



Registration of a Charge

Company name: **PEARSON PENSION TRUSTEE LIMITED**

Company number: **01765290**



X6GBVORT

Received for Electronic Filing: **04/10/2017**

Details of Charge

Date of creation: **28/09/2017**

Charge code: **0176 5290 0001**

Persons entitled: **LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED**

Brief description:

Contains fixed charge(s).

Contains negative pledge.

Chargor acting as a bare trustee for the property.

Authentication of Form

This form was authorised by: **a person with an interest in the registration of the charge.**

Authentication of Instrument

Certification statement: **I CERTIFY THAT SAVE FOR MATERIAL REDACTED PURSUANT TO S. 859G OF THE COMPANIES ACT 2006 THE ELECTRONIC COPY INSTRUMENT DELIVERED AS PART OF THIS APPLICATION FOR REGISTRATION IS A CORRECT COPY OF THE ORIGINAL INSTRUMENT.**

Certified by:

HECTOR PENNY



CERTIFICATE OF THE REGISTRATION OF A CHARGE

Company number: 1765290

Charge code: 0176 5290 0001

The Registrar of Companies for England and Wales hereby certifies that a charge dated 28th September 2017 and created by PEARSON PENSION TRUSTEE LIMITED was delivered pursuant to Chapter A1 Part 25 of the Companies Act 2006 on 4th October 2017 .

Given at Companies House, Cardiff on 6th October 2017

The above information was communicated by electronic means and authenticated
by the Registrar of Companies under section 1115 of the Companies Act 2006



Companies House



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED

and

PEARSON PENSION TRUSTEE LIMITED
(acting in its capacity as trustee of The Pearson Pension Plan)

CREDIT SUPPORT DEED

Slaughter and May
One Bunhill Row
London EC1Y 8YY
(RMYJ/DVH)

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THIS DEED is made on 28 September 2017

BETWEEN:

- (1) **LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED**, a company registered in England and Wales under registration number 00166055, whose registered address is at One Coleman Street, London EC2R 5AA (the "**Secured Party**"); and
- (2) **PEARSON PENSION TRUSTEE LIMITED**, a company registered in England and Wales under registration number 01765290, whose registered address is at 80 Strand, London WC2R 0RL (acting in its capacity as trustee of The Pearson Pension Plan) (the "**Chargor**").

RECITALS

- (A) The Secured Party and the Chargor have entered into the Buy In Agreement.
- (B) The Chargor has agreed to create security in favour of the Secured Party on and subject to the terms of this Deed in support of certain obligations of the Chargor to the Secured Party under the Title Transfer Deed.

THIS DEED WITNESSES as follows:

1. INTERPRETATION

1.1 Definitions

In this Deed:

"Account Control Agreement" means the account control agreement between the Chargor, the Secured Party and the Custodian dated on or about the date of this Deed.

"Agency Agreement" means the agency agreement between the Chargor and LGIM dated on or about the date of this Deed.

"Agreed Daily Maximum Return Amount" means, with respect to a Transaction:

- (a) if an amount is specified as the 'Agreed Daily Maximum Return Amount' in the Transaction Schedule for such Transaction, that amount; and
- (b) if no amount is specified as the 'Agreed Daily Maximum Return Amount' in the Transaction Schedule for such Transaction, an amount equal to five per cent. of the Buy In Price for that Transaction, rounded to the nearest GBP 1,000,000.

"Agreed Monthly Maximum Return Amount" means, with respect to a Transaction:

- (a) if an amount is specified as the 'Agreed Monthly Maximum Return Amount' in the Transaction Schedule for such Transaction, that amount; and

- (b) if no amount is specified as the 'Agreed Monthly Maximum Return Amount' in the Transaction Schedule for such Transaction, an amount equal to ten per cent. of the Buy In Price for that Transaction, rounded to the nearest GBP 1,000,000.

"Base Currency" means GBP.

"Buy In Agreement" means the framework buy in agreement entered into by the Chargor and the Secured Party on or around the date of this Deed, together with each Transaction Schedule (present or future) evidencing an outstanding Transaction.

"Collateral" means Eligible Collateral or Ineligible Collateral.

"Collateral Accounts" means the cash and securities account having account number [REDACTED] held in the name of the Chargor with the Custodian pursuant to the Custody Agreement (as that account may be renumbered or redesignated from time to time) and any substitute or replacement account or accounts.

"Collateral Required Value" means, on any Collateral Valuation Date, the amount determined as the "Collateral Required Value" in accordance with schedule 4 (*Collateral Calculation Mechanism*) to the Buy In Agreement for that Collateral Valuation Date.

"Custodian" means The Bank of New York Mellon SA/NV, or such Replacement Custodian as may be appointed in accordance with this Deed.

"Custody Agreement" means the global custody agreement (which may be amended only in accordance with Clause 8.5 (*No variation of Custody Agreement or Account Control Agreement etc.*)) entered into by the Chargor and the Custodian dated 7 November 2002 (as amended and restated on 14 November 2013 and from time to time), or, if a Replacement Custodian is appointed pursuant to this Deed, the custody agreement entered into by the Chargor and such Replacement Custodian.

"Delivery Amount" has the meaning given to it in Clause 4.1(B) (*Delivery Amount*).

"Discharge Date" shall have the meaning given to it in Clause 9.5 (*Final returns*).

"Distributions" means, with respect to Collateral comprised in the Posted Credit Support consisting of securities, all principal, interest and other payments and distributions of cash or other property with respect to that Collateral, including (for the avoidance of doubt) the proceeds of any redemption in whole or in part of any securities constituting Collateral by the relevant issuer, if applicable.

"Distributions Date" means, with respect to any Collateral comprised in the Posted Credit Support consisting of securities, each date on which a holder of such Collateral is entitled to receive Distributions or, if that date is not a Business Day, the next following Business Day.

"Event of Default" means (i) in relation to the Secured Party, a Legal and General Fault Event, and (ii) in relation to the Chargor, a Trustee Fault 1 Event or a Trustee Fault 2 Event.

"**GBP**" or "**£**" means the lawful currency of the United Kingdom.

"**Ineligible Collateral**" means any cash or securities which are transferred by the Chargor to the Custodian pursuant to this Deed, but which are found not to be, or cease to be, Eligible Collateral.

"**Initial Collateral Percentage**" means, with respect to a Transaction, the quotient, expressed as a percentage (which shall not be greater than 100 per cent.), of (i) the Received Asset Value of the Cash and In-Specie Assets received by the Secured Party in accordance with clause 3 (*Payment of Premium*) of the Buy In Agreement on or before the Transaction Collateralisation Date in respect of that Transaction; divided by (ii) the Buy In Price set out in the Transaction Schedule with respect to the same Transaction.

"**Insolvency Event**" has the meaning given to that term in the Buy in Agreement, provided that, for the purposes of this Deed, references to Legal & General in the definition of Insolvency Event in the Buy In Agreement shall be construed as references to the Chargor (in the case of Clause 2.8 (*Floating charge*) or the Custodian (in the case of Clause 8.2 (*Eligibility to hold Posted Credit Support; Custodians*)).

"**Interest Amount**" means, with respect to an Interest Period and any Collateral comprised in the Posted Credit Support consisting of cash, the amount of interest actually paid by the Custodian on that item of Collateral comprised in the Posted Credit Support during that Interest Period.

"**Interest Period**" means the period from (and including) one Collateral Valuation Date (or, in the case of the first such period, the date of this Deed) to (but excluding) the next following Collateral Valuation Date.

"**Maximum Daily Return Amount**" means the sum of:

- (a) £30,000,000; plus
- (b) the aggregate of the Agreed Daily Maximum Return Amount for all Transactions entered into after the Inception Date.

"**Maximum Monthly Return Amount**" means the sum of:

- (a) £60,000,000; plus
- (b) the aggregate of the Agreed Monthly Maximum Return Amount for all Transactions entered into after the Inception Date.

"**Minimum Transfer Amount**" means £3,000,000 or the amount most recently specified as the 'Minimum Transfer Amount' in a Transaction Schedule delivered after the Inception Date.

"**Moody's**" means Moody's Investor Services, Inc. and any affiliate thereof and any successor thereto.

"**Notification Time**" means 3.00 pm London time on a Business Day.

"Obligations" means all present and future monies, debts, obligations and liabilities due, owing or incurred by the Chargor to the Secured Party pursuant to clause 6(B) (*Termination*) of the Title Transfer Deed.

"Permitted Security Interest" means:

- (a) any Security;
- (b) any lien routinely imposed on all securities in a clearing system in which any Collateral within the Posted Credit Support may be held; and
- (c) any lien or other security interest created in favour of the Custodian pursuant to the Custody Agreement or the Account Control Agreement.

"Posted Credit Support" means the aggregate of all Collateral that has been transferred to or received by the Custodian under this Deed, together with any Distributions and all proceeds of any such Collateral or Distributions which have been credited to the Collateral Accounts, as reduced by any Eligible Collateral or Distributions transferred out of the Collateral Accounts pursuant to this Deed. Any Interest Amount (or portion thereof) not transferred pursuant to Clause 6 (*Distributions and Interest Amount*) which have been credited to the Collateral Accounts will form part of the Posted Credit Support.

"Receiver" means a receiver, receiver and manager or, where permitted by law, administrative receiver (as the Secured Party may specify at any time in any relevant appointment) and that term will include any appointee made under a joint or several appointment.

"Regulations" means the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226), as amended.

"Related Rights" means, in relation to the Posted Credit Support:

- (a) all proceeds of, income and sums otherwise arising from such Posted Credit Support; and
- (b) all rights which the Chargor may have now or in the future, including, without limitation, any right to delivery of a security of the appropriate description which arises in connection with (i) any Posted Credit Support being transferred to a clearing system or financial intermediary, or (ii) any interest in or to any Posted Credit Support being acquired while that Posted Credit Support is in a clearing system or held through a financial intermediary.

"Relevant Event" means any failure by the Chargor to pay or discharge the Obligations when the same are due and payable in accordance with their terms.

"Replacement Account" means an account with a Replacement Custodian in the name of the Chargor which is subject to a security interest created by the Chargor (substantially on the terms of this Deed) in favour of the Secured Party and which has been established in a manner and with such restrictions on transfers in and out of such account as may be acceptable to and agreed by the Secured Party.

"Replacement Custodian" means a custodian satisfying the Required Rating, or such other custodian as may be agreed between the parties.

"Required Rating" means, in relation to any person, the rating of the senior, unsecured long-term debt obligations of such person is at least A3 by Moody's or A- by S&P.

"Return Amount" has the meaning given to it in Clause 4.2 (*Return Amount*).

"S&P" means Standard & Poor's Credit Market Services Europe Limited and any affiliate thereof and any successor thereto.

"Security" means the security interests constituted or expressed to be constituted in favour of the Secured Party by or pursuant to this Deed.

"Security Assets" means all the assets which from time to time are the subject of the Security.

"Settlement Day" means, in relation to a date on which any cash or securities are to be transferred under this Deed (the **"relevant date"**):

- (a) with respect to a transfer of cash, the sixth Business Day after such relevant date; and
- (b) with respect to a transfer of securities, the first Business Day after the fifth Business Day following such relevant date on which settlement of a trade in the relevant securities, if effected on such relevant date, would have been settled in accordance with customary practice when settling through the clearance system agreed between the parties for delivery of such securities or, otherwise, on the market in which such securities are principally traded (or, in either case, if there is no such customary practice, on the first Business Day after such relevant date on which it is reasonably practicable to deliver such securities) if instructions for delivery were issued on the fifth Business Day following such relevant date.

"Title Transfer Deed" means the title transfer deed dated on or about the date of this Deed between Legal and General Assurance Society Limited (as collateral provider) and Pearson Pension Trustee Limited (as collateral taker).

"Transaction Collateral Required Value" means, with respect to a Transaction, the Collateral Required Value, where the definition of 'Stressed Liability Cashflows' is deemed to refer to the projection of future Benefits in respect of that Transaction (and not, for the avoidance of doubt, all in force Transactions).

"Transaction Collateralisation Date" means, with respect to a Transaction, the first date (if any) prior to the Payment Longstop Date in respect of that Transaction where the Received Asset Value of the Cash and In-Specie Assets received by the Secured Party in accordance with clause 3 (*Payment of Premium*) of the Buy In Agreement in respect of that Transaction is at least equal to 95 per cent. of the Buy In Price set out in the Transaction Schedule with respect to the same Transaction.

"Valuation Agent" means, subject to Clause 7.4 (*Replacement of Valuation Agent*), the Secured Party (or its nominee).

1.2 Construction

- (A) For the avoidance of doubt, references to **"transfer"** in this Deed mean, in relation to cash, payment and, in relation to other assets, delivery.
- (B) Unless a contrary indication appears, a reference in this Deed to:
 - (i) a Clause shall be to a clause of this Deed;
 - (ii) a person or party shall be construed so as to include its successors in title, permitted assignees and permitted transferees;
 - (iii) a contract, document, agreement or instrument is a reference to that contract, document, agreement or instrument as amended, novated, supplemented, extended or restated; and
 - (iv) a provision of law is a reference to that provision as amended or re-enacted.
- (C) A Relevant Event is **"continuing"** if it has not been waived in writing by the Secured Party.
- (D) Clause headings in this Deed are for ease of reference only.
- (E) Any capitalised term used in this Deed but not defined herein shall have the meaning given to it in the Buy In Agreement (including in schedule 4 (*Collateral Calculation Mechanism*) thereto, and, for the avoidance of doubt, the words "where used in this Schedule" in paragraph 1 of such schedule 4 shall be ignored for these purposes).
- (F) Unless otherwise specified or the context otherwise requires, references in this Deed to clauses of, or schedules to, the Buy In Agreement shall be to clauses of, or schedules to, the framework buy in agreement dated on or about the date of this Deed, rather than a clause of, or schedule to, any Transaction Schedule.

2. SECURITY

2.1 Covenant to perform

The Chargor covenants with the Secured Party that it will perform the Obligations at the time and in the manner provided in the Transaction Documents.

2.2 Security

The Chargor, as continuing security for the due and punctual performance of the Obligations, with full title guarantee and free of any security interest other than a Permitted

Security Interest, charges by way of first fixed charge in favour of the Secured Party all of its right, title and interest from time to time in each of:

- (A) the Posted Credit Support;
- (B) all Related Rights in relation to the Posted Credit Support; and
- (C) the Collateral Accounts.

2.3 Right of appropriation

- (A) At any time when a Relevant Event is continuing, the Secured Party shall have the benefit of all of the rights of a collateral taker conferred upon it by the Regulations, including the right to appropriate with immediate effect all or any Posted Credit Support comprising financial collateral which is subject to a security financial collateral arrangement (within the meaning of the Regulations) and apply it in or towards the discharge of the Obligations of the Chargor in such manner as the Secured Party may determine, whether such Posted Credit Support is held by the Secured Party at the time of such appropriation or otherwise.
- (B) The value of any Posted Credit Support appropriated under this Clause 2.3(B) shall be:
 - (i) in the case of cash, the face amount thereof; and
 - (ii) in the case of a financial instrument (within the meaning of the Regulations), the current value of the cash payment which the Secured Party reasonably determines would be received on a sale or other disposal, on an arm's length basis, of such asset effected for payment as soon as reasonably possible after the time of exercise of the right of appropriation,

and the parties agree that the methods of valuation provided for in this Deed are commercially reasonable methods of valuation for the purposes of the Regulations.

- (C) The Secured Party shall account to the Chargor for any amount by which the value of the appropriated Posted Credit Support exceeds the Obligations of the Chargor then due and, subject to the provisions of the Buy In Agreement, the Chargor shall remain liable to the Secured Party for any amount by which the value of the appropriated Posted Credit Support is less than the Obligations of the Chargor then due.
- (D) Notwithstanding any term of this Clause 2.3 to the contrary, the Secured Party shall not appropriate more of the Posted Credit Support than is necessary in order to discharge the Obligations and its costs of appropriation. Any excess proceeds of appropriated Collateral shall be return by the Secured Party to the Collateral Accounts.

2.4 Preservation of security

The security constituted by this Deed shall be a continuing security and shall not be satisfied by any intermediate payment or satisfaction of the whole or any part of the Obligations but shall secure the ultimate balance of the Obligations. The security constituted by this Deed shall be in addition to and shall not be affected by any other security now or subsequently held by the Secured Party for all or any of the Obligations.

2.5 Waiver of defences

The security constituted by this Deed and the obligations of the Chargor under this Deed shall not be affected by any act, omission or circumstance which, but for this provision, might operate to release or otherwise exonerate the Chargor from its obligations under this Deed or affect such security or obligations, including (but without limitation), and whether or not known to the Chargor or the Secured Party:

- (A) any time or indulgence granted to, or composition with, the Chargor or any other person;
- (B) the variation, extension, compromise, renewal or release of, or refusal or neglect to perfect or enforce, any terms of the Transaction Documents or any rights or remedies against, or any security granted by, the Chargor or any other person;
- (C) any irregularity, invalidity or unenforceability of any obligations of the Chargor under the Transaction Documents or any present or future law or order of any government or authority (whether of right or in fact) purporting to reduce or otherwise affect any of such obligations to the intent that the Chargor's obligations under this Deed shall remain in full force and this Deed shall be construed accordingly as if there were no such irregularity, unenforceability, invalidity, law or order; or
- (D) any legal limitation, disability, incapacity or other circumstance relating to the Chargor, any guarantor or any other person or any amendment to or variation of the terms of the Transaction Documents or any other document or security.

2.6 Immediate recourse

The Chargor waives any right it may have of first requiring the Secured Party to proceed against or claim payment from any other person or enforce any guarantee or other security before enforcing this Deed.

2.7 Reinstatement

Where any discharge (whether in respect of the security constituted by this Deed, any other security or otherwise) or any arrangement is made in whole or in part on the faith of any payment, security or other disposition which is avoided or where any amount paid pursuant to any such discharge or arrangement must be repaid on bankruptcy, liquidation or otherwise, without limitation, the security constituted by this Deed and the liability of the Chargor under this Deed shall continue as if there had been no such discharge or arrangement.

2.8 Floating charge

- (A) If and to the extent the fixed charge created by Clause 2.2 (*Security*) is held by a court of competent jurisdiction to constitute a floating charge, the Secured Party may at any time by notice in writing to the Chargor while the Custodian is not in compliance with its obligations under the Account Control Agreement, or the Chargor or the Custodian rescinds or purports to rescind or repudiates or purports to repudiate such agreement, or such agreement has been found by a court of competent jurisdiction to be illegal, invalid, void or unenforceable, convert such floating charge with immediate effect into a fixed charge as regards any property or assets specified in the notice if:
- (i) a Relevant Event has occurred;
 - (ii) the Chargor seeks to terminate or amend (other than in accordance with this Deed) a Collateral Document; or
 - (iii) the Chargor rescinds or purports to rescind or repudiates or purports to repudiate a Transaction Document or evidences an intention to rescind or repudiate a Transaction Document.
- (B) Notwithstanding Clause 2.8(A) and without prejudice to any law which may have a similar effect, any such floating charge will, while the Custodian is not in compliance with its obligations under the Account Control Agreement, or the Chargor or the Custodian rescinds or purports to rescind or repudiates or purports to repudiate such agreement, or such agreement has been found by a court of competent jurisdiction to be illegal, invalid, void or unenforceable, automatically and immediately be converted into a fixed charge as regards all Security Assets subject to the floating charge if:
- (i) the Chargor creates or attempts to create or permits to subsist any security interest affecting any of the Security Assets other than Permitted Security;
 - (ii) an Insolvency Event occurs with respect to the Chargor; or
 - (iii) a termination right arises under clause 15.1.2 (*Legal & General termination right – PPF entry*) of the Buy In Agreement.

3. OPERATION OF COLLATERAL ACCOUNTS

The Chargor shall, prior to the Discharge Date and except as expressly provided otherwise in this Deed:

- (A) ensure that no Posted Credit Support is withdrawn from the Collateral Accounts or otherwise disposed of or dealt with except with the consent of the Secured Party;

- (B) ensure that all cash paid or received or securities received in respect of or in connection with the Posted Credit Support in the Collateral Accounts is credited to the Collateral Accounts; and
- (C) ensure that no other instructions are given to the Custodian or by the Custodian in relation to the Collateral Accounts except with the consent of the Secured Party.

4. CREDIT SUPPORT OBLIGATIONS

4.1 Delivery Amount

- (A) In respect of each Transaction, subject to Clause 5 (*Conditions Precedent, Transfers, Calculations, Substitutions and Ineligible Credit Support*) and to the Chargor having transferred Cash and In-Specie Assets to the Secured Party, in accordance with the provisions of clause 3 (*Payment of Premium*) of the Buy In Agreement, which have a Received Asset Value of at least 95 per cent. of the relevant Buy In Price, and to the extent that the Secured Party has transferred Eligible Collateral to the Chargor in accordance with clause 2.1 (*Delivery Amount*) of the Title Transfer Deed, the Chargor shall transfer to the Custodian (to be credited to the Collateral Accounts) Eligible Collateral (which has an aggregate Value of not less than the product of the relevant Transaction Collateral Required Value multiplied by the relevant Initial Collateral Percentage) by no later than the Settlement Day in respect of the later of the Buy In Price Payment Date and the Transaction Collateralisation Date for that Transaction.
- (B) Subject to Clauses 5 (*Conditions Precedent, Transfers, Calculations, Substitutions and Ineligible Credit Support*) and 7 (*Dispute Resolution*), if the Delivery Amount for a Collateral Valuation Date equals or exceeds the Minimum Transfer Amount, then the Chargor shall, by the end of the Settlement Day after that Collateral Valuation Date, transfer to the Custodian (to be credited to the Collateral Accounts) Eligible Collateral having an aggregate Value as of that Collateral Valuation Date at least equal to that Delivery Amount (rounded pursuant to Clause 4.3 (*Rounding*)).
- (C) The "**Delivery Amount**" for any Collateral Valuation Date will equal the amount by which:
 - (i) the Collateral Required Value as of that Collateral Valuation Date

exceeds
 - (ii) the Value as of that Collateral Valuation Date of the Posted Credit Support (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the irrevocable instruction to transfer has been delivered).

4.2 Return Amount

(A) Subject to Clauses 5 (*Conditions Precedent, Transfers, Calculations, Substitutions and Ineligible Credit Support*) and 7 (*Dispute Resolution*), if the Return Amount for a Collateral Valuation Date equals or exceeds the Minimum Transfer Amount, the Chargor may deliver an instruction (a "**Return Instruction**") to the Secured Party for counter-signature and delivery by the Secured Party to the Custodian directing the Custodian to transfer to the Chargor the Collateral specified in that Return Instruction with an aggregate Value as of that Collateral Valuation Date no greater than that Return Amount (rounded pursuant to Clause 4.3 (*Rounding*)) and, subject to Clause 4.2(B), the Secured Party shall, by the end of the Settlement Day after the later of:

- (i) the date of delivery of such Return Instruction; or
- (ii) the receipt by the Chargor of the relevant Monthly CRV Report,

and subject to Clause 12.7 (*Cooperation regarding instructions*), countersign and deliver such instruction to the Custodian as an irrevocable instruction to transfer to the Chargor the Collateral specified in such Return Instruction.

(B) Unless the Return Amount arises in respect of the Termination Date, a Transaction Termination Date, a Final Return Date (as defined in the Title Transfer Deed) or an Early Return Date (as defined in the Title Transfer Deed), if the Return Amount for any Collateral Valuation Date is greater than the Maximum Daily Return Amount, the Secured Party shall be entitled to require the transfer of the required Value of Collateral to occur in two separate transfers, with the first such transfer taking place on the Settlement Day determined in accordance with paragraph (A) above and the second transfer taking place no more than five Business Days later, with the first such transfer of Collateral having an aggregate Value as of the Collateral Valuation Date as near as practical equal to (but in any event not more than) the Maximum Daily Return Amount and the second such transfer of Collateral having an aggregate Value as of the Collateral Valuation Date equal to the lesser of:

- (i) the Maximum Daily Return Amount; and
- (ii) the difference between:
 - (a) the Value of the Collateral specified in the relevant Return Instruction from the Chargor; and
 - (b) the Value (calculated as of the relevant Collateral Valuation Date) of the first transfer of Collateral by the Secured Party pursuant to that Return Instruction,

and, if the Return Amount for any Collateral Valuation Date is greater than the Maximum Monthly Return Amount, the Secured Party shall (without prejudice to any other transfer obligations it may have under this Deed, including in respect of any subsequent Collateral Valuation Date) be entitled to require the transfer of Collateral with a Value no greater than the Maximum Monthly Return Amount in respect of such Return Amount (and shall not be treated as being in breach of its

obligations under this Deed if it elects to do so), provided that, where the Return Amount results (in whole or in part) from the operation of clause 4.6 (*Alternative Collateral Structure*) or clause 15.1.4 (*Legal & General termination right – Trustee collateral breach*) of the Buy In Agreement or the issuance of individual policies in accordance with clause 9 (*Individual Policies*) of the Buy In Agreement, this Clause 4.2(B) shall not apply and the Secured Party shall be required to countersign and deliver to the Custodian any instruction for the transfer of Collateral having an aggregate Value as of the Collateral Valuation Date equal to the applicable Return Amount (rounded pursuant to Clause 4.3 (*Rounding*)) (irrespective of whether or not such Return Amount is greater than the Maximum Daily Return Amount or Maximum Monthly Return Amount).

(C) The "**Return Amount**" for any Collateral Valuation Date will equal the amount by which:

(i) the Value as of that Collateral Valuation Date of the Posted Credit Support (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the irrevocable instruction to transfer has been delivered)

exceeds

(ii) the Collateral Required Value as of that Collateral Valuation Date.

4.3 Rounding

Each Delivery Amount and Return Amount will be rounded up and down to the nearest integral multiple of £10,000, respectively, provided that, if such an amount corresponds to exactly half of such multiple, then it will be rounded up.

5. CONDITIONS PRECEDENT, TRANSFERS, CALCULATIONS, SUBSTITUTIONS AND INELIGIBLE CREDIT SUPPORT

5.1 Conditions precedent

(A) Each right of the Chargor and obligation of the Secured Party under Clauses 4.2 (*Return Amount*), 5.5 (*Substitutions*), 5.6 (*Ineligible Collateral*) and 7 (*Dispute Resolution*) is subject to the conditions precedent that:

- (i) no Event of Default has occurred and is continuing with respect to the Chargor under the Buy In Agreement;
- (ii) no notice of termination in respect of the Buy In Agreement (as a whole) has been validly delivered pursuant to clause 15 (*Termination*) of the Buy In Agreement; and
- (iii) no breach by the Chargor of its obligations under Clauses 4.1 (*Delivery Amount*), 5.5 (*Substitutions*) and 7 (*Dispute Resolution*) has occurred and is continuing.

- (B) Each obligation of the Chargor and right of the Secured Party under Clauses 4.1 (*Delivery Amount*) and 7 (*Dispute Resolution*) is subject to the conditions precedent that:
- (i) no Event of Default has occurred and is continuing with respect to the Secured Party under the Buy In Agreement;
 - (ii) no notice of termination in respect of the Buy In Agreement (as a whole) has been validly delivered pursuant to clause 15 (*Termination*) of the Buy In Agreement; and
 - (iii) no breach by the Secured Party of its obligations under Clauses 4.2 (*Return Amount*), 5.5 (*Substitutions*) and 7 (*Dispute Resolution*) has occurred and is continuing.

5.2 Transfers

All transfers under this Deed of any Collateral, Distributions, Interest Amounts or any other asset forming (or which is to form) part of the Posted Credit Support shall be made in accordance with the provisions of this Deed and the instructions of the Secured Party and/or the Chargor (as applicable) and shall be made:

- (A) in the case of cash, by transfer into one or more accounts specified by the recipient; or
- (B) in the case of securities, by the giving of irrevocable written instructions to the relevant custodian of such securities, together with a copy of the instructions to the recipient, sufficient, if complied with by that custodian, to result in a legally effective transfer of the transferring party's legal and beneficial title to the recipient.

5.3 Title, no security interest

The Chargor represents to the Secured Party (which representation will be deemed to be repeated as of each date on which it transfers any Collateral, Distribution, Interest Amount or any other asset forming (or which is to form) part of the Posted Credit Support) that it has the right to transfer such Collateral, Distribution, Interest Amount or any other asset forming (or which is to form) part of the Posted Credit Support and which it transfers under this Deed, free and clear of any security interest, lien, encumbrance or other restriction (other than any Permitted Security Interest).

5.4 Calculations

- (A) All calculations of Value for purposes of Clauses 4 (*Credit Support Obligations*), Clause 5 (*Conditions Precedent, Transfers, Calculations, Substitutions and Ineligible Credit Support*) and 7.1 (*Disputed calculations or valuations*) will be made by the Valuation Agent as at each Collateral Valuation Date in accordance with this Deed using (to the extent the same are provided by the Custodian) Values provided by the Custodian.

- (B) The Valuation Agent will notify the Secured Party and the Chargor of its calculations not later than the fifth Business Day following the Collateral Valuation Date with such notification to be confirmed in writing. Such notification will be in the form separately agreed between the parties and shall contain (i) a Value for each item of Collateral comprised in the Posted Credit Support on that Collateral Valuation Date, (ii) any Delivery Amount or Return Amount for that Collateral Valuation Date, (iii) details of any prior Delivery Amount or prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the irrevocable instruction to transfer has been delivered on or prior to that Collateral Valuation Date and (iv) the of the Collateral Required Value for that Collateral Valuation Date determined in accordance with the terms of schedule 4 (*Collateral Calculation Mechanism*) to the Buy In Agreement.
- (C) The Chargor hereby confirms that it has requested the Custodian to provide daily bid prices of the assets comprising the Posted Credit Support ("**Required Valuations**"). The Chargor will use all reasonable endeavours to procure that such Required Valuations are made available to the Secured Party (or its agent). Except as otherwise expressly provided in this Deed or the Buy In Agreement, any valuations provided by the Valuation Agent will be consistent with Required Valuations so provided.
- (D) If such Required Valuations are not made available to the Secured Party (or its agent):
- (i) any failure by the Valuation Agent to comply with Clause 5.4(B) due to the provider of such valuations failing to provide complete, accurate and timely Required Valuations shall not be a breach of this Deed;
 - (ii) the Secured Party shall, acting in good faith and in a commercially reasonable manner consistent with the definition of Value, use alternative pricing sources for the valuations of the assets comprising the Posted Credit Support, provided that in such circumstances any failure by the Secured Party to comply with the timing requirements set out in Clause 5.4(B) shall not be a breach of this Deed; and
 - (iii) in the event of repeated material failures by the Custodian to provide Required Valuations, the parties shall consult, and shall use reasonable endeavours to agree within 15 Business Days and promptly thereafter to appoint, a replacement valuation provider.

5.5 Substitutions

- (A) The Chargor may on any Business Day by notice inform the Secured Party that it wishes to transfer to the Custodian (to be credited to the Collateral Accounts) Eligible Collateral specified in that notice (the "**New Collateral**") in exchange for any Collateral comprised in the Posted Credit Support and specified in that notice (the "**Original Collateral**", and such an exchange being an "**Exchange**").
- (B) Unless the Secured Party has refused its consent to the relevant Exchange in accordance with Clause 5.5(C), no later than the close of business on the

Settlement Day following delivery of a notice from the Chargor under Clause 5.5(A), the Chargor shall transfer the New Collateral to the Custodian (to be credited to the Collateral Accounts) and the Secured Party shall, subject to Clause 12.7 (*Cooperation regarding instructions*), countersign an irrevocable instruction from the Chargor to the Custodian to transfer to the Chargor the Original Collateral which has a Value as of the date of such notice as close as practicable to, but not more than, the Value of the New Collateral as of that date (and the date of such notice will be deemed to be a Collateral Valuation Date for this purpose) provided that, for these purposes, the Value of any Original Collateral shall be determined as if it were Eligible Collateral and disregarding the proviso in paragraph (a)(ii) of the definition of "Value".

- (C) The Secured Party may refuse its consent to any Exchange proposed by the Chargor provided that any such refusal:
 - (i) may only be made on the grounds that the New Collateral under the Exchange is not Eligible Collateral or that the requirements under Clause 5.5(B) as to the Value of the New Collateral under the Exchange are not satisfied; and
 - (ii) must be notified by the Secured Party to the Chargor not later than the Notification Time on the Business Day following the date of delivery of a notice from the Chargor under Clause 5.5(A) or not later than the Notification Time on the next Business Day if such notice is received by the Secured Party after the Notification Time.

5.6 Ineligible Collateral

- (A) No later than the close of business on the fifth Business Day following a Collateral Valuation Date, the Chargor may by notice inform the Secured Party that it wishes the Custodian to transfer to the Chargor (or to its order) any Ineligible Collateral or Eligible Collateral that, as a result of the proviso in paragraph (a)(ii) of the definition of "Value", has a Value of zero specified in that notice, and shall include with such notice a signed instruction to the Custodian with respect to such transfer of Ineligible Collateral.
- (B) No later than close of business on the Settlement Day following delivery of a notice from the Chargor under Clause 5.6(A), the Secured Party shall, subject to Clause 12.7 (*Cooperation regarding instructions*), countersign the irrevocable instruction of the Chargor to the Custodian to transfer to the Chargor the specified Ineligible Collateral or Eligible Collateral that, as a result of the proviso in paragraph (a)(ii) of the definition of "Value", has a Value of zero.

6. DISTRIBUTIONS AND INTEREST AMOUNT

6.1 Distributions

The Secured Party will, not later than the Settlement Day following each Distributions Date, consent to the transfer to the Chargor of the relevant Distributions to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the

Valuation Agent (and the date of calculation will be deemed a Collateral Valuation Date for this purpose).

6.2 Interest Amount

The Secured Party will, not later than the Settlement Day following each Collateral Valuation Date (or such later date when the Chargor receives a corresponding payment from the Custodian under the Custody Agreement), consent to the transfer to the Chargor of the relevant Interest Amount with respect of the Interest Period ending on (but excluding) that Collateral Valuation Date to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the Valuation Agent.

7. DISPUTE RESOLUTION

7.1 Disputed calculations or valuations

- (A) If a party (a "**Disputing Party**") reasonably disputes the Valuation Agent's calculation of the Value of any Collateral, then:
 - (i) the Disputing Party will notify the other party and the Valuation Agent not later than the Notification Time on the Business Day following the date on which it was notified of the Value of such Collateral; and
 - (ii) the Valuation Agent will, on the next following Collateral Valuation Date, determine the Value of such Collateral by seeking at least five bid prices as of the relevant Collateral Valuation Date from parties that regularly act as dealers in the securities or other property in question. If three or more bid prices are provided, the Value of the relevant Collateral in respect of such Collateral Valuation Date will be the arithmetic mean of the bid prices, without regard to the bid prices having the highest and lowest value. If two bid prices are provided, the Value of the relevant Collateral in respect of such Collateral Valuation Date will be the arithmetic mean of such prices. If fewer than two bid prices are obtained, the Value of the relevant Collateral in respect of such Collateral Valuation Date will be determined in accordance with the definition of "Value" and, at the election of the Disputing Party, the dispute shall be determined in accordance with Clause 7.1(B) below.
- (B) Any dispute with regard to a numerical matter and any dispute which is not resolved under Clause 7.1(A) above, or under the terms of schedule 4 (*Collateral Calculation Mechanism*) to the Buy In Agreement, shall at the election of either party (notified in writing to the other party) be subject to the provisions of clause 17.25 (*Expert Determination*) of the Buy In Agreement, as if such provisions were set out herein in full and as if references to Legal & General were references to the Secured Party and references to the Trustee were references to the Chargor. The Valuation Agent will recalculate the relevant amount that was subject to such dispute on the Business Day following the resolution of the dispute and the amount so calculated will be equal to the resolved amount.

- (C) Notwithstanding the procedures set out in Clause 7.1(A) and 7.1(B) above, the Chargor will transfer the undisputed amount, or will be able to instruct the Custodian to release the undisputed amount, in accordance with the terms of this Deed.

7.2 Other disputes

Any dispute, claim, difference or controversy arising out of, relating to or having any connection with this Deed, including any question regarding its existence, validity, interpretation, performance or termination which is not referred for determination pursuant to Clause 7.1 (*Disputed calculations or valuations*) above may be resolved in accordance with the provisions of clause 17.26 (*Arbitration*) of the Buy In Agreement, as if such provisions were set out herein in full and as if references to Legal & General were references to the Secured Party and references to the Trustee were references to the Chargor.

7.3 No breach

The failure by the Chargor to make (or the Secured Party to consent to) a transfer of any amount which is the subject of a dispute to which Clause 7.1 (*Disputed calculations or valuations*) applies will not constitute a breach of this Deed for as long as the procedures set out in Clause 7.1 are being carried out.

7.4 Replacement of Valuation Agent

- (A) If the Valuation Agent fails to provide a valuation or determination as required under this Deed, such failure shall not be a breach of this Deed or of the Secured Party's obligations for the purposes of clause 15.2.2 (*Trustee termination right – Legal & General collateral breach*) of the Buy In Agreement, but shall permit the Chargor, on written notice to the Secured Party and the Valuation Agent, to provide such required valuation or determination on the basis of the methodology set out in this Deed.

- (B) If:
- (i) an Event of Default occurs and is continuing in respect of the Secured Party (other than a Capital Breach); or
 - (ii) the procedures under Clause 7.1 (*Disputed calculations or valuations*) are utilised with respect to the calculation of Value or the calculation of the Collateral Required Value is disputed on nine or more separate occasions during any period of 12 successive calendar months and on nine or more occasions the amount provided by the Valuation Agent differed by one per cent. or more from the finally determined value,

the Chargor shall be entitled to act as Valuation Agent (or appoint a third party acceptable to both parties, acting reasonably, as Valuation Agent) until the Discharge Date, and, for the avoidance of doubt, the Chargor may choose to so act or so appoint in respect of all or only some of the functions of the Valuation Agent (provided that, in such circumstances, the Secured Party shall not be liable

for any failure to perform its duties as Valuation Agent by reason of any failure of the Chargor (or its appointee) to perform any of the Valuation Agent's duties which the Chargor (or such appointee) has assumed).

8. HOLDING POSTED CREDIT SUPPORT

8.1 Care of Posted Credit Support

The Chargor has appointed the Custodian to hold the Posted Credit Support in accordance with and subject to the terms of the Custody Agreement and the Account Control Agreement.

8.2 Eligibility to hold Posted Credit Support; Custodians

(A) Initially, the Custodian is The Bank of New York Mellon S.A./N.V., London Branch, pursuant to the Custody Agreement. The Chargor's obligations to make any transfer hereunder will be discharged by making such transfer, or by such transfer being made to the order of the Chargor, to a Collateral Account held with the Custodian.

(B) If:

- (i) The Bank of New York Mellon S.A./N.V., London Branch (or any successor appointed in accordance with the terms hereof) at any time suffers an Insolvency Event or ceases to be the Custodian for the Chargor;
- (ii) the Custody Agreement or the Account Control Agreement (or any agreement replacing such agreement in accordance with the terms hereof) ceases to be in full force and effect (or, with the expiry of a notice period arising following the service by a party to the Custody Agreement or the Account Control Agreement of a termination notice, will cease to be in full force and effect);
- (iii) at any time the Required Rating is no longer satisfied in respect of the Custodian, and the Secured Party or the Chargor gives notice to the other that it wishes to replace the Custodian in respect of the Collateral Accounts; or
- (iv) the Chargor at any time gives notice to the Secured Party that it wishes to replace the Custodian in respect of the Collateral Accounts and the Secured Party (acting reasonably) consents to that replacement,

(which notices in (iii) and (iv) may be revoked at any time) then the replacement arrangements described in Clause 8.3 shall apply.

8.3 Replacement Custodian

(A) Following the occurrence of any of the events specified in Clauses 8.2(B)(i) to 8.2(B)(iv), the parties shall procure that all the Posted Credit Support is

transferred to Replacement Accounts with a Replacement Custodian as soon as reasonably practicable, and in any event within 90 days (and the parties shall deliver and/or countersign any instructions to the Custodian as may be reasonably required to facilitate such transfer).

- (B) No person shall be appointed as a Replacement Custodian unless:
 - (i) such person has first been approved by both parties (such approval not to be unreasonably withheld or delayed) and it has entered into custody arrangements and account control arrangements and established custody accounts which in form and substance provide protection to the Secured Party equivalent to that under the Collateral Documents, or otherwise satisfactory to the Secured Party (acting reasonably having regard to the then available market terms relating to custodial arrangements); and
 - (ii) the Replacement Custodian acknowledges the security created by this Deed (on terms substantially the same as the terms of this Deed or otherwise) in a manner reasonably acceptable to the Secured Party.
- (C) The Chargor shall, and shall use all reasonable endeavours to procure that any necessary third party shall, promptly execute and deliver such documents and perform such acts as may be required for the purpose of giving full effect to this Clause 8.3 and creating or perfecting any security contemplated under this Clause 8.3 to the Secured Party's satisfaction, acting reasonably.

8.4 Negative pledge and no disposals

Prior to the Discharge Date, the Chargor shall not and shall not instruct the Custodian to enter into a single transaction or a series of transactions (whether related or not) and whether voluntarily or involuntarily, to sell, transfer or otherwise dispose of the whole or any part of the Posted Credit Support and will not create or permit to subsist any security interest (except for any Permitted Security Interest) on any part of the Posted Credit Support or otherwise deal with any part of the Posted Credit Support, save as may be permitted under the Collateral Documents.

8.5 No variation of Custody Agreement or Account Control Agreement etc.

Prior to the Discharge Date, the Chargor shall not, without the prior written consent of the Secured Party:

- (A) amend, supplement, vary or waive (or agree to amend, supplement, vary or waive) any provision of the Custody Agreement or Account Control Agreement affecting the Collateral Accounts (provided that for such purposes the Secured Party shall not unreasonably withhold its consent);
- (B) exercise any right to rescind, cancel or terminate the Custody Agreement or Account Control Agreement in respect of the Collateral Accounts other than in accordance with the terms of this Deed;

- (C) release the Custodian from any obligations of the Custody Agreement or Account Control Agreement in respect of the Collateral Accounts other than in accordance with the terms of this Deed;
- (D) waive any breach by the Custodian in respect of the Collateral Accounts or consent to any act or omission which would otherwise constitute such a breach; or
- (E) except as provided in this Deed, novate, transfer or assign any of its rights under the Custody Agreement or Account Control Agreement in respect of the Collateral Accounts.

8.6 Breach of Custody Agreement

The Chargor shall notify the Secured Party, promptly on the Chargor becoming aware, of:

- (A) any material breach of or default under the Custody Agreement or Account Control Agreement by it, the Custodian or any other party in respect of the Collateral Accounts;
- (B) the occurrence of any other event giving either the Chargor or the Custodian the right to rescind, cancel or terminate the Custody Agreement or Account Control Agreement; and
- (C) any claim made or threatened to be made by it or the Custodian under or in connection with the Custody Agreement or Account Control Agreement in respect of the Collateral Accounts, promptly on becoming aware of the same. The Chargor shall provide the Secured Party with reasonable details of any such claim and its progress and notify the Secured Party as soon as practicable upon that claim being resolved.

8.7 Performance of obligations under Custody Agreement and Account Control Agreement

Without prejudice to the terms of the Custody Agreement or Account Control Agreement, the Chargor shall perform all its material obligations under the Custody Agreement and the Account Control Agreement in respect of the Collateral Accounts.

8.8 Voting rights

The Chargor shall be entitled to exercise voting rights with respect to any item of Posted Credit Support in the form of securities at any time when a Relevant Event is not continuing, provided that the Chargor shall not exercise such voting rights in a manner which prejudices the value of the Posted Credit Support, and shall otherwise exercise such voting rights in accordance with the provisions of the Account Control Agreement.

8.9 Other obligations

The Chargor shall remain liable to observe and perform all of the conditions and obligations assumed by it in writing or by effect of law in respect of any of the Posted Credit Support.

9. RIGHTS OF ENFORCEMENT

9.1 Secured Party's rights to enforce the Security

If, a Relevant Event has occurred and is continuing, the Secured Party shall be entitled to put into force and to exercise immediately or as and when it may see fit any and every power possessed by the Secured Party by virtue of the Collateral Documents or available to a secured creditor (so that section 93 and section 103 of the Law of Property Act 1925 shall not apply to this Deed) and in particular (but without limitation) the Secured Party shall, immediately or at any subsequent time and without prior notice to the Chargor, have power in respect of the Security Assets:

- (A) to hold, sell or otherwise dispose of all or any of the Security Assets upon such terms as the Secured Party shall in its absolute discretion determine;
- (B) to collect, recover or compromise and to give a good discharge for any moneys payable to the Chargor in respect of any of the Security Assets;
- (C) to exercise its right under Clause 2.3 (*Right of appropriation*) to appropriate the Security Assets in or towards the payment or discharge of any amounts payable by the Chargor with respect to any Obligation in such order as the Secured Party sees fit;
- (D) secure and perfect its title to all or any part of the Security Assets (including transferring the same into the name of the Secured Party or its nominee(s)) or otherwise exercise in relation to the Security Assets all the rights of an absolute owner;
- (E) without notice to the Chargor, appoint one or more qualified persons to be Receiver or Receivers (and, if the Secured Party appoints more than one person as Receiver, the Secured Party may give the relevant persons power to exercise all or any of the powers conferred on Receivers individually as well as jointly and to the exclusion of the other or others of them); or
- (F) whether or not it has appointed a Receiver, exercise all or any of the powers, authorities and discretions conferred by the Law of Property Act 1925 (as varied or extended by this Deed) on chargees and by this Deed on any Receiver or otherwise conferred by law on chargees or Receivers,

and, for the purposes of this Clause 9.1, the Secured Party shall be entitled to make any currency conversions at the best prevailing rates or effect any transaction in currencies which it thinks fit, and to do so at the best prevailing rates at such times as it thinks fit.

9.2 Power of attorney

The Chargor, by way of security and solely for the purpose of more fully securing the performance of the Obligations, irrevocably appoints the Secured Party as the attorney of the Chargor on its behalf and in the name of the Chargor or the Secured Party (as the attorney may decide):

- (A) to do all such things and to take any action (including executing any document) which the Chargor is obliged to take under this Deed but has not taken by the due date therefor and after having been given five Business Days' notice by the Secured Party to do so; and
- (B) following the occurrence of a Relevant Event which is continuing, to do all such things and take any action (including executing any document) necessary or desirable to enable the Secured Party or a Receiver to exercise all or any of its rights in accordance with this Deed or the Account Control Agreement or under applicable law.

9.3 Protection of purchaser

- (A) No purchaser or other person dealing with the Secured Party or a Receiver or with their respective attorney or agent shall be concerned to enquire (i) whether any power exercised or purported to be exercised by the Secured Party or a Receiver or any attorney or agent thereof has become exercisable, (ii) whether any Obligation remains due, (iii) as to the propriety or regularity of any of the actions of the Secured Party or a Receiver or any attorney or agent thereof, or (iv) as to the application of any money paid to the Secured Party or a Receiver or any attorney or agent thereof.
- (B) In the absence of bad faith on the part of such purchaser or other person, such dealings shall be deemed, so far as regards the safety and protection of such purchaser or other person, to be within the powers conferred by this Deed and to be valid accordingly. The remedy of the Chargor in respect of any impropriety or irregularity whatever in the exercise of such powers shall be in damages only.

9.4 Deficiencies and excess proceeds

The Secured Party will transfer to the Chargor any proceeds and Posted Credit Support remaining after liquidation, set-off and/or application under Clause 9.1 (*Secured Party's rights to enforce the Security*) and after satisfaction in full of the Obligations; the Chargor will remain liable for any amounts remaining unpaid after any liquidation, set-off and/or application under Clause 9.1 (*Secured Party's rights to enforce the Security*).

9.5 Final returns

Following the earlier of:

- (A) the date which is five Business Days after the date on which no further amounts are capable of becoming payable by the Chargor to the Secured Party with respect to any Obligations; or

(B) the Collateral Valuation Date when:

- (i) the Collateral Required Value is less than £100,000,000 (and will not be capable of exceeding £100,000,000); and
- (ii) no Termination Date has been designated under the Buy In Agreement,

(the "**Discharge Date**"), the Secured Party will, as soon as reasonably practicable (and in any event not later than ten Business Days following the Discharge Date), take all reasonable steps to release the Chargor from its obligations (other than those which are specified as surviving termination) under this Deed and the Account Control Agreement, and to release the security created by this Deed.

10. REPRESENTATIONS

The Chargor represents to the Secured Party (which representations set out in paragraphs (E), (F), (G) and (H) below will be deemed to be repeated as of each Collateral Valuation Date and on each date on which the Chargor transfers Collateral to the Collateral Accounts) that:

- (A) it is a limited liability corporation, duly incorporated and validly existing under the law of its incorporation;
- (B) it has the power to own its assets and carry on its business as it is being conducted;
- (C) subject to the Legal Reservations, the obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable obligations;
- (D) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Deed and the transactions contemplated by this Deed;
- (E) it has the power to grant a security interest in any item of Collateral which stands to the credit of the Collateral Accounts and has taken all necessary actions to authorise the granting of that security interest;
- (F) subject to any Permitted Security Interest, the security interests created pursuant to this Deed have or will have first ranking priority and the Security Assets are not subject to any prior ranking or pari passu ranking security interest;
- (G) the Posted Credit Support standing to the credit of the Collateral Accounts is free and clear of any security interest, lien or encumbrance other than any Permitted Security Interest; and
- (H) the performance by it of its obligations under this Deed will not result in the creation of any security interest, lien or encumbrance in or on any item of the Posted Credit Support other than any Permitted Security Interest.

11. EXPENSES

Each party will pay its own costs and expenses (including any stamp, transfer or similar transaction tax or duty payable on any transfer it is required to make under this Deed) in connection with performing its obligations under this Deed and neither party will be liable for any such costs and expenses incurred by the other party.

12. OTHER PROVISIONS

12.1 Use of agents and subcontractors

Clause 17.8 (*Use of agents and sub-contractors*) of the Buy In Agreement shall be deemed to be repeated herein as if references to Legal & General were references to the Secured Party and references to the Trustee were references to the Chargor. To the extent that an agent of the Secured Party or the Chargor acts as Valuation Agent, the relevant party shall procure compliance by that agent with the relevant provisions of this Deed.

12.2 Further assurances

Promptly following a demand made by the Secured Party, the Chargor will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action (including using reasonable endeavours to procure that any necessary third party or Replacement Custodian takes such actions) that may be necessary or desirable and reasonably requested by the Secured Party for the purpose of giving full effect to this Deed, or, in relation to any Posted Credit Support, to create, preserve, perfect or validate any security interest granted under Clause 2 (*Security*), to enable the Secured Party to exercise or enforce its rights under this Deed with respect to Posted Credit Support or to effect or document a release of a security interest on Posted Credit Support, in each case to the Secured Party's reasonable satisfaction, provided that the Chargor shall not be obliged to enter into any document or do anything pursuant to this Clause 12.2 which would create or impose any new or more onerous obligation on it compared to those obligations expressed in this Deed when originally entered into (or most recently amended) or which would otherwise restrict the Chargor from dealing with the Security Assets to a greater degree than the restrictions expressed to be imposed by this Deed when originally entered into (or most recently amended).

12.3 Further protection

- (A) The Chargor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien or other security interest that involves Posted Credit Support or that could adversely affect the security interest granted by it under Clause 2 (*Security*) (each a "**Defended Action**").
- (B) If such Defended Action:
 - (i) arose (or is purported by the party bringing such Defended Action to have arisen) prior to the Chargor's ownership of the relevant item comprised in the Posted Credit Support subject to such Defended Action (the "**Action Asset**"); and

- (ii) the Secured Party had previously owned such Action Asset and transferred such Action Asset to the Chargor,

the Chargor shall only be required to defend against such Defended Action if the Secured Party has used reasonable endeavours to exercise its rights under the Collateral Documents to facilitate the substitution of such Action Asset in accordance with this Deed but has been unable to do so (including because the Chargor declined to make, or has refused its consent to, such exchange) and the costs of defending such Defended Action shall be borne by the Secured Party, provided that:

- (i) the Secured Party shall direct in all respects the conduct of the defence of such Defended Action and the Chargor shall promptly comply in all respects with the reasonable requests of the Secured Party with respect to the defence of such Defended Action; and
- (ii) the Chargor shall be under no obligation to defend against any Defended Action if to do so would constitute a breach of applicable laws or the Scheme Rules or would result in the Chargor bearing costs which would not be borne by the Secured Party.

12.4 Release of Security over Posted Credit Support

Each item of the Posted Credit Support which is transferred out of any Collateral Account in accordance with the terms of this Deed and the Account Control Agreement, and is not transferred into any other Collateral Account, shall automatically be released and discharged from the Security upon the occurrence of such transfer.

12.5 Registration

The Chargor shall arrange for the security interests created by Clause 2.2 (*Security*) to be registered with Companies House within 21 days of this Deed.

12.6 Financial collateral

Each party acknowledges to the other party that, notwithstanding any steps taken to register the security at Companies House pursuant to Clause 12.5 (*Registration*) above, it intends for this Deed to take effect as a "security financial collateral arrangement" (as defined in the Regulations).

12.7 Cooperation regarding instructions

The Secured Party and the Chargor agree to act reasonably in countersigning and delivering any instructions to be sent to the Custodian in accordance with the terms of this Deed and the other Collateral Documents.

12.8 Severability

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or

enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

12.9 Procurement of services

- (A) The Secured Party shall procure that LGIM performs the services in respect of this Deed and the Title Transfer Deed specified in schedule 1 (*Services*) to the Agency Agreement at the time and in the manner required in the Agency Agreement (in each case subject to the terms and conditions of the Agency Agreement).
- (B) The Chargor may, to the extent that LGIM would (but for paragraph (C) below) otherwise be liable to the Chargor for any breach of the Agency Agreement, be entitled to seek recourse against (and only against) the Secured Party:
 - (i) for such breach by LGIM; or
 - (ii) for breach by the Secured Party of the procurement obligation set out in paragraph (A) above,

in each case as though the Secured Party were party to the Agency Agreement in the capacity of Agent (and any assessment of the Secured Party's liability and the remedies available to the Chargor will be subject to the provisions of the Agency Agreement, including clause 8 (*Liability and Indemnity*) of the Agency Agreement), provided that the Secured Party shall have no greater liability to the Chargor under the undertaking in paragraph (A) above or under this paragraph (B) than LGIM would otherwise have to the Chargor, but for this paragraph (B) and paragraph (C) below.

- (C) In consideration for the Secured Party's undertaking in paragraph (A) above, and the rights of the Chargor under paragraph (B) above, the Chargor agrees (in each case, to the fullest extent permissible by law) that LGIM shall have no liability to the Chargor under or in connection with the Agency Agreement and the Chargor shall not be entitled, and shall irrevocably waive any right, to bring any claim against, or otherwise seek recourse from, LGIM with respect to any breach by LGIM of the Agency Agreement.
- (D) This Clause 12.9 confers a benefit on LGIM, an entity not party to this Deed, and is intended to be enforceable by LGIM by virtue of the Contracts (Rights of Third Parties) of 1999.

13. THIRD PARTY RIGHTS

Subject to any provision(s) of this Deed under which rights are granted to third parties by express reference to the Contracts (Rights of Third Parties) Act 1999, a person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

14. **GOOD FAITH AND COMMERCIALY REASONABLE MANNER**

Performance of all obligations under this Deed, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

15. **NOTICES**

15.1 **Addresses**

All notices and communications to be made or delivered under or in connection with this Deed shall be made in writing and in English by letter or email (to the extent permitted below) as follows:

to the Secured Party:

One Coleman Street
London EC2R 5AA

Attention:

Managing Director, Pension Risk Transfer, with a copy to:

- Company Secretary
- Murray Blake, LGAS UK PRT Business Services
- Clive Padgett, LGAS UK PRT Business Services

Email:



Copy to:

Head of Collateral Management
Legal & General Investment Management Limited
One Coleman Street
London EC2R 5AA

Email:



Ref: Project Prospero – Notice to LGAS

to the Chargor:

Pearson Pension Trustee Limited
FAO Stephen Beaven
80 Strand
London WC2R 0RL

Email:



Copy to:

Head of Collateral Management
Legal & General Investment Management Limited

One Coleman Street
London EC2R 5AA

Email: [REDACTED]

Ref: Project Prospero – Notice to Trustee

to the Valuation Agent: One Coleman Street
London EC2R 5AA

Attention:
Managing Director, Pension Risk Transfer, with a copy to:
- Company Secretary
- Murray Blake, LGAS UK PRT Business Services
- Clive Padgett, LGAS UK PRT Business Services

Email: [REDACTED]

or any substitute details as the relevant party may notify to the other party by ten days' written notice.

15.2 Delivery

Any communication or document made or delivered by one person to another under or in connection with Deed will only be effective:

- (A) if by way of letter, when it has been left at the relevant address or, as the case may be, five days after being deposited in the post (postage prepaid) in an envelope addressed to it at that address; or
- (B) if by way of email, when sent, but only if, at the time of transmission, no delivery error notification is received.

16. GOVERNING LAW

This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

17. JURISDICTION

- (A) The English courts have exclusive jurisdiction to settle any dispute, claim, difference or controversy arising out of, relating to or having any connection with this Deed, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection

with it (for the purpose of this Clause 17, a "**Dispute**") and each party submits to the exclusive jurisdiction of the English courts.

- (B) For the purposes of this Clause 17, each party waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

18. COUNTERPARTS

This Deed may be executed and delivered in any number of counterparts, all of which, taken together, shall constitute one and the same deed and any party to this Deed may enter into the same by executing and delivering a counterpart.

IN WITNESS WHEREOF this Deed has been executed as a deed by the Secured Party and executed as a deed by the Chargor and is intended to be and is hereby delivered as a deed on the date first stated on page 1.

CREDIT SUPPORT DEED EXECUTION PAGE

The Secured Party

EXECUTED as a DEED by
~~KERRIGAN PROCTER~~ as attorney for
 LEGAL AND GENERAL ASSURANCE)
 SOCIETY LIMITED under a power of)
 attorney dated 14 September 2017, in the)
 presence of:)

Witness's signature:)

Name (print):)

Occupation:)

Address:)

(Signature of attorney)

SHREYAS SRIDHAR

The Chargor

EXECUTED as a DEED by)
 PEARSON PENSION)
 TRUSTEE LIMITED)
 (acting in its capacity as trustee)
 of The Pearson Pension Plan))
 acting by a director and the secretary)

James Hall (Director)

Stephen Beavan (Secretary)

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