

## Regulatory Announcement

Go to market news section



Company	TEP Exchange Group PLC
TIDM	TEX
Headline	New Outsourcing Agreement
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16th December, 2004

TEP Exchange Group Plc ('the Company')

New Outsourcing Agreement signed with Surrenda-link Limited

### Highlights

- \* The Outsourcing Agreement with Surrenda-link, which has been operating successfully for the last two years has been renewed for a period of further three years.
- \* The TEP Exchange continues to be operated as the only fully independent real time trading platform for traded endowment policies, with the majority of the leading markets participants regularly trading;
- \* The operational management of the TEP Exchange retained in Chester;
- \* The Company continues to stabilise its cashflow position;
- \* Fixed charges payable under old Outsourcing Agreement related with variable charges dependent on trading income;
- \* Development of additional products by the Company and Surrenda-link to market to registered IFA's via the TEP Exchange's web-based service; and
- \* Development of additional products by the Company and Surrenda-link to market to the public via a new website launched in September 2004.

### Enquiries;

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In December 2002, the Company entered into an Outsourcing Agreement with Surrenda-link Limited ('Surrenda-link'), which is a leading market maker in traded endowment policies and manages other related investments, which resulted in Surrenda-link taking over the operational management of the TEP Exchange for an initial two year period. The Company announces that the original Outsourcing Agreement has now been terminated and that it has entered into a new Outsourcing Agreement ('the New Outsourcing Agreement') with Surrenda-link for it to continue conducting the operational management of the TEP Exchange for at least the next three years.

The principal terms of the New Outsourcing Agreement are as follows:

- \* The New Outsourcing Agreement is for an initial term of three years and thereafter will continue unless terminated by either party on six months' prior notice, such notice to be given no earlier than the expiry of the three year term.
- \* Surrenda-link would receive no fixed charges for the services but instead all the charges would be payable in cash on the following variable basis:

TEP Exchange trading income Service charge payable to

Surrenda-link

Up to £300,000 60 per cent. of trading income

From £300,001 to £500,000 65 per cent. of trading income

From £500,001 to £700,000 70 per cent. of trading income

From £700,001 to £1,000,000 80 per cent. of trading income

In excess of £1,000,000 85 per cent. of trading income

- \* Surrenda-link will advance to the Company on a quarterly basis, the lesser of the sum of £20,000 and the specific corporate costs (as defined in the agreement) incurred by the Company. The Company will utilise the quarterly advance from Surrenda-link to discharge the specific corporate costs. Under the terms of the Agreement, Surrenda-link may deduct any outstanding quarterly advances from the Company's net trading income. The Company has undertaken to use its reasonable endeavours to minimise specific corporate costs.
- \* Provided that Surrenda-link are involved fully in the decision making process, all costs other than those mentioned specifically in the New Outsourcing Agreement will be the responsibility of Surrenda-link to discharge.
- \* The operational management of the TEP Exchange will be retained in Chester and as a consequence Surrenda-link will have day-to-day operational control over the trading platform owned by the Company. Surrenda-link will be responsible to the Board of the Company on the day-to-day operational control over the trading platform and the Board of the Company would retain the right to decide on fundamental issues on the trading platform.
- \* The Company has the option to rescind the New Outsourcing Agreement with Surrenda-link under certain defined circumstances.
- \* Surrenda-link has undertaken to use reasonable endeavours to maximise current income as well as creating new income outside the traded endowment market from the trading platform of the Company.

Under the AIM Rules Surrenda-link, which holds 75,192,579 Ordinary Shares representing 39.25 per cent. of the issued share capital of the Company, is a related party. With the exception of Paul Sands and David Roxburgh, who are directors of Surrenda-link, the Directors consider, having consulted with John East & Partners Limited, that the terms of the New Outsourcing Agreement are fair and reasonable insofar as that shareholders of the Company are concerned.

#### Current Trading

There has been a noticeable increase in activity in the traded endowment policy market in recent months, which it is hoped will improve group performance. A further increase in business for the Company is anticipated as a strong demand for British traded endowment policies emerges from Germany.

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