

EXECUTION VERSION

SECURITY AGREEMENT
(ASSIGNMENT OF RECEIVABLES)

DATED NOVEMBER 2013

BETWEEN

CO-OPERATIVE BANKING GROUP LIMITED
as Chargor

and

CO-OPERATIVE GROUP LIMITED
as Security Trustee

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THIS DEED is dated November 2013 and is made **BETWEEN**:

- (1) **CO-OPERATIVE BANKING GROUP LIMITED** (registered number IP29379R) as chargor (the **Chargor**); and
- (2) **CO-OPERATIVE GROUP LIMITED** (registration number IP00525R) as security trustee for the Secured Parties (the **Security Trustee**).

BACKGROUND:

- (A) The Chargor enters into this Deed in connection with the Credit Agreement (as defined below).
- (B) It is intended that this document takes effect as a deed notwithstanding the fact that a party may only execute this document under hand.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Deed:

Act means the Law of Property Act 1925.

Assigned Receivables means:

- (a) any amount (and any right to receive such amount) paid or payable by The Royal London Mutual Insurance Society Limited pursuant to the Project Jupiter Sale and Purchase Agreement as deferred consideration (howsoever described in the Project Jupiter Sale and Purchase Agreement), it being understood that such amount (and any right to receive such amount) are subject to the terms of the Project Jupiter Sale and Purchase Agreement; and
- (b) the cash and cash equivalent proceeds (including, when received, the cash and cash equivalent proceeds of any earn-out payments and any deferred consideration, whether by way of adjustment to the purchase price or otherwise) (and any right to receive such proceeds) paid or payable to the Chargor pursuant to a Project Iron Sale and Purchase Agreement.

Credit Agreement means the bridge loan facility agreement dated on or about the date of this Deed between the Chargor as borrower, Co-operative Group Limited as lender, the Security Trustee and The Co-operative Bank p.l.c.

Enforcement Event means:

- (a) a failure by the Chargor to make any payment then due and payable under the Undertaking to Pay; and/or
- (b) the occurrence of an Event of Default,

provided that an Enforcement Event shall not occur until the date falling five Business Days following such failure to make any payment or the occurrence of such Event of Default (as applicable).

Party means a party to this Deed.

Project Iron Sale and Purchase Agreement means any sale and purchase agreement (or equivalent) to be entered into on or after the date of this Deed by the Chargor in relation to Project Iron.

Project Jupiter Sale and Purchase Agreement means the agreement for the sale and purchase of Co-operative Insurance Society Limited and The Co-operative Asset Management Limited between the Chargor as seller and The Royal London Mutual Insurance Society Limited as buyer dated 18 March 2013.

Secured Obligations means all present and future liabilities and obligations at any time due, owing or incurred by the Chargor to any Secured Party under the Debt Documents (but, in respect of the 2014 Commitment Agreement, to the extent of the Undertaking to Pay only), whether actual or contingent and whether owed or incurred solely or jointly and as principal or surety or in any other capacity.

Security means any Security Interest created, evidenced or conferred by or under this Deed.

Security Assets means all assets of the Chargor the subject of any security created by this Deed.

Security Interest means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect.

Security Period means the period beginning on the date of this Deed and ending on the date on which all the Secured Obligations have been unconditionally and irrevocably paid and discharged in full.

1.2 Construction

- (a) Capitalised terms defined in the Credit Agreement have, unless expressly defined in this Deed, the same meaning in this Deed.
- (b) The provisions of paragraph 2 (*Construction*) of Schedule 1 (*Definitions and Construction*) of the Credit Agreement apply to this Deed as though they were set out in full in this Deed, except that references to the Credit Agreement will be construed as references to this Deed.
- (c)
 - (i) A Debt Document or other agreement or instrument includes (without prejudice to any prohibition on amendments) any amendment to that Debt Document or other agreement or instrument, including any change in the purpose of, any extension of or any increase in the amount of a facility or any additional facility but subject, in the case of the 2014 Commitment Agreement, to no increase in, or extension of, the Undertaking to Pay;
 - (ii) the term **this Security** means any security created by this Deed; and
 - (iii) **assets** includes present and future properties, revenues and rights of every description.
- (d) Any covenant of the Chargor under this Deed (other than a payment obligation) remains in force during the Security Period.
- (e) If the Security Trustee considers that an amount paid to a Secured Party under a Debt Document is capable of being avoided or otherwise set aside on the liquidation or administration of the payer or otherwise, then that amount will not be considered to have been irrevocably paid for the purposes of this Deed.

- (f) Unless the context otherwise requires, a reference to a Security Asset includes the proceeds of that Security Asset.
- (g) An Enforcement Event is **continuing** if it has not been remedied or waived.

2. CREATION OF SECURITY

2.1 General

- (a) All the security created under this Deed:
 - (i) is created in favour of the Security Trustee;
 - (ii) is created over present and future assets of the Chargor;
 - (iii) is security for the payment, discharge and performance of all the Secured Obligations; and
 - (iv) is made with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994.
- (b) The Security Trustee holds the benefit of this Deed on trust for the Secured Parties.

2.2 Assigned Receivables

The Chargor assigns absolutely, subject to a proviso for re-assignment on redemption, all of its rights in respect of the Assigned Receivables.

3. RESTRICTIONS ON DEALINGS

The Chargor must not:

- (a) create or permit to subsist any Security Interest on any Security Asset; or
- (b) sell, transfer, licence, lease or otherwise dispose of any Security Asset other than in accordance with clause 4 (*Application of proceeds*) of schedule 3 (*The Security Trustee*) of the Credit Agreement.

4. REPRESENTATIONS

4.1 Nature of security

The Chargor represents and warrants to the Secured Parties that:

- (a) it is the sole legal and beneficial owner of the Assigned Receivables;
- (b) the Assigned Receivables are free of any Security Interests (except those created by or under this Deed) and any other rights or interests in favour of third parties; and
- (c) this Deed creates those Security Interests it purports to create and is not liable to be avoided or otherwise set aside on its liquidation or administration or otherwise.

4.2 Times for making representations

- (a) The representations and warranties set out in this Deed (including in this Clause) are made by the Chargor on the date of this Deed.
- (b) Each representation and warranty under this Deed is deemed to be made by the Chargor by reference to the facts and circumstances then existing on each date during the Security Period.

5. WHEN SECURITY BECOMES ENFORCEABLE

5.1 Enforcement Event

This Security will become immediately enforceable if an Enforcement Event is continuing and the Security Trustee gives notice to the Chargor that this Security is enforceable.

5.2 Notice

Upon the occurrence of an Enforcement Event, the Security Trustee shall be entitled to serve a notice of assignment:

- (a) substantially in the form of Schedule 1 (Form of Project Jupiter Notice) on The Royal London Mutual Insurance Society Limited; or
- (b) substantially in the form of Schedule 2 (Form of Project Iron Notice) on any purchaser under the Project Iron Sale and Purchase Agreement.

5.3 Discretion

After this Security has become enforceable, the Security Trustee may in its absolute discretion enforce all or any part of this Security in any manner it sees fit or as the Creditors direct.

6. ENFORCEMENT OF SECURITY

6.1 General

- (a) For the purposes of all powers implied by statute, the Secured Obligations are deemed to have become due and payable on the date of this Deed.
- (b) Section 103 of the Act (restricting the power of sale) and Section 93 of the Act (restricting the right of consolidation) do not apply to this Security.

6.2 No liability as mortgagee in possession

Neither the Security Trustee nor any Receiver will be liable, by reason of entering into possession of a Security Asset to account as mortgagee in possession or for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable.

6.3 Privileges

Each Receiver and the Security Trustee is entitled to all the rights, powers, privileges and immunities conferred by the Act on mortgagees and receivers duly appointed under the Act, except that Section 103 of the Act does not apply.

6.4 Protection of third parties

No person (including a purchaser) dealing with the Security Trustee or a Receiver or its or his agents will be concerned to enquire:

- (a) whether the Secured Obligations have become payable;
- (b) whether any power which the Security Trustee or a Receiver is purporting to exercise has become exercisable or is being properly exercised;
- (c) whether any money remains due under the Debt Documents; or
- (d) how any money paid to the Security Trustee or to that Receiver is to be applied.

6.5 Redemption of prior mortgages

- (a) At any time after this Security has become enforceable, the Security Trustee may:
 - (i) redeem any prior Security Interest against any Security Asset; and/or
 - (ii) procure the transfer of that Security Interest to itself; and/or
 - (iii) settle and pass the accounts of the prior mortgagee, chargee or encumbrancer; any accounts so settled and passed will be, in the absence of manifest error, conclusive and binding on the Chargor.
- (b) The Chargor must pay to the Security Trustee, immediately on demand, the costs and expenses incurred by the Security Trustee in connection with any such redemption and/or transfer, including the payment of any principal or interest.

6.6 Contingencies

If this Security is enforced at a time when no amount is due under the Debt Documents but at a time when amounts may or will become due, the Security Trustee (or the Receiver) may pay the proceeds of any recoveries effected by it into a suspense account.

7. RECEIVER

7.1 Appointment of Receiver

- (a) Except as provided below, the Security Trustee may appoint any one or more persons to be a Receiver of all or any part of the Security Assets if:
 - (i) this Security has become enforceable; or
 - (ii) the Chargor so requests the Security Trustee in writing at any time.
- (b) Any appointment under paragraph (a) above may be by deed, under seal or in writing under its hand.
- (c) Except as provided below, any restriction imposed by law on the right of a mortgagee to appoint a Receiver (including under section 109(1) of the Act) does not apply to this Deed.

- (d) The Security Trustee is not entitled to appoint a Receiver solely as a result of the obtaining of a moratorium (or anything done with a view to obtaining a moratorium) under Section 1A of the Insolvency Act 1986.

7.2 Removal

The Security Trustee may by writing under its hand remove any Receiver appointed by it and may, whenever it thinks fit, appoint a new Receiver in the place of any Receiver whose appointment may for any reason have terminated.

7.3 Remuneration

The Security Trustee may fix the remuneration of any Receiver appointed by it and any maximum rate imposed by law (including under section 109(6) of the Act) will not apply.

7.4 Agent of the Chargor

- (a) A Receiver will be deemed to be the agent of the Chargor for all purposes and accordingly will be deemed to be in the same position as a Receiver duly appointed by a mortgagee under the Act. The Chargor is solely responsible for the contracts, engagements, acts, omissions, defaults and losses of a Receiver and for liabilities incurred by a Receiver.
- (b) Neither the Security Trustee nor any Creditor will incur any liability (either to the Chargor or to any other person) by reason of the appointment of a Receiver or for any other reason.

7.5 Relationship with Security Trustee

To the fullest extent allowed by law, any right, power or discretion conferred by this Deed (either expressly or impliedly) or by law on a Receiver may after this Security becomes enforceable be exercised by the Security Trustee in relation to any Security Asset without first appointing a Receiver or notwithstanding the appointment of a Receiver.

8. POWERS OF RECEIVER

8.1 General

- (a) A Receiver has all the rights, powers and discretions set out below in this Clause in addition to those conferred on it by any law. This includes all the rights, powers and discretions conferred on a receiver (or a receiver and manager) under the Act and the Insolvency Act, 1986.
- (b) If there is more than one Receiver holding office at the same time, each Receiver may (unless the document appointing him states otherwise) exercise all the powers conferred on a Receiver under this Deed individually and to the exclusion of any other Receiver.

8.2 Possession

A Receiver may take immediate possession of, get in and collect any Security Asset.

8.3 Sale of assets

- (a) A Receiver may sell, exchange, convert into money and realise any Security Asset by public auction or private contract and generally in any manner and on any terms which he thinks fit.

- (b) The consideration for any such transaction may consist of cash, debentures or other obligations, shares, stock or other valuable consideration and any such consideration may be payable in a lump sum or by instalments spread over any period which he thinks fit.

8.4 Compromise

A Receiver may settle, adjust, refer to arbitration, compromise and arrange any claim, account, dispute, question or demand with or by any person who is or claims to be a creditor of the Chargor or relating in any way to any Security Asset.

8.5 Legal actions

A Receiver may bring, prosecute, enforce, defend and abandon any action, suit or proceedings in relation to any Security Asset which he thinks fit.

8.6 Receipts

A Receiver may give a valid receipt for any moneys and execute any assurance or thing which may be proper or desirable for realising any Security Asset.

8.7 Delegation

A Receiver may delegate his powers in accordance with this Deed.

8.8 Protection of assets

A Receiver may effect any insurance and do any other act which the Chargor might do in the ordinary conduct of its business to protect or improve any Security Asset in each case as he thinks fit.

8.9 Other powers

A Receiver may:

- (a) do all other acts and things which he may consider desirable or necessary for realising any Security Asset or incidental or conducive to any of the rights, powers or discretions conferred on a Receiver under or by virtue of this Deed or law;
- (b) exercise in relation to any Security Asset all the powers, authorities and things which he would be capable of exercising if he were the absolute beneficial owner of that Security Asset; and
- (c) use the name of the Chargor for any of the above purposes.

9. APPLICATION OF PROCEEDS

Any moneys received by the Security Trustee or a Receiver after this Security has become enforceable must be applied in the order of priority set out in clause 4 (*Application of proceeds*) of schedule 3 (*The Security Trustee*) of the Credit Agreement.

10. EXPENSES AND INDEMNITY

The Chargor must:

- (a) immediately on demand pay all costs and expenses (including legal fees) incurred in connection with this Deed by any Secured Party, attorney, manager, agent or other person appointed by the Security Trustee under this Deed including any arising from any actual or alleged breach by any person of any law or regulation, whether relating to the environment or otherwise; and
- (b) keep each of them indemnified against any failure or delay in paying those costs or expenses.

11. DELEGATION

11.1 Power of Attorney

The Security Trustee or any Receiver may delegate by power of attorney or in any other manner to any person any right, power or discretion exercisable by it under this Deed.

11.2 Terms

Any such delegation may be made upon any terms (including power to sub-delegate) which the Security Trustee or any Receiver may think fit.

11.3 Liability

Neither the Security Trustee nor any Receiver will be in any way liable or responsible to the Chargor for any loss or liability arising from any act, default, omission or misconduct on the part of any delegate or sub-delegate.

12. FURTHER ASSURANCES

The Chargor must, at its own expense, take whatever action the Security Trustee or a Receiver may require for:

- (a) creating, perfecting or protecting any security intended to be created by or pursuant to this Deed; or
- (b) facilitating the realisation of any Security Asset or the exercise of any right, power or discretion exercisable, by the Security Trustee or any Receiver or any of their delegates or sub-delegates in respect of any Security Asset.

This includes:

- (i) the execution of any transfer whether to the Security Trustee or to its nominee; and
- (ii) the giving of any notice, the making of any filing or registration,

which, in any such case, the Security Trustee may think expedient.

13. POWER OF ATTORNEY

The Chargor, by way of security, irrevocably and severally appoints the Security Trustee, each Receiver and any of their delegates or sub-delegates to be its attorney to take any action which the Chargor is obliged to take under this Deed. The Chargor ratifies and confirms whatever any attorney does or purports to do under its appointment under this Clause.

14. MISCELLANEOUS

14.1 Covenant to pay

The Chargor must pay or discharge the Secured Obligations in the manner provided for in the Debt Documents.

14.2 Tacking

The Lender must perform its obligations under the Credit Agreement (including any obligation to make available further advances).

14.3 New Accounts

- (a) If any subsequent charge or other interest affects any Security Asset, the Secured Party may open a new account with the Chargor.
- (b) If the Secured Party does not open a new account, it will nevertheless be treated as if it had done so at the time when it received or was deemed to have received notice of that charge or other interest.
- (c) As from that time all payments made to the Secured Party will be credited or be treated as having been credited to the new account and will not operate to reduce any Secured Obligation.

15. RELEASE

At the end of the Security Period, the Security Trustee must, at the request and cost of the Chargor, take whatever action is reasonably necessary to release its Security Assets from this Security.

16. GOVERNING LAW

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

THIS DEED has been entered into and executed as a deed by the Chargor with the intention that it be delivered on the date stated at the beginning of this deed.

SCHEDULE 1

FORM OF PROJECT JUPITER NOTICE

NOTICE TO DEBTOR

NOTICE dated []

From: Co-operative Group Limited (the **Security Trustee**)

To: The Royal London Mutual Insurance Society Limited (the **Debtor**)

Copy to: Co-operative Banking Group Limited (the **Chargor**)

This notice relates to the agreement for the sale and purchase of Co-operative Insurance Society Limited and The Co-operative Asset Management Limited between the Chargor as seller and The Royal London Mutual Insurance Society Limited as buyer dated 18 March 2013 (the **Sale and Purchase Agreement**).

Pursuant to a security agreement dated November 2013 between the Chargor and the Security Trustee, we hereby give you notice that:

- (a) the Chargor has assigned by way of security any amount (and any right to receive such amount) payable by the Debtor pursuant to the Sale and Purchase Agreement as deferred consideration (howsoever described in the Sale and Purchase Agreement), it being understood that such amount (and any right to receive such amount) are subject to the terms of the Sale and Purchase Agreement;
- (b) the Chargor will remain liable under the Sale and Purchase Agreement to perform all the obligations assumed by it under the Sale and Purchase Agreement;
- (c) none of the Security Trustee, its agents, any receiver or any other person (other than the Chargor) will at any time be under any obligation or liability to the Debtor under or in respect of the Sale and Purchase Agreement; and
- (d) all amounts payable to the Chargor under the Sale and Purchase Agreement as deferred consideration (howsoever described in the Sale and Purchase Agreement) must be paid to the Security Trustee to the following account, or as the Security Trustee may otherwise direct:

[insert account details].

This notice and any non-contractual obligations arising out of or in connection with it are governed by English law.

Please confirm the agreement of the Debtor to the above by sending the attached acknowledgement to the Security Trustee at *[insert address]* with a copy to the Chargor.

.....
(Authorised signatory)
Co-operative Group Limited as Security Trustee

ACKNOWLEDGEMENT OF DEBTOR

ACKNOWLEDGEMENT dated []

From: The Royal London Mutual Insurance Society Limited (the **Debtor**)

To: Co-operative Group Limited (the **Security Trustee**)

Copy: Co-operative Banking Group Limited (the **Chargor**)

The Debtor acknowledges receipt of a notice dated [] from the Security Trustee (the **Notice**), a copy of which is attached. The **Sale and Purchase Agreement** has the meaning given in the Notice.

The Debtor confirms that it:

- (a) has not received notice of the interest of any third party in any amount (and any right to receive such amount) payable to the Chargor by the Debtor pursuant to the Sale and Purchase Agreement as deferred consideration (howsoever described in the Sale and Purchase Agreement); and
- (b) will pay any amounts of deferred consideration (howsoever described in the Sale and Purchase Agreement) due under the Sale and Purchase Agreement to the Security Trustee.

This acknowledgement and any non-contractual obligations arising out of or in connection with it are governed by English law.

.....
(Authorised signatory)

The Royal London Mutual Insurance Society Limited as the Debtor

SCHEDULE 2

FORM OF PROJECT IRON NOTICE

NOTICE TO DEBTOR

NOTICE dated []

From: Co-operative Group Limited (the **Security Trustee**)

To: [] (the **Debtor**)

Copy to: Co-operative Banking Group Limited (the **Chargor**)

This notice relates to the agreement for the sale and purchase of [CIS General Insurance Limited or its assets or business or any part thereof] (the **Sale and Purchase Agreement**).

Pursuant to a security agreement dated November 2013 between the Chargor and the Security Trustee, we hereby give you notice that:

- (a) the Chargor has assigned by way of security the cash and cash equivalent proceeds (including the cash and cash equivalent proceeds of any earn-out payments and any deferred consideration, whether by way of adjustment to the purchase price or otherwise) (and any right to receive such proceeds) paid or payable to the Chargor pursuant to the Sale and Purchase Agreement;
- (b) the Chargor will remain liable under the Sale and Purchase Agreement to perform all the obligations assumed by it under the Sale and Purchase Agreement;
- (c) none of the Security Trustee, its agents, any receiver or any other person (other than the Chargor) will at any time be under any obligation or liability to the Debtor under or in respect of the Sale and Purchase Agreement; and
- (d) all cash and cash equivalent proceeds (including the cash and cash equivalent proceeds of any earn-out payments and any deferred consideration, whether by way of adjustment to the purchase price or otherwise) payable to the Chargor under the Sale and Purchase Agreement must be paid to the Security Trustee to the following account, or as the Security Trustee may otherwise direct:

[insert account details].

This notice and any non-contractual obligations arising out of or in connection with it are governed by English law.

Please confirm the agreement of the Debtor to the above by sending the attached acknowledgement to the Security Trustee at *[insert address]* with a copy to the Chargor.

.....
(Authorised signatory)
Co-operative Group Limited as Security Trustee

SIGNATORIES

CHARGOR

SIGNED as a Deed by)
CO-OPERATIVE BANKING GROUP LIMITED)
)
acting by its attorney)

in the presence of:

Witness's Signature:
Name:
Address:
.....
.....

SECURITY TRUSTEE

SIGNED as a Deed by)
CO-OPERATIVE GROUP LIMITED)
)
acting by its attorney)

in the presence of:

Witness's Signature:
Name:
Address:
.....
.....