 2.25B in respect of the time from which they shall be discharged from liability in respect of Cherry Tree.

Receipts and payments account

There have been no receipts or payments in this reporting period.

Appendix A: A creditor's guide to administrators' fees (in accordance with Statement of Insolvency Practice No.9)

The following information about the joint administrators' fees is from Statement of Insolvency Practice No.9 ("SIP 9") produced by the Association of Business Recovery Professionals, Appendix C: A Creditors' Guide to Administrators' Fees (England and Wales) (revised with effect from 1 April 2007).

Introduction

1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration, or if the administrator thinks neither of these objectives is reasonably practicable
- realising property in order to make a distribution to secured or preferential creditors.

3 The creditors' committee

3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's fees

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets. In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of:

- each secured creditor of the company; or
- if the administrator has made or intends to make a distribution to preferential creditors –
 - each secured creditor of the company; and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval, having regard to the same matters as the committee would.

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

4.4 A resolution of creditors may be obtained by correspondence.

5 What information should be provided by the administrator?

5.1 When seeking fee approval

5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- the nature of the approval being sought;
- the stage during the administration of the case at which it is being sought; and
- the size and complexity of the case.

5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests

the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspects of the case, particularly those that affect the amount of time spent.
- The reasons for subsequent changes in strategy.
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement.
- Any existing agreement about fees.
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

5.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

6 What if a creditor is dissatisfied?

6.1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.

8.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9. Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company. The information which must be provided is:

- the total number of hours spent on the case by the administrator or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office. The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

SIP 9 VERSION 5 – APRIL 2007

Appendix B: The Administrators' charging and disbursements recovery policy

Overview of the Administrators' strategy and objectives

Important Notice

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

Introduction

The Administrators fully recognise the importance of providing a comprehensive report to the Cherry Tree creditors, explaining how the activities of the PwC team are managed and how the time charges are calculated and regulated. Careful steps have been taken to ensure that a detailed process for capturing time has been implemented on the Cherry Tree Administration. This report summarises the costs for each PwC team working on the case from 13 October 2008 to 31 March 2009. Costs are further broken down by time period and grade of staff utilised. A summary of tasks completed by each key team is included with the cost schedules. PwC has not drawn any fees on this estate to date.

Legal and other professional firms

The Administrators have instructed Linklaters to act as their legal advisers. They will be remunerated on a time cost bases and were appointed due to their prior knowledge of the Company's business: -

Service provided	Legal advice
Name of firm	Linklaters
Reason selected	Prior knowledge
Basis of fees	Time costs

All third party professionals are required to submit time costs analyses and narrative in support of invoices rendered.

Office holder's charging and disbursement policy

The time charged to the Administration is by reference to the time properly given by the Administrators and their staff in attending to matters arising.

Each of the business groups within PwC has its own range of charging rates that reflects its business and the arrangements that it is accustomed to agree with its clients. These arrangements involve a range of hourly rates for different levels of partners and staff. The current charging rates for each business group have, in the main, been adopted by the Administrators as the basis for recording and calculating the chargeable value for the time being spent by PwC partners and staff in the conduct of the administration proceedings. The rates applied for all PwC Partners and staff working on Cherry Tree are the same as those applied on all other Lehman Brother companies in Administration.

Set out below are the relevant charge-out rates per hour worked for the grades of the Administrators' staff actually or likely to be involved on this assignment. Time is charged by reference to actual work carried out on the assignment. There has been no allocation of any general costs or overhead costs.

Grade	Relevant maximum charge out rate per hour £
Partner	750
Director	570
Senior Manager	425
Manager	365
Senior associate – qualified / consultant	310
Associate / Support staff	190

Specialist departments within the Administrators' firm such as Tax, VAT, Property and Pensions may charge a number of hours if and when the Administrators require their expert advice. Such specialists' rates do vary but the figures below provide an indication of the maximum rate per hour.

Grade	Relevant maximum charge out rate per hour £
Partner	970
Director	890
Senior Manager	735
Manager	540
Senior associate – qualified / consultant	390
Associate	175

In common with all professional firms, the scale rates used by the Administrators may periodically rise (for example to cover annual inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors and / or the creditors' committee in the next statutory report.

The Administrators' firm's expenses policy allows for all properly incurred expenses to be recharged to the case. Disbursements are charged to the assignment as follows: -

Disbursements for services provided by the Administrators' own firm(s) (Category 2 disbursements)

Photocopying	At 3 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
Mileage	At a maximum of 62 pence per mile (up to 2,000cc) or 81 pence per mile (over 2,000cc)

Fees incurred to 31 March 2009

Costs incurred by PwC on Cherry Tree have averaged over £28,500 per month for the period 13 October 2008 to 31 March 2008. That figure is exclusive of any VAT, which will be added to the fees and expenses when billed. Much of the work required in this period has involved staff and Partners working on Asset Disposal and loan recovery. Further details of the activities in each of these areas is provided in Appendix C.

Appendix C **Summary of the Joint Administrators' time costs for the period** **13 October 2008 to 31 March 2009**

Reporting category	Oct-08		Nov-08		Dec-08		Jan-09		Feb-09		Mar-09		Total	
	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £
Asset Disposals	4.0	2,284	2.0	1,115	3.8	1,937	78.3	23,985	76.9	27,175	34.9	15,199	199.9	71,695
Strategy and Planning	41.3	30,176	47.6	17,065	17.4	6,138	7.3	2,389	13.4	5,607	4.2	1,327	131.2	62,702
Tax & VAT	-	-	13.2	7,814	7.5	2,586	0.2	204	1.5	810	0.4	204	22.8	11,618
Statutory, accounting and other *														
Accounting and treasury			3.8	1,243	0.6	219	2.8	1,102	4.9	1,171	3.2	874	15.3	4,609
Branches and Subsidiaries			0.5	375									0.5	375
Creditors and Counterparties			0.5	375	1.1	105							1.6	480
Group Interdependencies									0.5	375			0.5	375
Intercompany							0.6	151	1.3	370	1.4	425	3.3	946
Interdependencies							0.6	183	1.2	401	1.5	490	3.3	1,074
IT	2.3	707											2.3	707
Other			0.5	375							0.5	375	1.0	750
Reporting							6.5	2,763	8.4	2,424	5.9	1,568	20.8	6,755
Statutory and compliance	16.2	5,054	2.8	1,019	6.9	2,887							25.9	8,960
Grand Total	63.8	38,221	70.9	29,381	37.3	13,872	96.3	30,777	108.1	38,333	52.0	20,462	428.42	171,046

* Note that Statutory, accounting and other work stream is a consolidation of the work types listed above.

Asset Disposals

Global Grade	Oct-08		Nov-08		Dec-08		Jan-09		Feb-09		Mar-09		Total	
	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £
Partner														
Director														
Senior manager	4.0	2,284	1.0	750	1.0	747	1.0	750	2.0	1,500	2.5	1,875	7.5	5,622
Manager					2.8	1,190	73.6	21,903	72.5	24,799	30.7	12,722	183.6	62,898
Senior associate			1.0	365			3.7	1,332	2.4	876	1.7	602	8.8	3,175
Associate													0.0	-
Grand Total	4.0	2,284	2.0	1,115	3.8	1,937	78.3	23,985	76.9	27,175	34.9	15,199	199.9	71,695

Work performed

- Identified and reconciled equity release mortgage portfolio loan books which Cherry Tree holds;
- Reviewed data on Lehman systems to verify ownership of loans;
- Worked with retained Lehman staff on loan reconciliation process
- Reviewed sale and purchase agreement between mortgage originator and Cherry Tree;
- Reviewed pricing and transfer mechanism for equity release mortgages;
- Prepared information memorandum for interested purchasers of mortgage book;
- Completed valuation of loan books using actuarial model;
- Met with parties interested in purchasing loan book;
- Met with loan servicers in the event a hold strategy is to be adopted;
- Costed and documented hold option;
- Commenced negotiation process with prospective purchasers;
- Worked with Linklaters and PwC Tax team to draft sale and purchase agreement;
- Liaised with Administrator of Mable on relationship and interest in any transaction involving the Cherry Tree loan books; and
- Finalised sign off of loan book transaction.

Strategy and Planning

Global Grade	Oct-08		Nov-08		Dec-08		Jan-09		Feb-09		Mar-09		Total	
	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £
Partner	39.2	29,402	1.5	1,125	1.0	753	0.5	391	1.0	760	0.0	12	43.2	32,443
Director	0.4	222					0.0	13					0.4	235
Senior manager	0.7	321	1.2	510	0.5	213	1.3	559	9.4	3,977	0.3	107	13.4	5,687
Manager	0.2	80	39.4	14,381	10.2	3,897	0.2	82	1.9	687	2.8	1,012	54.7	20,139
Senior associate	0.3	101	0.3	93	1.6	496	2.9	902	0.4	101	0.5	141	6.0	1,834
Associate	0.5	50	5.2	956	4.1	779	2.4	442	0.7	82	0.6	55	13.5	2,364
Grand Total	41.3	30,176	47.6	17,065	17.4	6,138	7.3	2,389	13.4	5,607	4.2	1,327	131.2	62,702

Work performed

- Circularised initial notifications to creditors and other stakeholders;
- Reviewed financial information;
- Prepared detailed fee summary;
- Performed fee analysis for Administrators' update;
- Analysed timesheets for completeness and accuracy;
- Weekly review of activity on the estate by PwC staff;
- Worked on options surrounding mortgage portfolio asset – sell or hold;
- Answered and directed queries from teams; and
- Signed off on loan portfolio transaction.

Tax and VAT

Global Grade	Oct-08		Nov-08		Dec-08		Jan-09		Feb-09		Mar-09		Total	
	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £
Partner			5.6	4,914		204	0.2						5.8	5,118
Director														
Senior manager			0.2	102							0.4	204	0.6	306
Manager			5.9	2,435	3.5	1,890			1.5	810			10.9	5,135
Senior associate			1.5	363									1.5	363
Associate					4.0	696							4.0	696
Grand Total	-	-	13.2	7,814	7.5	2,586	0.2	204	1.5	810	0.4	204	22.8	11,618

Work performed

- Advice on the impact on the ability to use tax losses, potential exit charge and tax shelter available with respect to sale of Cherry Tree mortgage portfolio;
- Review of and providing tax input into finalising the Sale and Purchase Agreement on the Cherry Tree mortgage loan portfolio;
- Preparation of the 2007 and 2008 accounts to enable completion and submission of Corporate tax returns; and
- Assistance with the preparation of the Statement of Affairs.

Statutory, Accounting and other and Other

Global Grade	Oct-08		Nov-08		Dec-08		Jan-09		Feb-09		Mar-09		Total	
	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £	Hrs	Cost £
Partner	0.3	183	1.5	1,125			0.0	6	0.6	406	0.8	576	3.2	2,296
Director	2.2	1,282					0.1	30	0.1	27	0.1	28	2.5	1,367
Senior manager	1.4	488	0.3	106	6.5	2,763	8.8	3,722	2.0	842	0.8	318	19.8	8,239
Manager	1.0	373	5.0	1,807	0.6	219	0.3	95	1.0	313	0.7	259	8.6	3,066
Senior associate	6.8	2,159	0.8	244	0.4	124	1.0	304	7.5	2,324	5.4	1,673	21.9	6,828
Associate	6.9	1,275	0.6	105	1.1	105	0.3	40	5.1	829	4.7	876	18.7	3,230
Grand Total	18.6	5,760	8.2	3,387	8.6	3,211	10.5	4,197	16.3	4,741	12.5	3,730.0	74.7	25,026

Work performed

- Managed Cherry Tree Administration database;
- Monitored claims received and liaised with the Administrators on statutory issues;
- Identification and retention of key Lehman staff to assist the Administration;
- Sent letters to freeze bank accounts for Cherry Tree;
- Set up new Bank accounts;
- Prepared Administrators' proposals;
- Review, reconciliation and verification of equity release mortgage loan portfolio, principally the "A1", "C1" and "C2" loan books; and
- Prepared Administrators' progress report.

Notice of conduct of business by correspondence**Name of Company**

Cherry Tree Mortgages Limited

Company number

05529374

In theHigh 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 the administrator(s)

Notice is hereby given by (a) Derek Anthony Howell, Anthony Victor Lomas and Dan Yoram Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London, EC4A 4HT

(b) Insert full name and address of registered office of the company

to the creditors of (b) Cherry Tree Mortgages Limited, 6 Broadgate, London EC2M 2QS

(c) Insert number of resolutions enclosed

that, pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, enclosed are (c) 3 resolutions for your consideration. Please indicate below whether you are in favour or against each resolution.

(d) Insert address to which form is to be delivered

This form must be received at (d) PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT

(e) Insert closing date

by 12.00 hours on (e) 22 May 2009 in order to be counted. It must be accompanied by details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded.

Repeat as necessary for the number of resolutions attached

	In Favour	Against
1. That the administrators' fees be fixed 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 the administrators be authorised to draw such fees on account from time to time.		
2. That the administrators be authorised to draw Category 2 disbursements provided by their own firm as follows: Photocopying - charged for circulars to creditors and other bulk copying only at 3p per sheet; mileage - at a maximum of 62p per mile (up to 2,000 cc) or 81p per mile (over 2,000cc).		
3. That the administrators be discharged from liability pursuant to Paragraph 98(1) of Schedule B1 to the Insolvency Act 1986 in respect of any action of theirs as administrators 14 days after they cease to be joint administrators of the company.		

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM:

Name of creditor: _____

Signature of creditor: _____

(If signing on behalf of creditor, state capacity e.g. director/solicitor)

If you require any further details or clarification prior to returning your votes, please contact us at the address above.

Signed



Joint / Administrator(s)

Dated 11 May 2009

The Insolvency Act 1986

Administrator's progress report**2.24B**

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

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

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

Joint Administrators of the above company attach a progress report for the period

b) Insert dates

from to
(b) 13 October 2008 (b) 12 April 2009

Signed

Joint Administrator

Dated 11 May 2009

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

PricewaterhouseCoopers LLP	
Plumtree Court, London EC4A 4HT	Tel 0207 583 5000
DX Number	DX Exchange

Companies House receipt date barcode

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