

keyfacts<sup>®</sup>

# INVESTMENTS

## **Key features and plan conditions of the ISA Investor – Cautious Managed Fund**

Provided by HBOS Investment Fund Managers Limited

**The Financial Services Authority is the independent financial services regulator. It requires us (HBOS Investment Fund Managers Limited) to give you this important information to help you decide whether the ISA Investor is right for you. The document provides a summary of the key features of the ISA Investor. It's also a 'Simplified Prospectus' in line with the Financial Services Authority Rules, providing additional information to help you understand the Open-Ended Investment Company (OEIC) funds. Please read it carefully so that you understand what you're buying and then keep it safe as you may need to refer to it in the future.**

This plan is suitable for an investor who typically:

- is investing for growth
- can invest for at least five years
- understands the risks and investment objective of the Cautious Managed Fund.

## Its aims

- To help the value of your money to grow over time, in a tax-efficient way.

## Your commitment

- You invest a lump sum or monthly payments of at least £20, but not more than the HM Revenue & Customs (HMRC) ISA investment limits.
- You can keep your ISA as long as you want, and take money out whenever you want, but you should be prepared to invest for at least five years.

## Risks

- The value of your investment can go up and down and you may get back less than you invested.
- What you get back will depend on investment performance, nothing is guaranteed. Past performance is no guarantee of future performance.
- When you cash in your ISA, you may get back less than you invested because:
  - your investments grow less than illustrated
  - you take money out.
- Our charges may increase.
- Inflation will reduce what you could buy in the future.
- Tax rules could change.
- If you invest a lump sum and use your right to cancel your ISA within the first 30 days, and the value of your investment has fallen by the time we receive your instructions at our administration unit, the amount you get will be less than the amount you've paid in.

## Questions and answers

### What is the ISA Investor – Cautious Managed Fund?

- An investment which has tax advantages for most UK residents aged 18 and over.
- There is no income tax or capital gains tax to pay on any income or growth.
- It's available as a stocks and shares ISA.
- It's a stakeholder investment product.
- It lets you invest in the shares of share class C of the Cautious Managed Fund, a sub-fund of one of the HBOS Open Ended Investment Companies (OEICs), which are managed by HBOS Investment Fund Managers Limited.

### What are my ISA options?

- You can invest up to £10,200 during this tax year. You can invest the whole £10,200 in a stocks and shares ISA or you can invest up to £5,100 in a cash ISA with the remainder going into stocks and shares.
- You can only have one stocks and shares ISA and one cash ISA in any tax year.

### What is a stakeholder investment product?

A stakeholder investment product meets strict Government requirements in relation to minimum payment, payment methods, allowable investments and charges. It's an investment aimed to encourage people to save over the longer term.

The table below shows the stakeholder investment product requirements – and how our ISA Investor – Cautious Managed Fund meets them:

Requirement	Stakeholder investment product (as at 6 April 2005)	ISA Investor Cautious Managed Fund
Minimum payment	£20	£20
Maximum yearly charge	3/730% of the value of shares held per day (approximately 1.5% a year) for the first 10 years and then 1/365% of the value of shares held per day (approximately 1% a year) thereafter.	3/730% of the value of shares held per day (approximately 1.5% a year) for the first 10 years and then 1/365% of the value of shares held per day (approximately 1% a year) thereafter  Please see 'What are the charges?' for more information.
Entry fees	Not allowed	None
Exit fees	Not allowed	None
Switching fees	Not allowed	None
Allowable investments	A fund that has a maximum exposure to equities and property of 60%.	The fund is managed so the maximum exposure to equities and property is 60%.
Payment methods	Must accept cheque, direct debit, standing order and direct credit.	Payments can be made by cheque, direct debit, standing order and direct credit.

### How flexible is it?

- You can add lump sums, monthly payments or a mixture of both, as long as you don't exceed the ISA investment limits.
- You can take out all or part of your money at any time.
- You can change the amounts of your monthly payment.
- You cannot take out an ISA in joint names.

- You can switch your money into different funds. We don't presently charge for this, but may do in the future. By switching, your new fund will not meet stakeholder requirements. For full details of the funds available see our booklet 'A guide to investing with the Halifax'.
- To request a switch, please see the 'How to contact us' section.
- As long as your ISA Investor has the required minimum balance you can take a break from your monthly payments at any time by contacting our administration unit (see 'How to contact us').
- You can leave your money invested until you need it because there is no fixed term to your plan. When you do need to take money from your plan, it's important you have all the information you need to avoid unnecessarily losing any of the plan benefits or paying extra tax. When you're thinking about taking money from your plan, please call us on **(01904) 611110** and we'll send you an information pack along with a form to complete and return to us. Payment will normally be made within four working days of receiving your instructions at our administration address by direct credit payment to a nominated account, or by cheque. Please see 'How to contact us'.

### What might I get back?

- You will get back the ISA value when you decide to cash it in. This amount is not guaranteed and will depend on:
  - the amount invested
  - the length of time it is invested
  - the investment performance of the fund
  - our charges
  - the amount of any withdrawals taken.
- You may get back less than you invested.

### Can I take money out?

- You can take money out – but it will reduce the value of your ISA.
- Once you have taken money out, you can't reinvest in your ISA if you've already paid in the maximum allowable for that tax year.
- The smallest amount you can take out at any one time is £20.
- You'll need to leave at least £20 in your ISA Investor after the withdrawal, otherwise we'll have to close it unless you are continuing to make regular payments, in which case no minimum applies.

### Regular withdrawals

- Unless you're making regular payments, you will be eligible to make regular withdrawals.
- These can be taken monthly, quarterly or yearly. The minimum withdrawal you can make is £50, £150 and £500 respectively.
- There is no maximum limit.
- Regular withdrawals are only taken from accumulation shares.
- You'll need to leave at least £20 in your ISA investor after the withdrawal, otherwise we'll have to close it.
- Taking regular withdrawals will reduce the value of your ISA.
- You should telephone our administration unit on **(01904) 611110** if you wish to make regular withdrawals and we will send you the appropriate form. Please see 'How to contact us'.

## How much can I pay in?

- You can currently pay up to £10,200 in this tax year into your ISA Investor less any amounts you have paid into a cash ISA.
- You can currently pay up to £5,100 into a cash ISA in this tax year.
- You can transfer some or all of the money you've saved in cash or stocks and shares ISAs in previous tax years into your ISA Investor. This won't affect your ISA investment allowance for this tax year.
- If you pay more than the maximum, the overpayments will be used to buy shares in the same fund and share class as your ISA Investor but these will not benefit from the tax advantages that apply to ISA investments.
- To start your plan, in minimum lump sum you can pay in is £20 and the minimum monthly amount is £20.
- The maximum regular monthly payment is £850, subject to total contributions not exceeding £10,200.
  - You can add lump sums from £20 upwards – or if your remaining ISA allowance is less than £20, you can add the amount in whole pounds needed to fully use up your allowance.
  - You can increase your monthly payments by £1 or more a month, up to the current maximum.
- If you don't use your full ISA allowance in any one tax year, you can't carry any unused ISA allowance over to the next tax year.
- If you've saved money into a cash ISA or a stocks and shares ISA in the current tax year, you can transfer it into a stocks and shares ISA with another ISA manager. This must be the whole of the amount you've saved up to the day of the transfer. You can't transfer part of it.

- If you're transferring a current year cash ISA the money you've transferred will be treated as though it has been invested directly into a stocks and shares ISA. After the transfer you can continue saving up to the remaining balance of your ISA allowance for the current tax year. This includes any savings into a cash ISA up to the current limit that applies.

## Where are my payments invested?

- We invest all your payments in the Cautious Managed Fund – there are no initial charges.
- When you pay into your ISA, you buy a number of shares in the Cautious Managed Fund.
- We normally value shares at 12 noon each working day. So if you ask us to put more money in or take money out for you, we'll buy or sell your shares at the prices which apply at the next valuation after we receive your instructions at our administration unit.
- The value of shares in the fund can go up or down each day, depending on any changes in the market price of the investments. This means that the value of your ISA can fall as well as rise.
- We automatically accumulate the distributions into the fund which is reflected in the price of your shares.

## What is our Order Execution Policy?

- When you ask us to buy shares in a HBOS OEIC, either through an ISA Investor, or a Collective Investment Plan, Halifax/Bank of Scotland plc must give you details of what is known as our 'Order Execution Policy'. This explains how they will deal with your instructions and how they aim to achieve the best possible result for you.
- Halifax/Bank of Scotland plc will always deal directly with the Authorised Corporate Director of the HBOS OEICs ('the ACD'). This is HBOS Investment Fund Managers Limited, another member of the Lloyds Banking Group. (In regulatory terms, this means that the ACD is the only execution venue they use, and consequently they execute orders outside a regulated market or multilateral trading facility, within the meaning of the FSA Rules.)
- We are obliged to consider various 'execution factors' in deciding how best to execute a client order. These include price, cost, speed, likelihood of execution and settlement, size, nature and other relevant matters. As you are a retail client we will consider price to be the most important factor for you. However, in practice the ACD is the only execution venue that they can use to deal with your orders, and so they will have to use that venue regardless of the impact of other execution factors.
- Nevertheless, we are confident that this provides the best result for you for the following reasons:
  - Price – Halifax/Bank of Scotland plc do not make an initial charge on any shares purchased in the HBOS OEICs which means that, even if other execution venues were to become available, the shares would not be available more cheaply.
  - Liquidity – As Halifax/Bank of Scotland plc deal with the ACD, they can be sure that shares will be available in the HBOS OEICs to fulfil a client order.
  - Halifax/Bank of Scotland plc will only carry out instructions in line with this policy. By giving them instructions, you agree that you accept this Order Execution Policy. If you ask us to carry out your instructions in a different manner, they may not be able to obtain the best possible result for you and so they do not accept any such requests.
  - Halifax/Bank of Scotland plc will monitor the effectiveness of their order execution policy for the HBOS OEICs and make any necessary changes from time to time. In particular, they will consider what other possible execution venues they could use, and whether doing so would generate a better result for you. Halifax/Bank of Scotland plc will notify you of any material changes to their best execution policy and arrangements made from time to time, where they are relevant to you.

## What happens to my ISA if I die?

- If you die before cashing in your ISA Investor, your plan will continue but will lose its tax-efficient status.
- Your personal representatives can ask us for information about the value of your ISA which we will provide.
- When your personal representatives have proved that they are legally entitled to the money invested, they can cash in the ISA or have the shares transferred into another name.
- Until the shares are sold, they will be affected by daily price movements as normal.
- The value of your ISA is treated as part of your estate, so your personal representatives may need to declare it for inheritance tax purposes.

## What are the charges?

- There is no initial charge for investing in the fund and no exit charge when you take money out.
- There is a yearly management charge, which is worked out as a percentage of the value of the relevant fund. You don't have to pay this directly – we take it into account when we calculate the share price each day.
- The Cautious Managed Fund has a yearly management charge of 1.5% of the value for the first ten years of continuous investment in the fund, reducing to 1% thereafter.
- The total expense ratio which covers operating expenses and the yearly management charge is set out under the heading 'Specific fund information'.
- The value of shares in the fund is worked out using the mid-market value of the investments in that fund. However, the actual cost of buying or selling these investments may vary from the mid-market value due to the dealing charges, taxes and any spread between the buying and selling prices of the investments. To counter the effects of this, and to protect the best interests of all our shareholders, it may be necessary for an adjustment to be made to the share price within a fund. This is known as a dilution adjustment and may occur on any day where the total amount of money coming in to, or going out from, the fund exceeds the higher of £1,000,000 or 2% of the Net Asset Value of the fund (ie that is the value of the fund less expenses) or in other circumstances where we consider it's in the best interests of shareholders. We will not benefit from applying a dilution adjustment.

## How will charges and expenses affect my lump sum investment?

- The table below is designed to show you how a yearly management charge of 1.5% affects the value of your investment. We've used the example of an initial lump sum of £1,000. The effect on an investment of £1,000, assuming growth of 7% a year, is set out below:

At end of year	Investment to date £	Effect of deductions to date £	What you might get back £
1	1,000	15	1,050
3	1,000	53	1,170
5	1,000	101	1,300
10	1,000	274	1,690

- The last line in the table shows that over ten years the effect of the total charges and expenses could amount to £274. Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 5.4% a year.
- **Please note:** the figures shown are not guaranteed. They are simply examples to show the effect charges and expenses have on an investment.

## How will charges and expenses affect my regular investment?

- The table below is designed to show you how a yearly management charge of 1.5% affects the value of your investment. We've used the example of a regular investment of £100 a month. The effect on an investment of £100 a month, assuming growth of 7% a year, is set out below:

At end of year	Investment to date £	Effect of deductions to date £	What you might get back £
1	1,200	10	1,230
3	3,600	94	3,900
5	6,000	280	6,870
10	12,000	1,370	15,800

- The last line in the table shows that over ten years the effect of the total charges and expenses could amount to £1,370. Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 5.4% a year.
- Please note:** the figures shown are not guaranteed. They are simply examples to show the effect charges and expenses have on an investment.

## How much will any advice cost?

- We have given no advice on the ISA Investor – Cautious Managed Fund. You have made your own decision as to the suitability of this investment for you, on the basis of information given.
- If you make an investment in the ISA Investor – Cautious Managed Fund, sales costs will be £46. These costs are included in, and not on top of, the plan charges and expenses shown in this key features booklet.

## Can I transfer my ISA?

- If you want to transfer your ISA to another manager without losing any tax relief, you will need to contact your new manager, who will then contact us. We will then sell the shares in your ISA and pay the proceeds to the new manager, although we will deduct any amounts owed to us and HMRC before transferring the money.

## What about tax?

- This is only a general summary of the tax position in the United Kingdom and is based upon our understanding of current law and practice. The overall value of tax benefits you receive and the tax consequences for you of investing in the ISA Investor – Cautious Managed Fund depend on the tax laws applicable to you and/or to the place where the capital is invested. Tax rules and rates may change in the future.
- If you need help working out your tax position, you should ask an appropriate professional such as an accountant, or your tax office.
- Under the current law relating to tax relief for ISAs, we will manage your ISA Investor so that it will be free from personal tax. This doesn't take into account any tax that may have been paid on any investments held within the fund or taxes paid by the fund before reaching you, the customer.
- You won't have to pay any personal UK taxes, such as income tax or capital gains tax on any income or growth from your ISA Investor. You cannot claim tax relief for any capital losses in your ISA Investor.
- You don't have to declare any income or growth from your ISA Investor on your UK tax return.

- We are not able to reclaim on your behalf the 10% tax credit on dividends accumulated in your ISA Investor even if you are a non-taxpayer. However, you won't have any further tax liability on these dividends, irrespective of your tax status, and you don't need to declare them to HMRC while you hold your investment in an ISA.
- Your ISA Investor will not affect your entitlement to age allowances, but may affect your entitlement to tax credits, state pension credit and other state and/or local authority benefits.
- The Government have recently announced that the favourable income tax and capital gains tax treatment of ISAs is to continue indefinitely.
- There is no tax credit available for reclaim on any equalisation accumulated. Equalisation is a return of the income included in the price you pay for shares.
- A Stamp Duty Reserve Tax (SDRT) charge of up to 0.5% is made on the value of shares sold by investors. We currently meet these costs from the property of the fund.
- OEIC taxation – At fund level, net taxable income is chargeable to corporation tax, currently at a rate of 20%. The funds are exempt from corporation tax on capital gains.
- We will provide HMRC with any information about your ISA Investor that we are required to give them.

## Can I change my mind?

- When your plan is set up, you will receive a notice of your cancellation rights. You then have 30 days to change your mind. If you've invested a lump sum, we'll give you your money back less any fall in the investment value. If you've chosen to make monthly payments, we refund any payments that you have made.

- You won't receive a cancellation notice for any switches or transfers into your ISA Investor.

## How will I know how my ISA Investor is doing?

- We won't send you a share certificate.
- We'll send you a statement every six months to keep you up to date with the value of your investment.
- We'll also send you an investment report every six months to give you some information on how the fund has performed and how your money has been invested.
- If you require further information such as valuation of your plan, please call our helpline on **(01904) 611110**.
- Details of share prices and yields can be found on our website: [www.halifax.co.uk/investments/fundprices.asp](http://www.halifax.co.uk/investments/fundprices.asp) – or by calling us on **0845 850 2976**.
- You can ask for a value of your ISA at any time by writing to us (see 'How to contact us').

## How to contact us

You can contact our administration unit at:

Halifax Financial Services  
PO Box 285  
York YO90 1HX  
or by telephoning **(01904) 611110**.

The lines are open between 8am and 6pm, Monday to Friday and from 9am to 1pm on Saturday. Your call may be recorded.

## Other information

### Client categorisation

We classify you as a 'retail client' under Financial Services Authority rules. This means you'll receive the highest level of regulatory protection available for complaints and you'll receive information in a straightforward way. Most retail clients are also eligible to claim under the Financial Services Compensation Scheme (see the section headed Financial Services Compensation Scheme on page 9).

### How to complain

We want you to be entirely happy with the high quality service we aim to provide. However, if you're not completely satisfied with any part of our service, please let us know. You can make your complaint direct to:

Customer Relations Team  
HFS Administration Unit  
PO Box 285  
York YO90 1HX.

If your complaint isn't dealt with to your satisfaction you can complain to:

Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London E14 9SR  
Telephone **0845 080 1800**.

Making a complaint to the Financial Ombudsman Service will not affect your right to take legal action.

### Conflict of interest policy

HBOS Investment Fund Managers Limited (HIFML) is part of the Lloyds Banking Group. Lloyds Banking Group plc has a policy on the management of conflicts of interest, covering all companies in the Group, to ensure that our customers are not adversely affected. This policy includes:

- A requirement for all parts of the business to identify potential conflicts of interest, and document how they will be managed.
- Formal organisational structures designed to restrict the flow of confidential information.
- Procedures for monitoring the personal dealings of Lloyds Banking Group colleagues who have access to certain kinds of 'inside information'.
- The limitation and management of personal conflicts of interest that individual colleagues might face, including limits on gifts and hospitality they may give or receive.

Further details of our conflict of interest policy are available on request.

### Terms and conditions

This booklet is a summary of the key features of the ISA Investor – Cautious Managed Fund. You will find full details of the ISA in the ISA conditions, which are evidence of the contract between you and us.

You can get full details of each of the HBOS OEICs in the full prospectus for each OEIC.

You can get a copy of the full prospectus and the most recent report and accounts for any HBOS OEIC free of charge by writing to us (see 'How to contact us').

The plan conditions are at the back of this booklet. We can change the plan conditions but we will tell you in writing before we do so. Please see the plan conditions for further information.

### Law

It's agreed that the ISA Investor is governed by the laws of England and Wales. It's agreed that any dispute will be dealt with by the English courts. The plan conditions for the ISA Investor – Cautious Managed Fund and further communications will be supplied in English.

## Financial Services Compensation Scheme (FSCS)

We are covered by the FSCS. You may be entitled to compensation from the FSCS if we can't meet our obligations. This depends on the type of business, the circumstances of the claim and the date of the failure. The ISA Investor is classified as investment business and is covered for compensation of 100% of your claim up to a maximum of £50,000.

Further information about compensation scheme arrangements is available from the FSCS at 7th Floor, Lloyds Chambers, Portsoken Street, London E1 8BN.

Telephone **(020) 7892 7300**.

Website: **[www.fscs.org.uk](http://www.fscs.org.uk)**.

## Equalisation

We operate equalisation of the income on all our OEIC funds. This means that when you buy shares in the fund (either through a new investment or the transfer/switch of an existing investment), you will receive Group 2 shares.

The first accumulation on Group 2 shares will include an amount that is treated as a return of your capital, known as equalisation. This equalisation element is not subject to income tax and will not have a tax credit. The total amount due will be the same for Group 1 and Group 2 shares.

Your investment will automatically be changed to Group 1 shares after you become entitled to your first accumulation. There is no difference in the share price between Group 1 and Group 2 shares.

## Depository

The depository for the HBOS OEICs is The Royal Bank of Scotland plc, whose registered office is at:

36 St Andrew Square  
Edinburgh EH2 2YB

and whose head office is at:

RBS Head Office  
Gogarburn, PO Box 1000  
Edinburgh  
EH12 1HQ

Please see the plan conditions and full prospectuses for more details about the HBOS OEICs.

## Auditors

The Auditors of the HBOS OEICs are KPMG Audit plc  
1 The Embankment  
Neville Street  
Leeds  
West Yorkshire LS1 4DW.

## ISA manager

The ISA Investor is managed by:

HBOS Investment Fund Managers Limited  
PO Box 285  
York YO90 1HX

Head Office address:  
HBOS Investment Fund Managers Limited  
Lovell Park Road  
Lovell Park  
Leeds LS1 2NG

HBOS Investment Fund Managers Limited, Register number 119223 is entered on the Financial Services Authority's Register.

All information, limits and charges are correct at the date of printing (April 2010) but may change in the future.

The Cautious Managed Fund is a sub fund of the HBOS Specialised Investment Funds ICVC\* which was created on 27 September 2000 and is incorporated in the United Kingdom.

\* ICVC stands for an Investment Company with Variable Capital and is another name for an OEIC.

Bank of Scotland plc, trading as Halifax as part of the Lloyds Banking Group, is authorised to promote the HBOS OEICs. The HBOS OEICs are provided by HBOS Investment Fund Managers Limited, whose head office is at Lovell Park Road, Leeds, West Yorkshire LS1 2NG and are authorised by the Financial Services Authority.

The Cautious Managed Fund has the ability to invest in financial derivative instruments for Efficient Portfolio Management (EPM) purposes only where the objective is to achieve one of the following results:

- reduce risk, or
- reduce cost, or
- generate additional capital or income with an acceptably low level of risk.

You can contact the Financial Services Authority at:

25 The North Colonnade  
Canary Wharf  
London E14 5HS  
Telephone **(020) 7066 1000**.

## UCITS

The HBOS OEICs have been granted an 'Undertaking for Collective Investment in Transferable Securities' (UCITS) certificate that allows us to sell shares in the OEICs in member states of the European Community and countries of the European Economic Area. However, local laws will apply.

## What information is shown for this fund?

For the Cautious Managed Fund, we have included the following information:

**Investment objective** – the investment aim of the fund.

**Investment policy** – the investment approach of the fund.

**Risk/Return relationship** – the risk versus return profile of the fund.

**Total expense ratio (TER)** – this shows the annual operating expenses of the fund. It does not include transaction expenses. All OEIC funds highlight the TER to help you compare the annual operating costs and expenses of different funds. This provides the current expense ratio for the fund including both the operating expenses and the yearly management charge.

**Portfolio turnover rate** – this shows what percentage of fund assets are bought and sold each year. This gives an indication of the level of asset management activity within the fund.

**Past performance** – this shows the fund's performance on both a yearly return and a cumulative basis over the last ten years or from the start of the fund if launched less than ten years ago. The fund was formed from an earlier fund, which was managed by HBOS Investment Fund Managers Limited, and the performance of that fund is included in the graphs below. Data taken from Lipper Hindsight (December 2009). The past performance information given in the following graphs is net of tax and charges and does not include the effect of subscription and redemption fees.

Please note the fund risks can also be found in the full prospectus.

## What is the Cautious Managed Fund?

This fund has been designed to meet the Government's new stakeholder requirements for investment products when invested in through the ISA Investor. The fund meets these requirements by ensuring that no more than 60% of the fund is invested in equities or property at any one time.

Launch date of the fund 06/04/2005.

### Investment objective

This fund aims to achieve long-term growth by investing in a managed portfolio of equities investing mainly in the UK and fixed interest investments such as corporate bonds and gilts.

### Investment policy

This fund will actively manage a balanced mixture of assets between equities and fixed interest investments. The core of the equity assets within the fund will tend to be invested in large companies whilst maintaining a reasonable presence in medium and small sized companies with above-average potential for growth. However, the fund is not restricted to choice of company either by size or industry. The fixed interest assets will be invested primarily in a wide range of sterling and euro dominated investment grade interest bearing securities.

## Risk/Return relationship

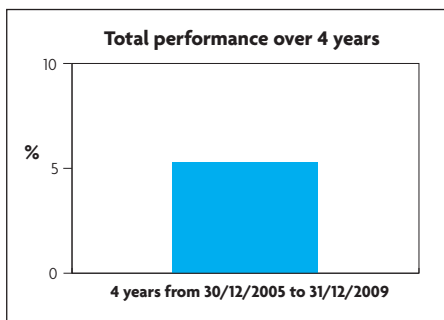
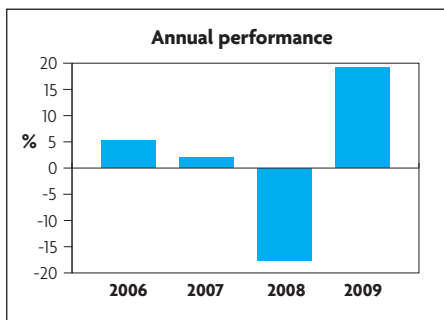
The Cautious Managed Fund is a below-average risk fund. It benefits from the diversification from investing in both equities and fixed interest investments. The value of the investment will go down as well as up and you may get back less than invested.

**Total expense ratio (as at 30 November 2009): see TER table**

**Portfolio turnover rate (as at 30 November 2009): 199.29%**

In addition to the market risk there is a currency risk of the euro against the £.

Amount of total contributions £	TER %
0–24,999.99	1.50
25,000 – 74,999.99	1.25
75,000 +	1.02



Past performance is not a guide to future performance.

Figures are based on income reinvested.

# ISA Investor plan conditions

## General conditions

### 1 HOW DO THESE CONDITIONS WORK?

These conditions explain the relationship between you and us. You can choose one or more **investment options**. The special conditions explain how each **investment option** works. The general conditions are conditions that apply to you regardless of which **investment options** you choose. You should read the conditions that apply to you carefully to understand how they work and your and our rights and duties under them.

### 2 WHO MANAGES THE ISA INVESTOR?

HBOS Investment Fund Managers Limited manages your **ISA Investor**. When we use the words 'we', 'our' or 'us' in these conditions, we mean HBOS Investment Fund Managers Limited. We are approved as an ISA manager by Her Majesty's Revenue and Customs ('the Revenue') and authorised and regulated by the **FSA**. We will manage your **ISA Investor** in line with the **ISA Regulations** and these conditions.

### 3 WHAT DO WORDS AND PHRASES IN BOLD TYPE MEAN?

In these conditions we have put the following words and phrases in bold type because they have a special meaning.

- An **accumulation share** is a share in Retail Share Class B, C, F or G of any **sub-fund** (except the UK Equity Income Fund in the case of Retail Share Class B).
- Our current **administration address** is HBOS Investment Fund Managers Limited, PO Box 285, York YO90 1HX. We may change it from time to time.
- The **Bank of Scotland Group** is made up of:
  - Bank of Scotland plc; and
  - its subsidiaries.
- The **capital protected end date** is the date on which your shares for the particular **capital protected option** to which they apply will be redeemed (see also condition 39). If the **capital protected end date** falls on a day which is not a **working day**, then the **capital protected end date** will be the first **working day** after that.
- A **capital protected option** is an **investment option** available under the **ISA Investor** where the investments are **medium term notes**.
- The **capital protected start date** is the date on which we will buy the shares for the particular **capital protected option** to which they apply. If the **capital protected start date** falls on a day which is not a **working day**, then the **capital protected start date** will be the first **working day** after that.
- The **CAT standards** are voluntary guidelines for the administration of individual savings accounts prescribed by the UK Government. These relate to charges, access and terms. Individual savings accounts can no longer be marketed using the **CAT standards** from 6 April 2005.
- The **COLL Sourcebook** is the new Collective Investment Schemes Sourcebook, as amended or replaced.
- A **contract note** is a written record of a deal.
- The **depository** of the HBOS OEICs is The Royal Bank of Scotland plc whose registered office is 36 St Andrews Square, Edinburgh EH2 2YB.
- The **FSA** is the Financial Services Authority, an independent organisation that regulates us, whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS.
- The **FTSE 100 Index** is the Financial Times Stock Exchange 100 Index. If that index is discontinued or the basis of compilation of that index is changed, another index or basis which (as nearly as possible) will give a similar result to that which would have been the case but for the discontinuance or change may be used.

- The **HBOS OEICs** are the HBOS UK Investment Funds ICVC, the HBOS International Investment Funds ICVC and the HBOS Specialised Investment Funds ICVC.
- The **HBOS OEIC investment option** is an **investment option** available under the **ISA Investor** through which you invest in one or more of the **sub-funds** of the **HBOS OEICs**.
- A reference to an **income share** is a reference to a share in Retail Share Class D or E of the Corporate Bond Fund or Retail Share Class B, D or E of the UK Equity Income Fund.
- The **investment options** are the options through which you can invest in the **ISA Investor** as explained in the special conditions. These are the **HBOS OEIC investment option** and **capital protected option**.
- Your **ISA Investor** is the stocks and shares individual savings account described by these conditions.
- The **ISA Regulations** are the Individual Savings Account Regulations 1998, as amended or replaced.
- **Lloyds Banking Group** is the corporate group of which we are a member. **Lloyds Banking Group** includes us and a number of other brands including Lloyds TSB, Halifax and Bank of Scotland, and their associated companies. More information on the **Lloyds Banking Group** can be found at [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).
- The **maturity value** of your **shares** in a **capital protected option** is the amount we receive when we redeem those **shares** on the **capital protected end date**.
- **Medium term notes** are medium term notes, issued by a financial institution, the return on which is based on the performance of the **FTSE 100 Index** (or other Indices), or such other investment(s) as we may from time to time determine for a **capital protected option**. The financial institution(s) that will issue the medium term notes will be of such rating (as measured by Standard & Poor's) as is detailed in the Key Features document for the particular **capital protected option**.
- The **prospectus** of each **HBOS OEIC** is the full prospectus setting out the rules that apply to that **HBOS OEIC**, its **sub-funds** and its **shares**. Those rules are modified by these conditions. The **prospectus** does not apply to **capital protected options**.
- A **share** is an **accumulation share**, an **income share**, a **stakeholder share** or a **tracker share**. If you hold **UK Growth Class B shares** or shares in Retail Share Class B or Retail Share Class E of the Corporate Bond Fund, any reference to **share** also includes these shares subject to the changes set out in conditions 29 and 30. If you invest in a **capital protected option**, unless otherwise stated, any reference to **share** in the general conditions and special conditions for that **capital protected option** means **medium term notes**.
- The **share price** is the price at which **shares** are bought and sold for an **ISA Investor**.
- The **Stakeholder Regulations** are the Financial Services and Markets Act 2000 (Stakeholder Products) Regulations 2004 as amended or re-enacted from time to time.
- A **stakeholder share** is a share in Retail Share Class C, F or G of the Cautious Managed Fund. We offer and manage **stakeholder shares** through the **ISA Investor** so that they comply with the requirements for medium term investment products under the **Stakeholder Regulations**.
- The **sub-funds** are sub-funds of the **HBOS OEICs** and are listed in condition 28.
- A **tax year** runs from 6th April of one year to 5th April of the next.
- **Tier 1 shares** refer to **accumulation shares** in Retail Share Class C in all **sub-funds** (except the Corporate Bond Fund) and **income shares** in Retail Share Class D of the UK Equity Income Fund.

- **Tier 2 shares** refer to **accumulation shares** in Retail Share Class F of all relevant **sub-funds** and **income shares** in Retail Share Class E of the UK Equity Income Fund.
- **Tier 3 shares** refer to **accumulation shares** in Retail Share Class G of all relevant **sub-funds** and Retail Share Class B of the UK FTSE 100 Index Tracking Fund and **income shares** in Retail Share Class B of the UK Equity Income Fund.
- A **tracker share** is a share in Retail Share Class B of the UK FTSE 100 Index Tracking Fund.
- A reference to a **UK Growth Class B share** is a reference to a share in Retail Share Class B of the UK Growth Fund.
- For any **sub-fund** or **medium term notes**, a **working day** is any day from Monday to Friday (excluding English public holidays) or any other day on which we choose to carry out a valuation of the relevant **sub-fund** or **medium term notes** (as appropriate).

#### 4 HOW MUCH CAN I INVEST?

- In any **tax year** you can invest up to the annual ISA investment allowance in your **ISA Investor** less any amount you save into a cash ISA in the same **tax year**. Both the annual ISA investment allowance and the maximum amount allowed in a cash ISA each **tax year** may change in the future.
- To invest in an **ISA Investor**, you must be:
  - aged 18 or over
  - resident and ordinarily resident in the United Kingdom for tax purposes or, if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings & Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the United Kingdom, or married to, or in a civil partnership with, a person who performs such duties; and
  - investing your own money.

- If we give you at least 30 days' notice, we can refuse to accept further investments from you.
- If you do not make a lump sum investment in a **tax year**, you will have to make a new declaration before you can make a lump sum investment in any future **tax year**. If you are making monthly investments, you will not need to make a new declaration every **tax year**. If you stop making monthly investments, we will not ask you to make a new declaration to restart them in the same or the next **tax year**. You will have to make a new declaration to restart them in any other future **tax year**.

#### 5 WHEN WILL MY ISA INVESTOR START?

Your **ISA Investor** will start on the **working day** on which we accept your application to invest under one of the **investment options** at our **administration address**. An **investment option** starts on the **working day** on which we accept your application to invest under that **investment option**. For the purposes of the **ISA Regulations**, your **ISA Investor** cannot start until the date of subscription.

#### 6 WHAT RIGHTS DO I HAVE TO CANCEL?

- When an **investment option** under your **ISA Investor** is set up, we will send you a cancellation notice. This is subject to condition 6d. For an **investment option** set up by distance contract, we are not required to send you a cancellation notice but we have decided to do this voluntarily. The cancellation notice will tell you about your right to cancel that **investment option** under your **ISA Investor**.
- You can cancel that **investment option** under your **ISA Investor** by filling in and returning the cancellation notice within 30 days of receiving it.
- If you cancel that **investment option** under your **ISA Investor** after making a lump sum investment and the value of your investment falls during the 30 day cancellation period, you will not get back the full amount you invested.

- d You do not have a right to cancel an **investment option** under your **ISA Investor** where you have transferred an ISA to us from another plan manager, where you have transferred **shares** from a Collective Investment Plan into an **ISA Investor** or where you have switched between **shares** under your **ISA Investor**.
- e You are entitled to change your mind within 7 days of giving us instructions to transfer an ISA from another plan manager to us. This right to change your mind only applies where you have received advice through an authorised adviser working for the **Lloyds Banking Group**.

## 7 WHO OWNS THE SHARES AND CASH IN MY ISA INVESTOR?

- a We will hold the legal title to any **shares** and cash in your **ISA Investor**.
- b You will be the beneficial owner of any **shares** and cash in your **ISA Investor**. You must not use any **shares** and cash in your **ISA Investor** as security for a loan except as permitted by the **ISA Regulations**.
- c You will not be given certificates for any **shares**. Your **shares** in your **ISA Investor** will be pooled with **shares** held for other customers and will not be identified by separate certificates, other physical documents or equivalent electronic record. Details of your **shares** will be recorded on a register in our name or the name of our nominee. If your **shares** are registered in the name of our nominee, we will be responsible for anything our nominee does or does not do. The **shares** and cash in your **ISA Investor** will be identified separately in our records. If we or our nominee lose any of the **shares** or cash in your **ISA Investor**, we will be liable to you. If we or our nominee defaults and are not holding enough **shares** to satisfy our obligations to all our customers, the **shares** will be shared out among our customers in proportion to their holdings – this will not affect your other legal rights.
- d If there is any uninvested cash in the **HBOS OEIC investment option** of your **ISA Investor**, we will deposit it in an account in our name with an approved bank in the UK (including Bank of Scotland plc which is a member of the **Lloyds Banking Group**) that is designated as a stocks and shares ISA client bank account. We will not pay interest on any cash that we hold for you in connection with your **HBOS OEIC investment option**.
- e If there is any uninvested cash in a **capital protected option** of your **ISA Investor**, we will deposit it in an account in our name with an approved bank in the UK (including Bank of Scotland plc which is a member of the **Lloyds Banking Group** and the Northern Trust Company) that is designated as a stocks and shares ISA client bank account. The special conditions which apply to the **capital protected option** explain when we will pay interest in connection with that **investment option**. We will not pay interest in any other circumstances on any cash that we hold for you in connection with a **capital protected option**.
- f Provided that we have complied with the rules of the **FSA**, you agree that we can cease to treat as client money any unclaimed cash balance that we hold for you where there has been no movement in the balance for a period of at least 6 years and we can demonstrate that we have taken reasonable steps to trace you and to return the balance.
- g We will appoint a custodian to hold the **medium term notes**. The custodian will not have or claim any lien or right of retention over, or any right to sell, any **medium term notes**, except in relation to any unpaid sum due to it in connection with services provided which have been authorised by us or in relation to any provisional credit or advancement of the custodian's own funds to meet our settlement obligations.

## 8 HOW DOES TAXATION AFFECT MY ISA INVESTOR?

- a Under the current law relating to tax relief for ISAs, we will manage your **ISA Investor** so that it will be free from all personal tax. When these conditions refer to personal tax, they mean income tax and capital gains tax. This does not take into account any tax that may have been paid on any investments held within the **sub-fund** or taxes paid by the **sub-fund** before reaching you. When these conditions refer to tax relief, they mean the tax relief that applies at the date of publication of these conditions. But, tax relief could change in the future. If the tax relief that applies to ISAs changes, your **ISA Investor** will continue but it will be affected by that change. We can change these conditions to take account of that change in line with condition 11.
- b The information about tax relief in these conditions only applies to people who pay UK tax. The value of tax relief to you depends on your individual circumstances.
- c We will make claims, conduct appeals and agree tax reliefs and liabilities relating to your **ISA Investor**.
- d We will give the Revenue any information about your **ISA Investor** that we are required to give them.
- e If we have passed a tax credit or income tax to you that you are not entitled to, we can repay the Revenue by selling sufficient **shares** from your **ISA Investor**. If we have paid you an amount equal to a tax credit or income tax because we did not expect your **ISA Investor** to be taxed and it is then taxed, we can take any money owing to us by selling sufficient **shares** from your **ISA Investor**. If you invest through the **HBOS OEIC investment option**, we will sell **shares** in the order set out in condition 25a.

## 9 HOW WILL YOU CARRY OUT YOUR DUTIES?

- a We will act with reasonable skill, care and diligence as required by the rules of the **FSA**.

- b We may not accept any instruction, request or notice or make any payment until we receive at our **administration address** any documents, information and consents for which we have asked and which we reasonably consider are necessary.
- c If we cannot perform any of our services under these conditions due to circumstances beyond our reasonable control, then we will take all reasonable steps to bring those circumstances to an end, but we will not be liable for our non-performance except to the extent required by the Financial Services and Markets Act 2000 (including any replacement Act), any regulations issued under that Act and the rules of the **FSA**.
- d If we delegate any of our functions or responsibilities under these conditions to any person, we will make sure that person is competent to carry them out.
- e We will not be liable for any loss arising directly or indirectly from the late collection of a direct debit payment that is not due to our fault, including any loss of investment opportunity or loss of tax relief.

## 10 WHAT ARE THE CHARGES UNDER MY ISA INVESTOR?

The charges for investing under an **investment option** are described in the special conditions for that **investment option**.

## 11 WHEN CAN THESE CONDITIONS CHANGE?

- a Subject to conditions 11c and 26a, by giving you reasonable notice in advance, we can change any of these conditions for one or more of the following reasons:
- to make them easier to understand or fairer to you
  - to reflect changes to the law, codes of practice or the way we are regulated
  - to reflect a decision or recommendation made by, or a requirement of, a court, ombudsman, regulator or similar body or any undertaking given to any such body

- to reflect changes to standards published by other bodies which we agree will apply to your plan
  - to reflect changes in market conditions
  - to reflect changes in general market practice (including the terms on which similar products are offered)
  - to reflect changes to the way we look after your plan or individual savings accounts generally
  - to reflect changes to the tax relief that applies to ISAs (see also condition 8a)
  - to reflect legitimate changes to our costs of selling and/or administering plans and/or managing the **sub-funds**
  - to allow us to introduce new or improved systems for looking after your plan; or
  - to correct mistakes.
- e If we choose not to enforce any term which forms part of these conditions, this will not affect our right to enforce the rest of those terms.
- f Each paragraph and sub-paragraph in these conditions is separate from the others. This means that if we cannot enforce any one paragraph or sub-paragraph in these conditions, this will not affect our right to enforce any other paragraph or sub-paragraph.
- g If your **ISA Investor** held **tracker shares** before 6 April 2005, we will not make a change under this condition 11 that will cause the way in which we manage **tracker shares** within your **ISA Investor** to breach the **CAT standards**.
- h We will not make a change under this condition 11 that will cause the way in which we offer and manage **stakeholder shares** within your **ISA Investor** to breach the requirements for medium term investment products under the **Stakeholder Regulations**.

We will give you at least 10 **working days'** notice of any change under this condition. You will be free to transfer your plan to another ISA manager under condition 16g.

Where we refer to 'changes' in the above list, we mean changes we know will happen or we reasonably believe will happen or changes that have already taken place.

Any change under this condition will be a proportionate response to the reason for that change.

- b Subject to conditions 11c and 26a, we can also change these conditions if it is fair and reasonable to make the change. We will give you reasonable notice of at least **ten working days** in advance of any change made under this condition. You will be free to transfer your plan to another ISA manager under condition 16g.
- c The conditions relating to **shares** of a **sub-fund** (including those relating to charges) can be changed only in line with the relevant **prospectus** and the **COLL Sourcebook**.
- d If we delay in enforcing any term which forms part of these conditions, this will not affect our right to enforce it or the rest of those terms.

## 12 WHAT INFORMATION DO I RECEIVE?

- a We will tell you about the progress of your investments in the following way:
- We will send you a letter to let you know we have received your application for an **ISA Investor**.
  - We will send you a full valuation of your **ISA Investor** at least every six months, including a statement of the deals carried out over the previous six months. This is subject to condition 15a. The valuation will be based on the number of **shares** in your **ISA Investor** multiplied by the **share price**, both of which will be calculated as at the date set out in the valuation. For a **capital protected option**, the valuation will not give any indication of the final value of the option as this is dependent on the performance of the **FTSE 100 Index** (or other Indices) as detailed in the Terms of the ISA Investor – Capital Protected Option document for the particular **capital protected option** in which you invest.

- After your **ISA Investor** ends, we will send you a final statement of the deals carried out since your last valuation.
- b If you ask, we will arrange for you to:
- go to and vote at meetings of shareholders (if you invest under the **HBOS OEIC investment option**) or noteholders (if you invest under a **capital protected option**); and
  - receive any information we send to shareholders and/or noteholders (as appropriate), including copies of half-yearly and annual reports for each **HBOS OEIC** in which you invest.
- c If you ask, we will send you a summary of your rights under the Financial Services Compensation Scheme.

### 13 HOW CAN WE CONTACT EACH OTHER? WHAT INFORMATION CAN YOU GIVE AND RECEIVE ABOUT MY ISA INVESTOR?

- a We will send all notices and other post to the address that you gave us when you started your **ISA Investor** or the latest address that you have given us. We will assume that everything we send arrives 48 hours after posting if it is sent to an address in the United Kingdom or ten days after posting if it is sent abroad.
- b You must write to us straight away at our **administration address** if you change your name or address. If you have not told us about a change of address and we send a notice to the latest address that you have given us, it will be effective. You should make sure that the arrangements for receiving mail at your address are safe.
- c Unless these conditions say differently, any notice, request or other information that relates to your **ISA Investor** will only be valid if it is in writing.
- d We may ask any other member of the **Lloyds Banking Group** to give us information about you that will help us to identify you.

- e We can tell any lender named in your application and any other person you allow us to tell, about your **ISA Investor** and any changes to it.

### 14 WHAT HAPPENS IF MY ISA INVESTOR IS MADE VOID?

- a We will tell you if your **ISA Investor** is or will be made void for the purposes of the **ISA Regulations** because you fail to meet any requirement under those regulations, for example:
- any of the information you have given us on your application form is wrong
  - you have paid into another stocks and shares ISA in the same **tax year** that you have subscribed to your **ISA Investor**.
- b If your **ISA Investor** is made void for the purposes of the **ISA Regulations**, we will:
- register **shares** bought for the **HBOS OEIC investment option** under your **ISA Investor** in your name. Those **shares** will not benefit from the tax relief that applies to ISA investments. The conditions that apply to **shares** registered in your name are set out in the **prospectus** that applies to those **shares**; and
  - sell **shares** bought for any **capital protected option(s)** under your **ISA Investor** and send you a cheque for the sale proceeds in line with the procedure in condition 36.

### 15 WHAT HAPPENS IF I DIE?

- a If your **ISA Investor** is in force when you die, its tax exempt status will end on that date. We will stop collecting monthly investments and may stop sending full valuations (which include a statement) in line with condition 12a but your **ISA Investor** will otherwise continue.
- b When we have received evidence of your death that is satisfactory to us, we will do the following in relation to the **investment options** in your **ISA Investor**:

- We will do one of the following in connection with the **HBOS OEIC investment option** under your **ISA Investor**.
  - If your **ISA Investor** is used in connection with a mortgage with a lender which is a member of the **Bank of Scotland Group** or to which a member of the **Bank of Scotland Group** has transferred any of its rights in connection with that mortgage:
  - we will sell all of your **UK Growth Class B shares** that are designated as mortgage shares; and
  - we will also sell some or all of your other **shares** if the money you owe the lender in connection with the mortgage must be paid off immediately and the lender asks us to sell those other **shares**.

We will pay the proceeds (less any money owed to us and the Revenue) to the lender to pay off or reduce the mortgage debt. We will pay any remaining balance to your personal representatives or any other person entitled to the proceeds. The **HBOS OEIC investment option** under your **ISA Investor** will then end.

- In all other cases, if your personal representatives or any other person entitled to them ask us to sell your **shares**, we will sell those **shares** and pay the proceeds (less any money owed to us and the Revenue) to them. Alternatively, for all **shares** except **UK Growth Class B shares**, if your personal representatives or any other person entitled to your **shares** ask us to register them in the name of another person or people, we will do this after selling sufficient **shares** to reimburse us and the Revenue for any money owed to either of us. The **HBOS OEIC investment option** under your **ISA Investor** will then end.
- For a **capital protected option** under your **ISA Investor**, on notification of your death we will sell your **shares** in line with the procedure in condition 36 and hold the sale proceeds (less any money owed to us and the Revenue) in an account in our

name with an approved bank in the UK (including Bank of Scotland plc which is a member of the **Lloyds Banking Group** and the Northern Trust Company) designated as a client money account. We will not pay interest on this cash. When your personal representatives or any other person entitled to the proceeds asks us, we will pay the sale proceeds to them by cheque. The **capital protected option** under your **ISA Investor** will then end.

- c Until we sell the **shares**, they will be subject to daily price movements as normal. When we know who your personal representatives are, we will tell them the value of your **shares** at the **share price** on the date of your death.
- d When we have received evidence of your death that is satisfactory to us and the investment holding is in **income shares** we will automatically switch your **income shares** to **accumulation shares** within the same **sub-fund** with equivalent terms (other than in relation to the payment of income) to your previous share class.

## 16 HOW CAN MY ISA INVESTOR END? HOW CAN IT BE TRANSFERRED?

- a If you hold **shares** other than **UK Growth Class B shares** under the **HBOS OEIC investment option**, the value of those shares must be at least £20.
- b If you hold **UK Growth Class B shares** under the **HBOS OEIC investment option**, the value of those shares must be at least £500. We include within the **UK Growth Class B shares** used to work out the value of your holding all **UK Growth Class B shares** that you hold through the **HBOS OEIC investment option** and any **UK Growth Class B shares** registered in your own name.
- c We will tell you if:
  - you fail to make more than two monthly investments in a row and the total value of your holding is less than the relevant minimum at the date when you should have made the later of the two missed investments

- you tell us that you want to stop making monthly investments and the total value of your holding is less than the relevant minimum; or
- after you have sold or transferred **shares**, the total value of your holding is less than the relevant minimum and you are not making monthly investments by direct debit.

In any of these cases, we may require you either to start monthly investments or to make an extra investment within 28 days to bring the total value of your holding to the minimum that applies to that holding. If you do not do this, we can sell the relevant holding and pay you the proceeds. If you have no **shares** left in your **HBOS OEIC investment option** after this, we will close it.

- d You can end your **ISA Investor** at any time by giving notice to us. We can end your **ISA Investor** (except for any rights and duties we may have in relation to **tracker shares** if you held **tracker shares** in your **ISA Investor** before 6 April 2005) at any time by giving you at least 30 days' notice. Your notice to us will apply from when we receive it. We will finish any transaction we started before we received your notice. You may tell us the time within which you wish us to act on your instructions under this condition. We will carry out your instructions within a reasonable time (not exceeding 30 days).
- e If you held **tracker shares** in your **ISA Investor** before 6 April 2005 and we decide that it is no longer possible to manage your **tracker shares** in line with the **CAT standards**, we can change or withdraw the terms on which we manage **tracker shares** by giving you at least three months' notice. We will try to give you certain options, for example transferring the cash value of your **tracker shares** to another ISA manager offering equivalent or better terms. If you do not choose an option within a reasonable period, we will choose the option that we reasonably think is best for you. We will try to ensure that you do not suffer any extra charges. In special cases, where for example the **FSA** uses its powers of intervention, our insolvency or in extreme market conditions, we may change or withdraw the terms on which we manage **tracker shares** on immediate notice. In such circumstances, we will explain the reasons for the change and tell you whether we think it will be permanent or temporary.
- f If our appointment as manager of your **ISA Investor** is ended for whatever reason, we will give you certain options and notify you of your right to transfer your **ISA Investor** to another plan manager. If you do not choose an option within a reasonable period or ask to transfer your **ISA Investor** to another plan manager, we will choose the option that we reasonably think is best for you.
- g On request we will transfer in line with the **ISA Regulations** the cash value of some or all of the **shares** under your **ISA Investor** to another ISA manager without affecting your tax relief. We will do this by selling those **shares** and paying the proceeds (less any money owed to us and the Revenue) from the sale to the new ISA manager. You must transfer the total cash value of all **shares** held in respect of any particular **tax year**. You cannot make a partial transfer of **shares** held in respect of any particular **tax year**. If you hold **shares** other than **UK Growth Class B shares** under the **HBOS OEIC investment option** the smallest amount that you can transfer is £20 unless you are transferring the total cash value of those **shares** under your **ISA Investor**. If you hold **UK Growth Class B shares** under the **HBOS OEIC investment option** the smallest amount that you can transfer is £250 unless you are transferring the total cash value of **UK Growth Class B shares** under your **ISA Investor**. You must transfer the total cash value of all **shares** under each particular **capital protected option** of your **ISA Investor**. Partial transfers of a **capital protected option** are not allowed. You may tell us the time within which you wish us to act on your instructions under this condition. We will carry out your instructions within a reasonable time (not exceeding 30 days).

- h When your **ISA Investor** ends for any reason, your and our rights and duties to each other under your **ISA Investor** will also end.
- i We may change any minimum holding or limits under conditions 16a, 16b and 16g in line with condition 11.

## 17 WHAT CONDITIONS APPLY TO PREVENT MONEY LAUNDERING?

We may ask for proof of your identity and any other relevant information in line with the law to prevent money laundering. If you do not provide this or we are not satisfied with the proof and other relevant information that you provide, we may:

- not open your **ISA Investor**
- end your **ISA Investor**; or
- refuse to make payments to you from your **ISA Investor**.

The price at which we then buy or sell **shares** for your **ISA Investor** could be higher or lower than the price at the time we received your application or instructions.

## 18 HOW DO I COMPLAIN?

We have a procedure to help us investigate all complaints from our customers effectively. If you have a complaint about your **ISA Investor** or would like details of our complaints procedures, please write to our compliance officer at our **administration address**. If we cannot resolve your complaint to your satisfaction, you also have a right to complain direct to the Financial Ombudsman Service whose address is South Quay Plaza, 183 Marsh Wall, London E14 9SR.

## 19 WHICH COUNTRY'S LAWS APPLY?

- a It is agreed that these conditions are governed by the laws of England and Wales.
- b It is agreed that any dispute will be dealt with by the English courts.

# HBOS OEIC Investment Option

## Special conditions

### 20 WHAT IS THE HBOS OEIC INVESTMENT OPTION?

Under the HBOS OEIC investment option, you can invest lump sums and/or monthly investments to buy **shares** in one or more of the **sub-funds** of the HBOS OEICs. The rest of this section of the special conditions explains your and our rights and duties under this **investment option**.

### 21 HOW DO I INVEST UNDER THE HBOS OEIC INVESTMENT OPTION?

- a You can make lump sum investments to buy **shares** either by cheque, by direct transfer from certain Bank of Scotland plc accounts or by direct credit from a cash account with a bank or building society which is capable of sending electronic fund transfer payments. We may also allow you to make lump sum investments by debit card. You are responsible for making sure that any payments that you make will not affect any benefits under your account. We will use your lump sum investment to buy **shares** at the **share price** at the first valuation point after we receive your investment and instructions at our **administration address**. We will only accept instructions in writing. For subsequent lump sum investments, if you do not tell us in which **sub-funds** you want to buy **shares**, your investment will be used to buy **shares** in each **sub-fund** in the same proportions as your last investment. We will send you a **contract note** within one **working day** of the deal.
- b You can make monthly investments to buy **shares** by direct debit or standing order. Unless we agree otherwise monthly investments can be used to buy **shares** in no more than five **sub-funds** at any one time. Unless we agree otherwise, at least 10% of your monthly investment must be used to

buy **shares** in each **sub-fund** in which you invest. For direct debit payments we will arrange to collect each monthly investment on the same day each month that you have specified for your **HBOS OEIC investment option** (or, if that day is not a **working day**, the first **working day** after that day). We will invest each monthly investment at the **share price** on the day on which we do the deal.

- c Lump sum investments must be at least £20 for all **shares** except **tracker shares**. For **tracker shares** unless we agree otherwise lump sum investments must be at least £500. However we may accept a smaller amount than the minimum stated to allow you to invest the maximum amount permitted in a **tax year**. You must invest at least £20 a month for all **shares** except **tracker shares** to buy **shares** by direct debit or standing order. For **tracker shares** unless we agree otherwise you must invest at least £50 a month by direct debit only. We may change these minimum limits in line with condition 11.
- d You can request to transfer the cash value of ISA investments from another stocks and shares ISA into the **HBOS OEIC investment option** under your **ISA Investor**. We will invest the cash transfer in your **ISA Investor** following the procedure for lump sum investments described above.
- e You can request to transfer some or all of the value of investments made in previous **tax years** from a cash ISA into the **HBOS OEIC investment option** under your **ISA Investor**. This will not affect your annual ISA investment allowance for the current **tax year**. We will invest the cash transfer in your **ISA Investor** following the procedure for lump sum investments described above.
- f You can request to transfer the value of investments made in the current **tax year** from a cash ISA into the **HBOS OEIC investment option** under your **ISA Investor**. Such a transfer must be for the whole amount invested in the relevant **tax year** in that cash ISA up to the day of the transfer. Once the transfer is successfully completed, the investment will be treated as if it had been invested directly into a stocks and shares ISA in that **tax year**. You will then still be able to invest up to the full remaining balance of your annual ISA investment allowance in ISAs in that **tax year**, including up to the maximum allowable limit in another cash ISA. We will invest the cash transfer in your **ISA Investor** following the procedure for lump sum investments described above.
- g If you make monthly investments and these exceed the ISA investment allowance for the tax year, we will use that part of your investment in excess of the annual ISA investment allowance to buy **shares** in your name.
- h If your **ISA Investor** is made void, or if you become ineligible to invest in your **ISA Investor**, we will continue to collect monthly investments to buy **shares** and we will register those **shares** in your name. If you become eligible to start a new **ISA Investor** or to invest in your existing **ISA Investor**, you can start investing in that **ISA Investor** by making a new declaration. In that case, your monthly investments will be used to buy **shares** for your **ISA Investor**.
- i **Shares** bought in your name will not be held in your **ISA Investor** so they will not benefit from the tax relief that applies to ISA investments. The conditions that apply to **shares** bought and registered in your name are set out in the **prospectus** that applies to those **shares**.
- j You can apply to:
- change the date on which we collect your direct debit payment each month
  - increase or decrease your monthly investments within the annual ISA investment allowance; and
  - stop and restart your monthly investments at any time.
- In each case, we will begin to make the change within five working days of receiving your instructions at our **administration address**.

## 22 WHAT ARE SHARES IN THE HBOS OEICs AND HOW DO THEY WORK?

- a A **share** is a share in the property of a **sub-fund**.
- b **Income shares** are only available in Retail Share Classes D and E of the Corporate Bond Fund and Retail Share Classes B, D and E of the UK Equity Income Fund. The net income from your **income shares** will be paid to you; it cannot be reinvested. It is not possible to invest on a monthly basis to buy **income shares**.
- c Where you hold **income shares** in your **ISA Investor**, we will pay you an amount equal to the net income from those **shares**. We will also pay you an amount equal to any income tax deducted that you are entitled to receive even if we have not received it from the Revenue at that time. When we receive the income tax, we will keep it to repay us for the amount we will have already paid you. We pay income on the relevant distribution dates by direct credit to an account nominated by you. You must ensure that your nominated account continues to be able to receive payments. If your nominated account ceases to be able to receive payments, you must nominate another account through which you can receive payments. If you do not do so we will automatically switch your **income shares** to **accumulation shares** within the same **sub-fund** with equivalent terms (other than in relation to the payment of income) to your previous share class and condition 22d below will apply. We will not pay you any interest on money that we hold before you receive it as income.
- d Where you hold **accumulation shares** in your **ISA Investor**, we will accumulate the income from such **accumulation shares** back into the value of the **accumulation shares** of the **sub-fund** you are invested in. The price of the **accumulation shares** will reflect this accumulation. If we can claim a repayment of income tax from the Revenue for **accumulation shares** held in your **ISA Investor**, we will do so and we will use this income tax
- to buy more **accumulation shares** for your **ISA Investor**. We will buy them at the **share price** at the first valuation point after we receive the income tax. If you close your **ISA Investor** and income tax of £2.50 or more is outstanding, we will refund this to you by cheque. If income tax of less than £2.50 is outstanding, we may retain this and add this to the **sub-fund** in which you invested.
- e Income from **stakeholder shares** is accumulated back into the Cautious Managed Fund. The price of **stakeholder shares** will reflect this accumulation. If we can claim a repayment of income tax deducted from the Revenue for **stakeholder shares**, we will do so and we will use this income tax to buy more of those shares. We will buy them at the **share price** at the first valuation point after we receive the income tax.
- f If you close your **ISA Investor** and a repayment of income tax deducted of £2.50 or more is outstanding, we will refund this to you by cheque. If a repayment of income tax deducted of less than £2.50 is outstanding, we may retain this and add this to the **sub-fund(s)** in which you invested.
- g We will manage the **HBOS OEICs** so that the **shares** will be qualifying investments under the **ISA Regulations**.

## 23 HOW ARE SHARE PRICES WORKED OUT?

- a We value the property of each of the **sub-funds** at a 12 noon valuation point on each **working day** to work out the **share price** of the **shares** of each **sub-fund**. The **share price** for **shares** of a **sub-fund** is based on the value of that **sub-fund**.
- b Dealing is on a forward pricing basis. This means that **shares** are bought and sold at the **share price** that applies at the next valuation point. All instructions made by fax, other than for applications to purchase **shares**, must be received at our **administration address** before 9 am on any dealing day for the instructions to be carried out at the **share price** calculated at the valuation point on that dealing day.

Otherwise, the instructions will be carried out using the **share price** calculated at the valuation point on the next following dealing day.

- c The **share price** for the shares of each **sub-fund** is worked out in line with the instrument of incorporation and prospectus which apply to that **sub-fund** and the **COLL Sourcebook**, each of which can change. To avoid dilution of a **sub-fund**, we may make an adjustment to the **share price** in line with the prospectus and the **COLL Sourcebook**.
  - d The **share prices** are available daily on our website or by calling us. Further details can be found in the latest Key Features document which you can obtain from our **administration address**.
  - e We may buy or sell **shares** for you and other customers as part of the same deal. Whilst in some other situations this aggregation may work to customers' disadvantage, when we buy or sell **shares** in line with these conditions, we will always do so on terms at least as favourable as those you would receive if we had bought or sold your **shares** separately.
- b All instructions made by fax, other than for applications to purchase **shares**, must be received at our **administration address** before 9 am on any dealing day for the instructions to be carried out at the **share price** calculated at the valuation point on that dealing day. Otherwise, the instructions will be carried out using the **share price** calculated at the valuation point on the next following dealing day.
  - c The option available under condition 24a will not be available if either the value of **shares** to be sold or the value of **shares** remaining after a sale would be less than any minimum limits we set. If you ask us, we will tell you the level of any minimum limits at that time. We may change these minimum limits in line with condition 11.
  - d Currently, we do not charge for switches but we may charge for switches in the future in line with condition 11c.
  - e Under the rules of the **FSA**, if we have reasonable grounds for doing so, we may refuse to sell **shares** to you. If we decide that we can apply this rule to you, we may refuse your request to buy **shares** as part of any further requests to switch between **shares** by giving you 10 **working days'** notice. At the end of the notice period, if you request to switch between **shares**, we will carry out your instruction to sell your **shares** but will not carry out your request to buy **shares**. We will sell the **shares** and pay you the proceeds in line with condition 25.

## 24 CAN I SWITCH SHARES?

- a You can switch between **shares** in the **sub-funds** of the **HBOS OEICs** under your **ISA Investor** (**shares** of one **sub-fund** are sold at the **share price** to buy **shares** of the other **sub-fund** at the **share price**, using the prices that apply at the first valuation point after we receive your request at our **administration address**). You can only switch into **tracker shares** if you satisfy the **tier 3** criteria as described in condition 26b. You can switch out of **tracker shares** into Retail Share Classes B, C, F or G of another **sub-fund**. The share class you receive will depend on whether the contributions you have made qualify for **tier 1 shares**, **tier 2 shares** or **tier 3 shares**, as detailed in condition 26b. In addition, you cannot switch into **UK Growth Class B shares** or shares in Retail Share Classes B or E of the Corporate Bond Fund (with the exception of investors in Retail Share Classes B or E of the

Corporate Bond Fund who may switch between those two share classes. Please see conditions 29 and 30).



## 25 HOW DO I TAKE CASH?

- a You can take cash from the **HBOS OEIC investment option** under your **ISA Investor** by telling us in writing to sell **shares**. You must tell us the plan number and which **shares** you want us to sell. If you do not do so, the withdrawal total will be applied to each **sub-fund** in which you hold **shares** in the same proportion as your holding of

**shares** in that **sub-fund** represents to your total shareholding. For clarification **shares** in Retail Classes D and C in the Corporate Bond Fund will be sold before any **shares** in Retail Share Classes B and E of that **sub-fund**.

- b The smallest amount you can take by selling **shares** other than **UK Growth Class B shares** in the **HBOS OEIC investment option** is £20 unless you are selling all of those shares. The smallest amount you can take by selling **UK Growth Class B shares** is £250 unless you are selling all of your **UK Growth Class B shares**. We may change these minimum limits in line with condition 11.
- c You may tell us the time within which you wish us to act on your instructions under condition 25a. We will carry out your instructions within a reasonable time (not exceeding 30 days). If you are selling **shares**, we will send you a **contract note** within one **working day** of the deal. Payment will normally be made within four **working days** of receiving your instructions at our **administration address** by direct credit payment to a nominated account or by cheque.
- d If you choose to take regular withdrawals these can be taken by selling **accumulation shares** only. Regular withdrawals of a specified amount can be taken on a monthly, quarterly or annual basis subject to the respective minimum withdrawal limits of £50, £150 and £500. You cannot make regular monthly payments and also take regular withdrawals.
- e Regular withdrawals are taken by selling **accumulation shares** in each of the **sub-funds** in which they are held in proportion to their value to the total holding of **accumulation shares**. Shares will normally be sold four **working days** before the payment is made to your nominated account.
- f If you have chosen to take regular withdrawals and the value of your **accumulation shares** is insufficient to enable a regular withdrawal to be made then we will automatically cancel your regular withdrawal facility. Reinstatement of your regular

withdrawal facility will occur when the value of your **accumulation shares** is greater than the regular withdrawal value and we have received a written request to recommence making regular payments to you.

- g We will make regular withdrawal payments by direct credit to an account nominated by you. You must ensure that your nominated account continues to be able to receive payments. If your nominated account ceases to be able to receive payments, you must nominate another account through which you can receive payments. If you do not do so we will automatically cancel your regular withdrawal facility. Regular withdrawal payments cannot be made by cheque. If, following cancellation of the facility, you provide us with details of a new account into which we can make regular payments, we will reinstate the facility.

## 26 WHAT ARE THE CHARGES UNDER THE HBOS OEIC INVESTMENT OPTION?

- a The only charges are those normally associated with buying, selling and holding **shares** in **sub-funds** of the **HBOS OEICs**. There are no extra charges for investing through an **ISA Investor**. These charges can be increased only in line with the relevant **prospectus** and the **COLL Sourcebook**. Charges under this condition 26 will not be increased if this would cause the way in which we offer and manage **stakeholder shares**, and manage **tracker shares** purchased before 6 April 2005 within your **ISA Investor**, to breach the requirements for medium term investment products under the **Stakeholder Regulations** and the **CAT standards** respectively.
- b There is no initial charge when you buy **shares**. There is an annual management charge payable, the level of which is determined by the aggregated value of the contributions you have made into an **ISA Investor** (excluding an **ISA Investor** which is part of a Halifax Home Plan).

The applicable annual management charges and the relevant eligible investment values are split into three Tiers, each Tier relating to

specific classes of share within the **sub-funds** as described in condition 3. The Tiers and their applicable charges and eligible investment limits are as follows:

**Tier 1 shares** – Where aggregate contributions to your eligible investments are less than £25,000 the annual management charge applicable will be 1.5%.

**Tier 2 shares** – Where aggregate contributions are £25,000 or more but less than £75,000 the annual management charge applicable will be 1.25%.

**Tier 3 shares** – Where aggregate contributions are £75,000 or more the annual management charge applicable will be 1.0%.

- c Exceptions to the tier structure set out in 26b are:
- All holdings in the Corporate Bond Fund, where the annual management charge is 1.0% for Retail Share Classes C and D, and 0.75% for Retail Share Classes B and E; and
  - Retail Share Class B of the UK Growth Fund where the annual management charge is 0.5%.
- d If, having made an additional investment into your **ISA Investor** following 26 November 2007, the value of your holding exceeds a level at which you are eligible to be invested in a share class carrying a lower annual management charge your holding(s) will automatically be switched into the relevant share class(es) (eg where you increase your investment to £25,000 or above your holding will be switched from the relevant Tier 1 share class to the relevant Tier 2 share class in the same **sub-fund**). If you make a subsequent withdrawal which takes the value of your holding below the minimum eligible value for the share class into which your shares have been switched, this will not affect the annual management charge payable in relation to your investment and you will remain invested in the new share class with the lower annual management charge. Where you make a top up investment into your **ISA Investor**, as described above, which would make your investment eligible to be switched into a share class with a lower annual management charge but then exercise your right to cancel in relation to that top up investment, your investment will be switched back into the share class with the higher annual management charge. In order to be eligible for a switch into a share class with a lower annual management charge, you must make an additional investment into your **ISA Investor** after 26 November 2007, even if the value of your holdings already exceed an eligible value at that date, before your shares will be switched into a share class bearing a lower annual management charge.
- e If you hold **stakeholder shares** for a continuous period of 10 years, on the 10th anniversary of the first purchase of those shares, we will switch all **stakeholder shares** held by you into Retail Share Class G within the Cautious Managed Fund which will have a current management charge of 1/365% of the value of **stakeholder shares** held for each day on which such **shares** are held. Any further investments in the Cautious Managed Fund after the date of the switch will be used to buy **shares** in this class.
- f In line with the **CAT standards**, for assets attributable to **tracker shares**, we charge only certain expenses such as dealing costs and stamp duty on deals in the assets to the property of that **sub-fund**. In line with the requirements for medium term investment products under the **Stakeholder Regulations** for assets of the Cautious Managed Fund attributable to **stakeholder shares**, we charge only certain expenses such as dealing costs, stamp duty and stamp duty reserve tax on deals in the assets to the property of that **sub-fund**. For assets of the **sub-funds** attributable to the other **shares**, certain other fees and expenses for each **sub-fund** are also charged to the property of that **sub-fund**. They are reflected in the **share price** and are taken from the **sub-fund** each month. Full details of all fees and expenses are explained in the relevant **prospectus**.

## 27 WHAT OTHER INFORMATION DO I RECEIVE?

- Every six months, you will receive an investment report for each HBOS OEIC in which you invest.
- You can get the prospectus for any HBOS OEIC by writing to us at our **administration address**.

## 28 WHAT ARE THE SUB-FUNDS OF THE HBOS OEICS AND THEIR INVESTMENT AIMS?

HBOS UK Investment Funds ICVC	
Sub-fund	Investment aim
UK Growth Fund	To achieve long-term capital growth by investing mainly in UK companies.
UK FTSE 100 Index-Tracking Fund	To aim to match as closely as possible, subject to the effect of charges and regulations in force from time to time, the capital performance and net income yield of the FTSE 100 Index.
Corporate Bond Fund	To provide an above average income from a diversified portfolio of interest bearing securities.
UK Equity Income Fund	To provide an above average income, together with prospects of capital appreciation over the longer term, derived mainly from a portfolio of securities in UK companies.
UK FTSE All-Share Index-Tracking Fund	To aim to match as closely as possible, subject to the effect of charges and regulations in force from time to time, the capital performance and net income yield of the FTSE All-Share Index.
HBOS International Investment Funds ICVC	
Sub-fund	Investment aim
European Fund	To achieve capital growth in the long term by investing mainly in European companies excluding the UK.
Far Eastern Fund	To achieve long-term capital growth by investing mainly in Far Eastern companies (excluding Japanese companies).
International Growth Fund	To achieve capital growth in the long term by investing in a diversified global portfolio.
Japanese Fund	To achieve long-term capital growth from investments in a broad range of Japanese companies.
North American Fund	To achieve capital growth in the long term by investing mainly in North American companies.
HBOS Specialised Investment Funds ICVC	
Sub-fund	Investment aim
Ethical Fund	To achieve capital growth in the long term by investing in companies whose activities are considered ethical, both in terms of their primary activities as well as in the means of achieving them.
Fund of Investment Trusts	To achieve capital growth in the long term by investing mainly in Investment Trust companies.
Smaller Companies Fund	To achieve long-term capital growth through investing mainly in smaller companies, principally in the UK.
Special Situations Fund	To achieve capital growth by active investment in UK companies with above average potential for growth.
Cautious Managed Fund	To achieve long-term growth by investing in a managed portfolio of equities investing mainly in the UK and fixed interest investments such as corporate bonds and gilts.

## 29 CORPORATE BOND FUND

- a This condition 29 applies only if you hold **shares** in Retail Share Class B or Retail Share Class E of the Corporate Bond Fund in your **ISA Investor**. We will apply the **ISA Investor** conditions to these **shares** with the following changes.
  - b Other than through reinvestment or switching between these two share classes, you cannot buy **shares** in Retail Share Class B or Retail Share Class E of the Corporate Bond Fund. If you are invested in Retail Share Class B of the Corporate Bond Fund, we will reinvest the income from these **accumulation shares** back into the value of such **shares** and the price of such **shares** will reflect this reinvestment. We will reinvest any repayment of income tax from your **shares** to buy more **shares** of the same type. We will not apply the initial charge to this reinvestment.
  - c Only investors who are already invested in Retail Share Class B or E of the Corporate Bond Fund, can switch into **shares** in those two share classes.
  - d There is an initial charge of 3% for these **shares**. There is an annual management charge of 0.75% of the value of the assets of the Corporate Bond Fund attributable to these **shares**. We take the annual management charge from the property of the **sub-fund** in line with the relevant **prospectus**.
- those **shares**. We will buy them at the **share price** at the first valuation point after we receive the income tax. If you close your **ISA Investor** and a repayment of income tax deducted of £2.50 or more is outstanding, we will refund this to you by cheque. If a repayment of income tax deducted of less than £2.50 is outstanding, we may retain this and add this to the **sub-fund** in which you invested.
- c You can continue to make monthly investments by direct debit to buy **UK Growth Class B shares** as long as you continue to hold UK Growth Class B shares in your **ISA Investor**.
  - d You cannot switch into **UK Growth Class B shares**.
  - e If your **ISA Investor** is part of a Halifax Home Plan, we will designate the **UK Growth Class B shares** which we agree you can buy to pay off your mortgage as mortgage shares. We will designate the **UK Growth Class B shares** you buy for savings purposes as savings shares.
  - f If your **ISA Investor** is not part of a Halifax Home Plan, we will designate the **UK Growth Class B shares** you buy as savings shares.
  - g At any time after five years from the date you start your Halifax Home Plan, you can apply in writing to redesignate any of your **UK Growth Class B shares** from savings shares to mortgage shares. We can refuse a request. You can apply in writing to redesignate any of your **UK Growth Class B shares** from mortgage shares to savings shares at any time.
  - h If your **ISA Investor** is part of a Halifax Home Plan, we will agree the monthly investment that will be used to buy mortgage shares. You can make additional monthly investments to buy savings shares. The minimum monthly investment to buy savings shares is £10 a month. We may change this minimum limit in line with condition 11.
  - i If your **ISA Investor** is not part of a Halifax Home Plan, the **UK Growth Class B shares** bought for your **ISA Investor** will be savings shares. You must invest at least £50 a month to buy savings shares.

## 30 UK GROWTH FUND

- a This condition 30 applies only if you hold **UK Growth Class B shares** in your **ISA Investor**. We will apply the **ISA Investor** conditions to these shares with the following changes.
- b Your **UK Growth Class B shares** are **accumulation shares**. This means that we reinvest the income from these **shares** back into the UK Growth Fund. The price of **UK Growth Class B shares** will reflect this reinvestment. If we can claim a repayment of income tax deducted from the Revenue for **UK Growth Class B shares**, we will do so and we will use this income tax to buy more of

- j If your **ISA Investor** is part of an existing Halifax Home Plan and you invest above the annual ISA investment allowance, we will use that part of your investment in excess of the ISA allowance to buy **UK Growth Class B shares** in your name.
- k If your **ISA Investor** is part of a Halifax Home Plan and is made void for the purposes of the **ISA Regulations**, we will register **UK Growth Class B shares** bought for your **ISA Investor** in your name and they will remain designated as mortgage shares or savings shares (as applicable). The mortgage shares will continue to be used to work out the benefits under your Halifax Home Plan.
- l If your **ISA Investor** is part of a Halifax Home Plan and you buy **UK Growth Class B shares** in your name (see condition 22), we will designate those shares as mortgage shares or savings shares (as applicable) and any mortgage shares will continue to be used to work out the benefits under a Halifax Home Plan.
- m If your **ISA Investor** is part of a Halifax Home Plan, you can make lump sum investments of at least £500 to buy mortgage shares five years after the start of your Halifax Home Plan. If you stop making monthly investments to buy **UK Growth Class B shares**, we cannot accept a lump sum investment under this condition in a subsequent **tax year** until you restart your monthly investments.
- n If your **ISA Investor** includes mortgage shares, we can tell St Andrew's Life Assurance plc about your **ISA Investor** and any changes to it.
- o There is an initial charge of 5% when you buy **UK Growth Class B shares**. There is an annual management charge of 0.5% of the value of the assets of the UK Growth Fund attributable to these **shares**. We take the annual management charge from the property of the **sub-fund** in line with the relevant **prospectus**.

## Capital Protected Option

### 31 WHAT IS A CAPITAL PROTECTED OPTION?

Under each **capital protected option**, we will use your lump sum investments to invest in **shares**. You appoint, and authorise, us to manage each **capital protected option** under your **ISA Investor** in line with these conditions and to use your investments in a **capital protected option** to buy **shares** from such financial institution(s) (with a rating of at least that detailed in the Key Features document for a particular option) as we may from time to time at our discretion determine for that option. The rest of this section of the special conditions explains your and our rights and duties under this **investment option**.

### 32 WHAT ARE SHARES IN A CAPITAL PROTECTED OPTION?

- a For the purposes of a **capital protected option**, **share** means **medium term note**.
- b All **shares** bought for a **capital protected option** will be qualifying investments under the **ISA Regulations**.
- c The investment objective of each **capital protected option** is to invest in **shares** which are structured to provide a return based on the performance of the **FTSE 100 Index** (or other Indices) as detailed in the Terms of the **ISA Investor – Capital Protected Option** document for the particular **capital protected option** in which you invest.
- d We act as your agent in arranging for the purchase of the **shares** for each **capital protected option**.
- e We may carry out transactions for a **capital protected option** even though we or another member of the **Lloyds Banking Group** may have a material interest in such transactions or the circumstances may be such that a conflict of interest arises. Such interest or conflict of interest may arise for example in the following circumstances:

- the transaction may be in **shares** where the issuer is another member of the **Lloyds Banking Group**
- we act for you and another customer or customers with interests in such **shares**
- we act as agent for you and for another party to the transaction (which may be a member of the **Lloyds Banking Group**)
- we act as agent for you and also on our own behalf or as agent of another member of the **Lloyds Banking Group**; or
- we are a member of the **Lloyds Banking Group** which is involved in financial services activities.

We will ensure that such transactions are effected on terms which are not in any way less favourable to our customers than if the interest or conflict of interest had not existed, and with a view to taking all reasonable steps to prevent any such interest or conflict of interest from constituting or giving rise to a material risk of damage to the interests of our customers.

We may retain for our own account, and are not liable to account or disclose to you, any benefits that we may receive where we or another member of the **Lloyds Banking Group** has a material or other interest in a transaction carried out for a **capital protected option**. We will let you have details of any such benefits, including the nature and amount of them.

### 33 HOW DO I INVEST IN A CAPITAL PROTECTED OPTION?

- a We will accept a lump sum payment (**minimum £500**) made by cheque or from a Halifax account.
- b Regular investments cannot be made.
- c For plans taken out from 9 March 2009 you can request to transfer the cash value of ISA investments from another stocks and shares ISA into a **capital protected option**, under your **ISA Investor**. We will invest the cash transfer in your **ISA Investor** following the procedure for lump sum investments described at **condition 31** above.

- d For plans taken out from 9 March 2009 we will not accept a transfer of the cash value of ISA investments from a cash ISA into a **capital protected option**, under an **ISA Investor**.
- e For plans taken out between 1 June 2004 to 1 February 2005 we will not accept a transfer of the cash value of ISA investments from a cash ISA or stocks and shares ISA into a **capital protected option** under an **ISA Investor**.

### 34 HOW DOES THE CAPITAL PROTECTED OPTION WORK?

- a Until the **capital protected start date**, we will hold your investment as cash pending investment in **shares**. We will keep cash that we hold for your **capital protected option** together with cash that we hold for other investors in an account in our name with an approved bank in the UK (including Bank of Scotland plc which is a member of the **Lloyds Banking Group** and the Northern Trust Company) which will be designated as a stocks and shares client money bank account.
- b We will pay you interest on the cash that we hold for your **capital protected option** from the date that your cleared funds are transferred into the account (see condition 34a) until, but not including, the **capital protected start date** when it will be used to buy **shares**. The rate of interest payable is set out in the Terms of the **ISA Investor – Capital Protected Option** document for the particular **capital protected option** for which you apply.
- c We will credit interest to your **capital protected option** on the **capital protected start date**. Under the **ISA Regulations** we must deduct a flat rate charge, currently 20%, from this interest and pay this charge to the Revenue. We will increase the interest rate payable at the date of investment by such an amount that will effectively round the interest amount payable to the next whole pound.
- d On the **capital protected start date**, we will use your investment and any interest earned (see conditions 34b and 34c) to buy **shares**

for your **capital protected option** in line with condition 31. You agree that we will send you a **contract note** within 10 **working days** of the **capital protected start date** of an option.

- e For plans taken between 1 June 2004 and 1 February 2005 the income we receive in connection with **shares** in your **capital protected option** is structured to equal the annual management charge for the **shares** in that option (see also condition 38). We will take the annual management charge for managing your **capital protected option** from this income as soon as we receive it.

### 35 HOW ARE SHARE PRICES WORKED OUT?

- a The price at which we buy **shares** on the **capital protected start date** is set out in the Key Features document for the particular **capital protected option** in which you invest.
- b The price at which we buy and sell **shares** at any other time is on a forward pricing basis which means that the price is based on the buying and selling price of the **shares** at the next valuation point following receipt of instructions at our **administration address**. We may set a cut-off point before each valuation point. The current cut-off point is detailed in the Key Features document for the particular **capital protected option** in which you invest. We will not deal with any instructions received at our **administration address** after this cut-off point until the following valuation point. From the **capital protected start date** we normally value the **shares** in each **capital protected option** weekly at a 12 noon valuation point on each Wednesday and on the **capital protected end date**. However we can value the **shares** in each **capital protected option** on any other day if valuation on those days is not practical or there is no market for the **shares**.
- c Because there is no recognised market on which **shares** can be traded, we will arrange for one or more market makers (which may be members of the **Lloyds Banking Group**) to make a market for **shares**. Even so, it may be difficult to obtain reliable information about

the value of **shares** or the extent of the risks to which they are exposed. There will be no restriction on a market maker selling **shares** to a member of the **Lloyds Banking Group**.

- d We may buy or sell **shares** for you and other customers as part of the same deal even though this could result in a slightly less favourable price than a sale or purchase of **shares** in your **capital protected option** alone. We will take all reasonable steps to make sure that any aggregated transaction is carried out on the best terms generally available in the market at that time for transactions of a similar type and size.

### 36 HOW DO I TAKE CASH?

- a You can take cash from each **capital protected option** under your **ISA Investor** before the **capital protected end date** by telling us in writing to sell **shares**. You must tell us the plan number and the **capital protected option(s)** you want us to sell.
- b Partial withdrawals from a **capital protected option** are not allowed. You must sell all the **shares** in a **capital protected option**. That **capital protected option** will then end.
- c You may tell us the time within which you wish us to act on your instructions under condition 36a. We will carry out your instructions within a reasonable time (not exceeding 30 days). We will normally sell **shares** weekly, on each Wednesday (see also condition 35b). However we can do so on any other day if dealing on the normal dealing day is not practical or there is no market for the **shares** on that day. We will send you a **contract note** within one **working day** of the deal. Payment will normally be made within four **working days** of receiving your instructions at our **administration address** by direct credit payment to a nominated account or by cheque.
- d Currently we do not charge for withdrawals but we may charge for withdrawals in the future in line with condition 11.

### 37 CAN I SWITCH SHARES?

- a You can switch from shares in a **capital protected option** to shares in the **sub-funds** of the HBOS OEICs held under the HBOS OEIC investment option. We will sell shares in your **capital protected option** using the **share price** that applies at the first valuation after we receive your request at our **administration address** (see also condition 36c). We will use the proceeds to invest in the HBOS OEIC investment option following the procedure for lump sum investments described in condition 21a.
- b You can switch from shares in the sub-funds of the HBOS OEICs held under the HBOS OEIC investment option into a Capital Protected Option providing one is available and it is prior to its Capital Protected Start Date. We will sell shares in your HBOS OEIC investment option and buy shares in the Capital Protected Option at the first valuation after we receive your request at our administration address (see also condition 36c).
- c Currently we do not charge for switches but we may charge for switches in the future in line with condition 11.
- d You are not entitled to have the shares transferred to you.

### 38 WHAT ARE THE CHARGES UNDER THE CAPITAL PROTECTED OPTION?

- a For plans taken out between 1 June 2004 and 1 February 2005 there is an annual management charge for managing each **capital protected option**. This is a percentage of the value of your shares in a **capital protected option** using the share price at the **capital protected start date**. We may apply a different level of annual management charge to each **capital protected option**. We will tell you the level of our annual management charge before your **capital protected option** starts. The annual management charge accrues daily from the **capital protected start date** and is taken every six months from the

income payable from the shares in a **capital protected option** (see also condition 34e).

- b For plans taken out from 9 March 2009, no initial or annual management charges will be taken from your **capital protected option**. We will receive a distributor's fee from the issuer of the plan's underlying securities of up to 8% of your initial investment plus any interest earned until the **capital protected start date**. This will be paid to us within thirty days of the **capital protected start date** and the valuation price of the investments in your plan will be reduced as a result of this. Although this will reduce the valuation of the investments in your plan, it doesn't reduce the capital protection or growth payable under the plan terms if held to the **capital protected end date**. However, if you cash in your option early the distribution fee will reduce the amount you might get back. Further details about this fee are available on request.
- c Any contributions to the **capital protected option**, will count as contributions towards the tiering of annual management charges under the HBOS OEIC investment funds (as detailed in condition 26b).

### 39 WHAT OPTIONS WILL I BE GIVEN WHEN MY CAPITAL PROTECTED OPTION ENDS?

- a For any **capital protected option**, we will redeem the shares in that **capital protected option** on the **capital protected end date**. This is its **maturity value**.
- b Before each **capital protected end date**, if you are invested in that particular **capital protected option**, we will write to you to offer you a number of options described below.
- c We may offer you the option to invest the **maturity value** in a new **capital protected option** if one is available for investment. The terms that apply to the new **capital protected option** may differ from those of your previous **capital protected option**. If

you exercise this option in line with the offer, we will use the **maturity value** to buy **shares** in a new **capital protected option**. That day will be the **capital protected start date** for the new option at the time of the offer.

- d We may offer you the option to use the **maturity value** to buy shares in certain other **sub-funds** under the **HBOS OEIC investment option**.
- e We will offer to make a direct credit payment to a nominated account or to send you a cheque.
- f If you do not exercise any options offered to you above, we will use the **maturity value** to buy **shares** in a new **capital protected option** if one is available for investment or, if **shares** in a new **capital protected option** are not available for investment, we will make a direct credit payment to a nominated account or issue a cheque.

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