

## **Securities Note for Protected Cell 231**

This Securities Note forms part of a tripartite prospectus for Guaranteed Investment Products 1 PCC Limited (the "**Company**") and sets out specific information on, and the terms and conditions applicable to, the Cell Shares. The tripartite prospectus in respect of the Company's offer for the Cell Shares comprises the Registration Document dated 22 December 2011, the Summary dated 27 April 2012 and this Securities Note (together the "**Prospectus**").

A copy of this document, which has been prepared in accordance with the Prospectus Rules of the UK Listing Authority made under section 85(1) of the Financial Services and Markets Act 2000, has been filed with the Financial Services Authority ("**FSA**") in accordance with rule 3.2.1 of the Prospectus Rules.

This Securities Note includes particulars given in compliance with the Prospectus Rules of the UK Listing Authority and the Listing Rules of the Channel Islands Stock Exchange for the purposes of giving information with regard to the Company and the relevant Shares being offered. The information contained in this Securities Note should be read in the context of, and together with, the information contained in the Registration Document and the Summary and distribution of this Securities Note is not authorised unless accompanied by, or supplied in conjunction with, copies of the Registration Document and the Summary. The Directors of the Company, whose names appear at page 47 of this Securities Note, and the Company itself, accept responsibility for the information contained in the Prospectus and declare that having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. The Guarantor accepts responsibility for the information contained in Part E of the Registration Document and Section F of this Securities Note and declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part E of the Registration Document and Section F of this Securities Note, and for which the Guarantor is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Santander UK plc accepts responsibility for the information contained in Part F of the Registration Document and Section F of this Securities Note and declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part F of the Registration Document and Section F of this Securities Note, and for which Santander UK plc is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Abbey National Treasury Services plc accepts responsibility for the information contained in Part G of the Registration Document and Section F of this Securities Note and declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part G of the Registration Document and Section F of this Securities Note, and for which Abbey National Treasury Services plc is responsible, is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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# **Guaranteed Investment Products 1 PCC Limited**

*(a protected cell company incorporated with limited liability  
under the laws of Guernsey with registered number 42754)*

## **Offer for Subscription**

### **of up to 500 million Protected Cell 231 Cell Shares**

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The Company is authorised as an Authorised Closed Ended Investment Scheme by the Guernsey Financial Services Commission under Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-Ended Investment Scheme Rules 2008. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it. Notification of the offer of the Cell Shares has been made to the Guernsey Financial Services Commission. The Guernsey Financial Services Commission has not reviewed this document and it together with the States of Guernsey Policy Council continue to take no responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

The number of Cell Shares being offered should not be taken to be indicative of the number of Cell Shares which will be issued. The minimum subscription under the Offer for Subscription is £1,500.

This document is not an offer of securities for sale in the United States. The Cell Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any securities laws of any state of the United States and may not be offered or sold in the United States or to or for the account or benefit of US persons (as such terms are defined in Regulation S under the Securities Act) unless registered under the Securities Act or pursuant to an exemption from such registration. The Cell Shares will not be registered under the relevant securities laws of Canada, Australia or Japan. Accordingly, unless an exemption under such acts or laws is applicable, the Cell Shares may not be offered, sold or delivered, directly or indirectly, in or into Canada, Australia or Japan.

Application has been made to the Channel Islands Stock Exchange for up to 500 million Cell Shares to be admitted for block listing on the Channel Islands Stock Exchange. Admission is subject to allotment and issue of the Cell Shares. Dealings in the Cell Shares for normal settlement will commence on Admission of the relevant Cell Shares. Maurant Ozannes Securities Limited is acting as sponsoring member in relation to the application for listing on the Channel Islands Stock Exchange. No application is being made for the Cell Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the Channel Islands Stock Exchange.

**An investment in the Cell Shares involves complex risks and is only suitable for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.**

**Before making any investment decision with respect to the Cell Shares, any investors should consult their own stockbroker, bank manager, solicitor, accountant or other financial adviser and should carefully review and consider such an investment decision in the light of the foregoing and the investor's personal circumstances.**

**The attention of potential investors is drawn to "Risk Factors" set out on pages 3 to 12 of this document. For an explanation of defined terms see "Definitions" on pages 44 to 46 of this document.**

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## RISK FACTORS

Investment in the Cell Shares issued by the Company in respect of the Protected Cell is subject to certain risk factors. Investors should carefully consider both the risks generally associated with investing in the Company and the risks associated in investing in the Cell Shares.

The risks listed below and in the Registration Document are those risks that the Company, as at the date of this Securities Note, is aware of and considers to be material and should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Cell Shares. Risks that the Company considers to be immaterial or of which it is not aware have not been included and potential investors should be aware that an investment in the Cell Shares may be exposed to other risks not considered material by the Company based on information currently available to it or which it is not currently able to anticipate. Investors should read the detailed information set out elsewhere in this Securities Note and in the Registration Document and Summary and reach their own views prior to making any investment decision.

Where information has been sourced from a third party within these risk factors the third party source of such information is identified in a footnote and the Company confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

- *General*

There can be no assurance that the Company's full investment objective in respect of the Protected Cell will be achieved. The Investment Return payable on the Maturity Date of the Cell Shares is dependent upon market fluctuations and other risks inherent in investing in investments linked to indices. The value of the Cell Shares can fall as well as rise and investors may not realise the full amount of their investment in the Cell Shares. Prospective investors should carefully review and evaluate the risks and the other information contained in the Registration Document, Summary and this Securities Note prior to making an investment.

- *Investor Returns*

The investment objective for the shares issued in respect of the Protected Cell will be to generate capital growth for the Cell Shares over the Investment Term and to return to holders the Investment Return on the Maturity Date. In the opinion of the Directors, the investment objective for the Cell Shares issued in respect of the Protected Cell should be achieved through the purchase of the investments as described in Section B (Investment Objective and Policy) of this Securities Note. However, investors should be aware of the risks set out in this document which may result in the investment objective not being achieved.

- *Plan Investments*

Investors should be aware that the Company's only investments for the Protected Cell will be in Plan Investments and that there may be no counterparty risk diversification. The obligations of each Investment Counterparty under the Plan Investments will not be collateralised.

- *Performance Return Risk and Extent of Guaranteed Return*

Investors should note that the Guaranteed Return for the Protected Cell extends only to an amount equal to the aggregate of the Investment Amount and the Fixed Return and the guarantee does not extend to the full amount of the Investment Return in respect of the Cell Shares if the Performance Return, rather than the Fixed Return, is payable.

There can be no assurance that Shareholders will receive the Performance Return in respect of the Cell Shares. Any Performance Return in respect of the Cell Shares will be dependent on the performance of the Index (i.e. the Final Index Level has to be equal to or exceed the Initial Index Level).

Investors should note that the calculation of the Performance Return is calculated by reference to the closing level of the Index on the Initial Valuation Date and on each Scheduled Trading Day during the Final Valuation Period. The performance of the Index at any other time or on any other day will not be included in the calculation of the Performance Return.

Investors should note that if the Final Index Level equals or exceeds the Initial Index Level, the Performance Return shall be £0.21 and if the Final Index Level is less than the Initial Index Level the Performance Return shall be zero. Any positive performance of the Index that would otherwise produce a return greater than £0.21 if an investor was to have direct exposure to the Index will not be reflected in the Investment Return paid to investors.

Investors should note that the Cell Guarantee applicable to the Cell Shares is a guarantee of payment only of an amount equal to the relevant Guaranteed Return by the Company to Shareholders on the Maturity Date. Under the terms of such Cell Guarantee, Santander Guarantee Company does not guarantee or give any other assurance as to the performance of the Index by reference to which the Investment Return in relation to the Cell Shares is to be determined.

Performance of the Cell Guarantee is dependent on the continued solvency of Santander Guarantee Company and Santander UK plc.

- *Long Term Investment*

Investors should be aware that investment in any Cell Shares should be viewed as an investment for the full Investment Term of such Shares and there is no assurance that investors will be able to sell their Cell Shares prior to the relevant Maturity Date or as to the price at which any sale may be possible (please see further the sub-section headed "Liquidity" below).

- *Liquidity*

Dealings in the Cell Shares on the Channel Islands Stock Exchange will only commence on Admission of the relevant Cell Shares.

The Directors do not anticipate that an active secondary market will develop in the Cell Shares. Although a market maker may offer to buy and sell the Cell Shares in the secondary market during their Investment Term, investors should be aware that such market maker may cease to undertake any market making activities at any time at its sole discretion. For example, the market maker may decide not to buy Cell Shares if it determines that market conditions are unfavourable or it is likely to be in breach of applicable laws and regulations or its internal policies and limits. Accordingly, there can be no assurance that at any time there will be a secondary market for the Cell Shares, and if there is, the secondary market price in respect of the Cell Shares will reflect numerous factors including trade size, volatility of the Index, cost of funding, interest rates, credit risk, supply and demand as well as a bid/offer spread. Accordingly investors should not expect that any secondary market price for any Cell Shares will be calculated entirely or almost entirely by reference to the Net Asset Value per Cell Share or an index of any description, or by reference to any index or asset referred to in the terms of the Cell Shares.

The return to any Shareholder who disposes of his or her Cell Shares prior to their Maturity Date will depend on the price which can be obtained for those Shares in the market at that time and may be less than the Investment Return or even the Investment Amount. **Any Shareholder who disposes of his or her Cell Shares prior to their Maturity Date will not be covered by the Cell**

**Guarantee in respect of such disposal and may receive back less than the amount which he or she invested in the Shares.**

- *Limitation or Cancellation of the Offer*

The Company reserves the right to limit the number of Cell Shares available under the Offer, as set out in Section A of this Securities Note.

The Company may also cancel the Offer by compulsorily redeeming any Cell Shares in issue, as set out in Section A of this Securities Note.

- *Change in Taxation*

Any change in the Company's tax status, or in taxation legislation or in the interpretation or application of tax legislation in Guernsey or the UK, or in any other tax jurisdiction affecting the Company, a Shareholder or investor, could affect the value of the investments held by the Protected Cell of the Company, the amount paid to the Company under any of the Plan Investments, the Company's ability to achieve the stated investment objective of the Protected Cell, the amounts guaranteed or payable under the Cell Guarantee applicable to the Cell Shares and/or alter the post tax returns to Shareholders. Statements in this Securities Note concerning the taxation of Shareholders resident in Guernsey or the UK are based upon current Guernsey and UK tax law and practice which is subject to change, possibly with retrospective effect. Any such change could adversely affect the ability of the Company to meet the stated investment objective or adversely affect the ability of the Company to pay the Investment Return payable in respect of the Cell Shares on the Maturity Date and the net amount of the Investment Return paid to Shareholders. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Company will endure indefinitely.

It is not currently anticipated that there will be any withholding obligation on account of UK or Guernsey tax affecting payments made under the Plan Investments. If, however, there is a change in UK or Guernsey tax legislation or an introduction of or change in any other tax legislation, regulations thereunder or official interpretations thereof at any time which imposes an obligation to withhold on account of tax from payments by the Investment Counterparty to the Company under the Plan Investments (including but not limited to the US Foreign Account Tax Compliance Act discussed below), the amount payable by the Investment Counterparty may be reduced by the amount of such withholding. This may affect the ability of the Company to pay the Investment Return to Shareholders. In particular, it should be noted that if a change in or introduction of taxation law, regulations thereunder or official interpretations thereof (including but not limited to the US Foreign Account Tax Compliance Act discussed below) were to result in the obligation to withhold on account of tax from payments to Shareholders under the Cell Shares, the amount of the Investment Return actually received by Shareholders would be reduced. The Company will not make any additional payments to Shareholders in the event that any withholding obligation is imposed on payments by the Company under the Cell Shares issued in respect of any Cell. In circumstances where the amounts payable to Shareholders are reduced as a result of a change in or introduction of tax legislation, regulations thereunder or official interpretations thereof as described in this paragraph and those amounts are consequently less than the Guaranteed Return for the relevant Cell, the liability of the Guarantor under the Cell Guarantee applicable to the Cell Shares will be reduced accordingly.

- *US Foreign Account Tax Compliance withholding may affect payments on the Cell Shares*

The Company and other financial institutions through which payments in respect of the Cell Shares are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Cell Shares treated as debt for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified from that date and (ii)

any Cell Shares treated as equity for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") or similar law implementing an intergovernmental approach to FATCA. This withholding tax may be triggered if (i) the Company is a foreign financial institution ("**FFI**") (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the Company a "**Participating FFI**"), (ii) the Company has a positive "passthru percentage" (as defined in FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Cell Shares is made, is not a Participating FFI.

The IRS has not yet fully provided comprehensive guidance regarding FATCA and no assurance can be provided that relevant entities (including entities such as the Company) will enter into such an agreement with the IRS. The application of FATCA amounts paid with respect to the Cell Shares is not clear. If, for example, the Company does not enter into such an agreement, amounts available to the Company to make payments on the Cell Shares may be reduced. If an amount in respect of U.S. withholding tax were to be deducted or withheld from payments in respect of the Cell Shares, neither the Company nor any paying agent nor any other person would, pursuant to the terms and conditions of the Cell Shares, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, amounts paid to Shareholders may be reduced, if FATCA is implemented as currently proposed by the IRS. In the alternative, if the Company determines that it must comply with FATCA in order to receive certain payments free of US withholding tax, Shareholders may be required to provide certain information, (or, for certain non-US financial institutions, otherwise comply with FATCA) to avoid withholding on amounts paid to such Shareholder. If a Shareholder does not provide the necessary information or otherwise comply with FATCA, or any other non-US financial institution through which payments on the Shares are made is not in compliance with FATCA, amounts paid to Shareholders may be reduced.

FATCA is particularly complex and its application to entities (including entities such as the Company) is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. Prospective investors should consult their own tax advisor to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each investor in its particular circumstance.

- *Entity Risk*

The Company was constituted as a protected cell company pursuant to the Companies (Guernsey) Law, 1994 to 1996 as amended and The Protected Cell Companies Ordinance 1997. With effect from 1 July 2008 the Companies (Guernsey) Law, 1994 to 1996 as amended and The Protected Cell Companies Ordinance 1997 were repealed and replaced with the Companies (Guernsey) Law, 2008, as amended (the "**Companies Law**"). A protected cell company is a multi-cellular company whose principal feature is that each cell has its own distinct assets which are not available to creditors of other cells of that company or the company as a whole. Jurisdictions other than Guernsey may not be prepared to accept that creditors of a particular cell are prevented from gaining access to the cellular assets of other cells, or that creditors of the company as a whole do not have access to those assets specifically designated as cellular assets. In order to minimise this risk (i) service providers to the Company will generally be required to agree that their fees will be paid solely from the assets of the particular Cell to which the services relate and (ii) each Shareholder will be required to agree when subscribing for Shares that any liability to the Shareholder will be satisfied only out of assets of the particular Cell to which the liability relates. However, a court could determine that such agreements are not enforceable. Further, the Companies Law has not yet been tested in the courts of the UK or elsewhere.

Other Cells may be introduced by the Company from time to time. A separate portfolio will be maintained for each Cell and each Cell will bear its own liabilities. Each Cell will remain ultimately liable to third parties for its own liabilities and the assets of one Cell will not be available to meet the liabilities of any other Cell(s).

- *Cross-Cell Liabilities*

The structure of the Company allows for the creation of multiple Cells. Generally, the assets of each Cell are segregated, so that the assets of one Cell are not available to satisfy the liabilities of any other Cell. In the event of a particular Cell's portfolio suffering severe losses such that the liabilities of the Cell exceeded the assets of the Cell, under the law currently in effect in Guernsey, creditors of that Cell could not seek to recover from the assets of other Cells. However, there can be no assurance that such law will not change and thus that there will never be any cross-cell liability risk.

- *Determination Agent's discretion*

The Determination Agent has a very broad discretionary authority to make various determinations and adjustments under the Cell Shares, any of which may have an adverse effect on the Investment Return. For example, the Determination Agent has a broad discretion, without limitation, (i) to determine whether a Disrupted Day, a Market Disruption Event and any other event and/or matter so specified in the Section headed "Market Disruption and Adjustment" in Part B of the Registration Document or this Securities Note, has occurred, (ii) to determine any resulting adjustments, determinations and calculations as described in the Section headed "Market Disruption and Adjustment" in Part B of the Registration Document or this Securities Note and (iii) in respect of any other matters as may be specified in the Prospectus. Prospective investors should be aware that any determinations made by the Determination Agent may have an impact on the Investment Return.

If the Determination Agent determines that any Scheduled Valuation Date (i) is a Disrupted Day or any other day which is subject to adjustment in accordance with the terms and conditions of the Cell Shares and/or (ii) falls on a day in respect of which a disruption, adjustment or correction or similar event has occurred in respect of the Index which affects the valuation of the Index, the Determination Agent has broad discretion to make any consequential postponement or omission of, or any alternative provision for, valuation of the Index provided for in the terms and conditions of the Cell Shares, including a determination of the value of such Index by the Determination Agent in its discretion, each of which may have an adverse effect on the Investment Return.

- *Bank Account Credit Risk*

The Company intends to place any subscription monies it receives prior to the Investment Date on deposit in its bank account held in respect of the Protected Cell with Royal Bank of Scotland International Limited (Guernsey Branch). **If Royal Bank of Scotland International Limited (Guernsey Branch) (or any other bank with which the Original Subscription Proceeds were to be deposited) were to be wound-up or otherwise suffer an insolvency-related event between the start of the Offer Period and the Drawdown Date in respect of the Cell Shares, the Plan Investments will not become effective and the Company may lose some or all of its subscription monies in which case, Shareholders may lose some or all of their investment.**

- *Cell Guarantee Risks*

Shareholders will receive an amount at least equal to the Guaranteed Return in respect of their Cell Shares held on the Maturity Date only if either:

- (i) the obligations of Abbey National Treasury Services plc, as the Investment Counterparty, are satisfied in relation to the repayment of an amount equal to the Net Issue Proceeds under

the Term Loan Agreement on the Maturity Date and the Forward Cash Settlement Amount is paid under the Forward Transaction on the Maturity Date; or

- (ii) Santander Guarantee Company satisfies its obligations under the Cell Guarantee applicable to the Cell Shares on the Maturity Date if the Company, acting in respect of the Protected Cell, fails to pay an amount at least equal to the Guaranteed Return to Shareholders in respect of their Cell Shares held until the Maturity Date and, if necessary, Santander UK plc satisfies its obligations to Santander Guarantee Company under the Conditional Share Subscription Agreement.

**If the Company does not lend the Net Issue Proceeds to Abbey National Treasury Services plc under the Term Loan Agreement on the Drawdown Date because the Term Loan Conditions Precedent are not satisfied or for any other reason whatsoever, the Forward Transaction will not become effective and the Company will compulsorily redeem all the Cell Shares and investors will receive back all subscription monies held (plus any net interest earned thereon), save where the Company is unable to recover some or all of its subscription monies as explained in the sub-section headed "Bank Account Credit Risk" above. The Cell Guarantee applicable to the Cell Shares will not apply to any such redemption of the Cell Shares.**

**If the obligations of Abbey National Treasury Services plc under the Term Loan Agreement and/or the Forward Transaction are not satisfied and Santander Guarantee Company were to default under the Cell Guarantee applicable to the Cell Shares (whether as a result of insolvency or otherwise), Shareholders could lose some or all of their investment.**

The obligation of Santander Guarantee Company to pay Shareholders any shortfall between the redemption amount they receive from the Company and the Guaranteed Return in respect of their Cell Shares under the Cell Guarantee applicable to the Cell Shares will apply only in respect of Cell Shares held until they are redeemed on the Maturity Date. Prior to this date, such Cell Guarantee will not apply. Shareholders who dispose of their Cell Shares prior to the Maturity Date will not be covered by such Cell Guarantee in respect of such disposal and may receive less than the Guaranteed Return or the amount which they invested in the Cell Shares.

The obligations of Santander Guarantee Company to make payments under the Cell Guarantee applicable to the Cell Shares will be limited to the extent that it is illegal for such payment to be made to Shareholders. In addition, if there is a change of tax legislation at any time resulting in a withholding tax or other tax deduction affecting payments under any Plan Investment or any tax is imposed on the Company on the proceeds of any Plan Investment, the amount payable under the Cell Guarantee applicable to the Cell Shares will be reduced accordingly. In the event that the amount paid by the Company to the Shareholders on redemption of Cell Shares at the Maturity Date becomes subject to any withholding tax, Shareholders will not be entitled to claim against the Guarantor under such Cell Guarantee for payment of the amounts withheld or deducted. Payments under the Cell Guarantee applicable to the Cell Shares will also be made net of any withholding tax or other tax deduction, including, for the avoidance of doubt, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the "Code") or any withholding or deduction otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof.

**If Santander UK plc, Abbey National Treasury Services plc or Santander Guarantee Company were to be wound-up or otherwise suffer an insolvency-related event at any time, Shareholders may lose some or all of their investment.**

Potential investors should ensure that they have carefully read and understood Section D of this Securities Note which sets out a summary of the agreements constituting the Cell Guarantee applicable to the Cell Shares and the Cell Security Documents for the Protected Cell.



- *The Santander Group's financial condition may be materially impacted by economic conditions in the UK*

Santander Guarantee Company, Abbey National Treasury Services plc, and Santander UK plc are each part of the Santander Group.

The Santander Group's business activities are concentrated in the UK and on the offering of mortgage and savings-related products and services. As a consequence, the Santander Group's financial condition is significantly affected by economic conditions in the UK generally, and by the UK property market in particular. In 2008 and 2009, the UK property market suffered a significant correction as a consequence of housing demand being constrained by a combination of rising unemployment, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance and the continued effect of global market volatility. Although the UK economy began to grow again in 2009 after the recession that followed the financial crisis, the ongoing sovereign debt crisis throughout the eurozone, elevated unemployment rates and high inflation (which hit real average earnings growth and consequently consumer spending) led to slower growth in 2011. GDP fell in the final quarter of 2011 which raised the prospect of a renewed economic downturn in the UK<sup>1</sup>.

Adverse changes in the credit quality of Santander Group's borrowers and counterparties or a general deterioration in UK or global economic conditions could reduce the recoverability and value of the Santander Group's assets and require an increase in the Santander Group's level of provisions for bad and doubtful debts. Likewise, a significant reduction in the demand for the Santander Group's products and services could negatively impact Santander UK plc's business and financial condition. UK economic conditions and uncertainties may have an adverse effect on the quality of the Santander Group's loan portfolio and may result in a rise in delinquency and default rates.

The Santander Group recorded impairment loss allowances on loans and advances to customers of £1,563 million, £1,655 million and £1,299 million at 31 December 2011, 2010 and 2009, respectively. There can be no assurance that the Santander Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans or for other reasons beyond its control. Any increases in the Santander Group's provisions for loan losses and write-offs/charge-offs could have a material adverse effect on the Santander Group's financial condition.

As in several other economies, the UK Government has taken measures to address the exceptionally high level of national debt, including tax increases and public spending cuts. Political involvement in the regulatory process and in the major financial institutions in which the UK Government has a direct financial interest is set to continue.

The combination of slow economic recovery, UK Government intervention and competition for deposits will maintain the pressure on the Santander Group's retail business model. Credit quality could be adversely affected by a further increase in unemployment. These negative conditions in the UK, together with any related significant reduction in the demand for the Santander Group's products and services, could have a material adverse effect on the Santander Group's financial condition.

- *The Santander Group's financial condition may be negatively affected by conditions in global financial markets*

The extreme volatility and disruption in global capital and credit markets since 2008 has led to severe dislocation of financial markets around the world, an unprecedented reduction in available liquidity and increased credit risk premiums for many market participants. This has caused severe

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<sup>1</sup> Office for National Statistics.

problems at many of the world's largest commercial banks, investment banks and insurance companies, a number of which are the Santander Group's counterparties or customers in the ordinary course of business. These conditions have also resulted in a material reduction in the availability of financing, both for financial institutions and their customers, compelling many financial institutions to rely on central banks and governments to provide liquidity and, in some cases, additional capital during this period. Governments around the world have sought to provide this liquidity in order to stabilise financial markets and prevent the failure of financial institutions.

Although conditions have eased to some extent since 2009, the volatility of the capital and credit markets has continued and liquidity problems remain, exacerbated recently by fears concerning the financial health of a number of European governments. Greece and other eurozone economies came under increased pressure in 2011, with concerns focused on the sustainability of their sovereign debt. These continuing sovereign debt concerns and the related fiscal deterioration in eurozone economies may continue to accentuate the existing disruption in the capital and credit markets. The continuing market instability and reduction of available credit have contributed to lower consumer confidence, increased market volatility, increased funding costs, reduced business activity and, consequently, increasing commercial and consumer loan delinquencies, and market value declines on debt securities held by the Santander Group, all of which could have a material adverse effect on the Santander Group's financial condition.

- *Index Risk*

No representation or warranty, express or implied, is given on any aspect of the Index by the Company, the Directors, the Investment Manager, any Investment Counterparty, the Determination Agent, the Marketing Manager, the Guarantor or Santander UK plc. Investors should seek independent financial advice on the suitability for their purposes of having an investment giving investment exposure to the Index and the nature of such investment exposure.

None of the Company, the Directors, the Investment Manager, the Marketing Manager, any Investment Counterparty, the Determination Agent, the Guarantor or Santander UK plc gives any assurance whatsoever nor is under any obligation regarding:

- (a) the continuity of the Index;
- (b) the continuity in the methodology used in calculating the Index;
- (c) the continuity in the calculation, publication and dissemination of the Index;
- (d) the precision, integrity or lack of errors in the composition or calculation of the Index; or
- (e) the accuracy of the Index.

Shareholders should note that the Determination Agent will be involved in calculating the value of the Index applicable to the Cell Shares and, in the event of any Market Disruption Event, if the Index Sponsor makes a material modification to the Index or fails to calculate and announce the Index at a Valuation Time, may be involved in determining the level of the Index. Any determination made by the Determination Agent in the context of any such event or circumstance will be binding on the Company (in the absence of manifest error) and may affect the Investment Return applicable to the Cell Shares. Any such event or circumstance occurring on or prior to the Maturity Date for the Cell Shares may delay the calculation of the Index values and, as a consequence, the payment of the Investment Return to the Shareholders may be delayed.

The Investment Return payable will depend on the level of the Index on specific dates as set out in Section C of this Securities Note. Accordingly, prospective investors in the Cell Shares should

ensure that they fully understand how the performance of the Index may affect an investment in the Cell Shares.

Any increase or fall in the level of the Index at any time or on any date other than the closing level of the Index on the applicable specified dates will not be reflected in the determination of the Initial Index Level or Final Index Level. There can be no assurance that the closing level of the Index on the Initial Valuation Date or during the Final Valuation Period will reflect the then prevailing trend (if any) for the level of the Index or the market price for the shares comprised in it.

The level of the Index may go down as well as up. Furthermore, the level of the Index may not reflect its performance in any prior period. The level of the Index at any time does not include the reinvestment of the yield on the shares comprised in the Index. Dividends paid to holders of shares comprised in the Index will not be paid to the Company or to Shareholders. Consequently, the investment return on the Cell Shares may be less than the return from a direct investment in the shares comprised in the Index.

In recent years the performance of the Index has been volatile. Volatility could have a positive or negative effect on the Investment Return. There can be no assurance as to the future performance of the Index.

In particular, the level of the Index may move significantly in very short periods of time. As such, prospective investors should be aware of the value observed for the Index may not reflect the value of the Index which has prevailed at other times on the relevant Valuation Date or in the period immediately preceding or following such Valuation Date. For example, this may occur if the Valuation Time occurs during a period where the relevant market moves significantly downwards or upwards before subsequently correcting shortly afterwards. Whilst the terms and conditions of the Cell Shares (as set out in the Registration Document and in this Securities Note) include provisions to allow for postponement of valuation in the event of certain disruptions in the market, not all significant market movements will be covered by these provisions. Levels of the Index at the opening or closing of relevant markets may also be particularly volatile as traditionally many trades are executed at such times. Any such movements could have an effect on the value of the Index and consequently the Investment Return.

Accordingly, before making an investment decision with respect to the Cell Shares, prospective investors should carefully consider whether an investment linked to the Index and the manner of such linkage are suitable for them.

- *Averaging Risk*

The Performance Return under the Cell Shares is subject to averaging.

The use of an average closing level of the Index for the final six months of the Investment Term is designed to smooth the performance of the Index and shelter the Performance Return from any sudden fluctuations in the Index. However, investors should be aware that if the Index rises continually through the final six months of the Investment Term, the use of an average could mean that the Performance Return is less than it might otherwise have been.

- *Conflicts of Interest*

Abbey National Treasury Services plc has a number of roles in relation to the Protected Cell and the Cell Shares and as a result has a number of potential conflicts of interest.

In respect of the Protected Cell, Abbey National Treasury Services plc will be appointed by the Company to provide calculation agency services to the Company as Determination Agent in

accordance with the Determination Agency Agreement, will be the Investment Counterparty in respect of the Plan Investments and act as Market Maker.

Abbey National Treasury Services plc and/or its Affiliates may contract with the Company (acting in respect of itself or any protected cell in the Company) and/or enter into transactions which relate to the Protected Cell, the Cell Shares and the Plan Investments and as a result Abbey National Treasury Services plc may face a conflict between its obligations as Determination Agent and its interests and/or its Affiliates' interests in other capacities. Abbey National Treasury Services plc will have regard to its obligations to act in accordance with the rules of the FSA and any other regulatory regime to which it is subject and its obligations to other clients. In the event that such conflicts do arise, Abbey National Treasury Services plc shall use its reasonable endeavours to procure that any such conflicts of interest are resolved fairly and to ensure that the interests of the Company and the Shareholders are not unfairly prejudiced. However, where any such conflict is resolved in this way, such resolution may be adverse to the Company, the Protected Cell and the Shareholders or to the interests of the Company, the Protected Cell and the Shareholders.

- *Rating Agency Credit Ratings*

The long-term issuer credit ratings of Santander UK plc are provided for information purposes only. No credit ratings are provided in respect of the Cell Shares or the Company. Investors should note that a credit rating assigned to Santander UK plc may not reflect the potential impact of all of the risks related to the structure, market, type of return, Plan Investments and additional factors discussed in a Prospectus may affect the value of the Cell Shares. Any rating agency may lower its ratings or withdraw its rating if, in the sole judgement of the rating agency, the credit quality of Santander UK plc has declined or is in question. In addition, at any time any rating agency may revise its relevant rating methodology with the result that, amongst other things, any rating assigned to Santander UK plc may be lowered. If any rating assigned to Santander UK plc is lowered or withdrawn, the secondary market value of any Cell Shares may reduce. A rating is not a recommendation to buy, sell or hold any Cell Shares and may be subject to suspension or withdrawal (or, as noted above, revision) at any time.

- *European Regulated Investors and The CRA Regulation*

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in Part A of the Registration Document. S&P, Moody's and Fitch are each established in the European Union and are each registered under the CRA Regulation. As such S&P, Moody's and Fitch are included in the list of the credit rating agencies published by the ESMA on its website in accordance with such Regulation.

## IMPORTANT INFORMATION

If you are in any doubt about the contents of this document you are recommended to seek your own personal advice from an appropriately qualified independent adviser duly authorised under the Financial Services and Markets Act 2000 if in the United Kingdom or otherwise regulated under the applicable laws of your own country.

Neither the listing of the Cell Shares of the Company on the Channel Islands Stock Exchange nor the approval of this document pursuant to the listing requirements of the Channel Islands Stock Exchange shall constitute a warranty or representation by the Channel Islands Stock Exchange as to the competence of service providers to, or any other party connected with, the Company, the adequacy or accuracy of information contained in this document or the suitability of the Company for investment or for any other purposes.

The distribution of this document and the offering or purchase of the Cell Shares may be restricted in certain jurisdictions. No persons receiving a copy of this document or the Application Form in any such jurisdiction may treat this document or such Application Form as constituting an invitation to them to subscribe for Cell Shares, nor should they in any event use this document or such Application Form unless, in the relevant jurisdiction, such an invitation could lawfully be made to them and this document or such Application Form could lawfully be used without compliance with any registration or other legal requirement. Accordingly, this document does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this document and any persons wishing to apply for Cell Shares pursuant to this document or the accompanying Application Form to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

Potential subscribers and purchasers of Cell Shares should inform themselves as to (a) the possible tax consequences, (b) the legal requirements, (c) any foreign exchange restrictions or exchange control requirements, and (d) any other requisite governmental or other consents or formalities which they might encounter under the laws of the country of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, purchase, holding or disposal of Cell Shares.

Prior to investing in the Cell Shares, a potential investor should consider whether it is appropriate to discuss with their professional advisers how such investment would or could affect them. Potential investors with any questions regarding the impact of an investment in the Cell Shares on their tax position should consult their tax adviser. The Company does not provide tax, accounting or legal advice as to the consequences of an investment in the Cell Shares.

Abbey National Treasury Services plc, Santander Guarantee Company, Santander ISA Managers Limited and Santander UK plc have consented to the inclusion of their names in this document in the form and context in which they appear and solely in their respective capacities as Investment Manager, Investment Counterparty, Determination Agent, Guarantor and/or party to the Conditional Share Subscription Agreement, and Marketing Manager, but otherwise are not required to authorise, and have not authorised, the issue of this document and have not accepted responsibility (except as disclosed on page 1 above) for, or approved, any statements in this document. None of Abbey National Treasury Services plc, Santander Guarantee Company or Santander UK plc makes any representation, express or implied, as to the investment returns or performance of the Plan Investments or the Cell Shares and such statements in this document, as well as all other statements regarding the Company or a Cell (including without limitation and where applicable their respective constitution, objectives and investment policy) are the sole responsibility of the Company and its Directors and not Santander Guarantee Company, Abbey National Treasury Services plc or Santander UK plc. Accordingly, none of Santander Guarantee Company, Abbey National Treasury Services plc or Santander UK plc will be responsible to any person for any matter referred to in this document other than their respective obligations as Guarantor, Investment Counterparty, Determination Agent, Investment Manager or party to the Conditional Share Subscription Agreement.

Mourant Ozannes Securities Limited, as sponsor to the listing of the Cell Shares on the Channel Islands Stock Exchange, is acting for the Company and for no one else in connection with the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Mourant Ozannes Securities Limited or for affording advice in relation to the contents of this document or any other matters referred to in this document.

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Memorandum and Articles of Association of the Company, copies of which are available as mentioned in Part J of the Registration Document. A summary of the principal provisions of the Articles of Association is set out in Part D of the Registration Document and Section D of this document.

Unless the context otherwise requires or as otherwise provided in this document, capitalised words and expressions used in this document shall have the respective meanings attributed to them in the Definitions section of the

Registration Document. Certain capitalised words and expressions used in this document are defined in Section C and Section J of this Securities Note.

All references to time in this Securities Note are to time in Guernsey.

Where parts only of documents are incorporated by reference into this Securities Note, any non-incorporated parts of such document are either deemed not relevant for an investor or are otherwise covered elsewhere in this Securities Note.

**This Securities Note should be read in conjunction with the Registration Document. The information set out in this Securities Note updates corresponding information in the Registration Document in relation to the Offer of Cell Shares.**

**SECTION A**  
**INFORMATION ON THE OFFER**

**SHARE CLASS**

The Cell Shares will be the only class of shares offered and issued by the Company in respect of the Protected Cell. The Cell Shares are participating redeemable preference shares which have an investment term of approximately three and three quarter years. All Cell Shares still in issue on the Maturity Date will be compulsorily redeemed by the Company for an amount equal to the Investment Return.

**ISSUE PRICE**

The Issue Price for the Cell Shares offered pursuant to the Prospectus is £1.00 per Cell Share.

The amount of the Issue Price per Cell Share in excess of its nominal value of 0.0001p represents a premium. AIII, 4.4  
AIII, 5.3.1

**MINIMUM SUBSCRIPTION AMOUNT AND MAXIMUM OFFER SIZE**

The minimum level of subscription applicable to each investor who subscribes for Cell Shares is £1,500. The maximum number of Cell Shares available under this Offer is 500,000,000. The Directors reserve the right, at their absolute discretion (taking into consideration such factors as they deem to be relevant, which may include, amongst other things, market conditions), to limit the number of Cell Shares available under this Offer to 11,400,000 and to stop accepting subscription applications for Cell Shares above such limit even if the Offer Period has not closed. The Directors shall determine, at their absolute discretion, the manner in which any scaling back shall be applied. If the number of Cell Shares made available under this Offer is limited to less than 500,000,000, the Company will make this number available for inspection at the address referred to in Part J of the Registration Document. The capital raised pursuant to the Offer of the Cell Shares will be applied in accordance with the investment policy of the Protected Cell as set out above.

The Issue is not underwritten.

**OFFER PERIOD - EXPECTED TIMETABLE**

Start of Offer Period pursuant to this Securities Note	30 April 2012
Allotment of Cell Shares in respect of valid applications	7 August 2012
Admission of Cell Shares to listing on the Channel Islands Stock Exchange	8 August 2012
Closing Date (latest time and date for receipt of Application Forms and payment in full under the Offer for Subscription for Cell Shares)	12.00 noon on 7 August 2012
Investment Date	8 August 2012

## **CONDITIONS OF THE OFFER AND CANCELLATION**

If the number of Cell Shares in issue on the Investment Date would be less than 10,000 Shares, all Cell Shares in issue will be compulsorily redeemed at their Issue Price (plus any net interest earned thereon) and the listing of such Cell Shares on the Channel Islands Stock Exchange will be cancelled.

The obligations of the parties under each of The Term Loan Agreement and the Forward Transaction are subject to the satisfaction or waiver of the Term Loan Conditions Precedent and the occurrence of the Drawdown Date.

## **DETAILS OF THE APPLICATION PROCEDURE**

Applications for the Cell Shares should be made by completing an Application Form for the Protected Cell. Application Forms can be obtained from the Administrator. The terms and conditions of application under the Offer for Subscription are attached to the Application Form.

Completed Application Forms must be posted or delivered by hand (during normal business hours) to Anson Registrars Limited, New Issues Department, P.O. Box 426, Anson Place, Mill Court, La Charroterie, St Peter Port, Guernsey, Channel Islands GY1 3WX so as to be received by 12 noon on 7 August 2012. Payment may be made by cheque or banker's draft accompanying your Application Form or by interbank electronic transfer (CHAPS) but in all cases payment must be received in cleared funds no later than 12 noon on 7 August 2012.

The arrangements for the return of subscription moneys in respect of applications which are not successful are set out in the terms and conditions attached to the Application Form.

## **MARKETING AND SPONSORSHIP**

Santander ISA Managers Limited have agreed to promote the Company with the aim of marketing the Cell Shares to investors in the UK, in association with and as authorised by the Company. Santander ISA Managers Limited may delegate its obligations to other entities and will, by virtue of such delegation, agree to promote the Company with the aim of marketing the Cell Shares to investors in the UK, in association with and as authorised by the Company.

Mourant Ozannes Securities Limited is the Sponsor for Admission to Listing on the Channel Islands Stock Exchange.

## **ALLOTMENT**

Once a subscription application and payment for Cell Shares is accepted by the Company, Cell Shares will be allotted and issued to the relevant investor on the Closing Date, subject to the Channel Islands Stock Exchange having agreed to admit such Cell Shares to block listing on the Official List of, and to trading on, the Channel Islands Stock Exchange (subject only to allotment).

The Company will notify investors in writing of the number of Cell Shares in respect of which their application has been successful prior to the commencement of dealings in the Cell Shares on the Channel Islands Stock Exchange.

The Register in relation to the Protected Cell will be established by the first day of the Offer Period.



## **SCALING BACK ARRANGEMENTS**

A maximum of 500,000,000 Cell Shares are available under the Offer. In the event that valid applications under the Offer reach, or are about to reach, 500,000,000 Cell Shares or, if lower, the limit on subscriptions agreed with the Marketing Manager under the marketing agreement, the last subscription applications received will, if necessary, be scaled back at the Directors' discretion and thereafter no further subscription applications for Cell Shares will be accepted even if the Offer Period has not closed.

If any application is scaled back in whole or in part, the Receiving Agent will, at the risk of the applicant, return any subscription monies (without interest) or the balance thereof within seven Business Days of the scaling back by returning the applicant's cheque to the applicant (if not processed) or by interbank credit transfer back to the bank account from which such monies were first received, or, at the cost of the applicant, by telegraphic transfer, in each case at the risk of the applicant.

## **ISIN**

The ISIN number for the Cell Shares is GG00B7FM9P75.

## **LISTING AND SETTLEMENT**

The Cell Shares will be issued in registered form and may be held either in inscribed form or in certificated form. Temporary documents of title will not be issued.

Application has been made to the Channel Islands Stock Exchange for up to 500 million Cell Shares to be admitted for block listing on the Channel Islands Stock Exchange. Admission is subject to allotment and issue of the Cell Shares. Dealings in the Cell Shares for normal settlement will commence on Admission of the relevant Cell Shares.

No application is being made for any of the Cell Shares to be listed or dealt with in or on any stock exchange or investment exchange other than the Channel Islands Stock Exchange.

The Cell Shares are not in any way sponsored, endorsed, sold or promoted by the Channel Islands Stock Exchange. Furthermore, the Channel Islands Stock Exchange, LBG shall not be liable (whether in negligence or otherwise) to any person under any obligation to advise any person of any error therein.

## **MARKET FOR SHARES**

The Cell Shares may be sold through or to the Market Maker only from the Investment Date onwards. The attention of Shareholders is drawn to the risk factors "*Long Term Investment*" and "*Liquidity*" above.

## **SECTION B**

### **INVESTMENT OBJECTIVE AND POLICY**

#### **INVESTMENT OBJECTIVE**

The investment objective of the Protected Cell is to achieve the capital growth necessary to provide Shareholders with an investment return that is equal to the Investment Return for each Cell Share redeemed on the Maturity Date. Details of how the Investment Return is calculated is set out under the sub-section headed "Investment Return" in Section C of this Securities Note.

The only source of funding that will be available to the Company to acquire and/or enter into and/or support the Plan Investments designed to fund the amounts payable in respect of the Cell Shares and/or any other amounts payable by the Company in connection with the Cell Shares will derive from the capital contributed by the subscribers of the Cell Shares.

The Company has no capacity to pay any dividend in respect of any Cell Share.

#### **INVESTMENT POLICY AND REDEMPTION**

In order to achieve its investment objective:

- (a) The Company, on behalf of the Protected Cell, will place the Original Subscription Proceeds received prior to the Investment Date on deposit in the Company's bank account with Royal Bank of Scotland International Limited (Guernsey Branch). On the Drawdown Date, under the Term Loan Agreement, the Company will lend the Net Issue Proceeds to the Investment Counterparty.
- (b) The Company has entered into a Term Loan Agreement and a Forward Transaction on behalf of the Protected Cell, in each case with Abbey National Treasury Services plc as the Investment Counterparty. The Term Loan Agreement and the Forward Transaction together are designed to generate the Investment Return payable in respect of the Cell Shares on the Maturity Date. The obligations of the parties under each of these agreements are subject to the satisfaction or waiver of the Term Loan Conditions Precedent and the occurrence of the Drawdown Date.
- (c) On the Maturity Date the Investment Counterparty shall repay an amount equal to the Net Issue Proceeds to the Company under the Term Loan Agreement and the Forward Cash Settlement Amount shall be payable under the Forward Transaction.

Any such amounts received by the Company will be paid into the bank account of the Company in respect of the Protected Cell at Santander UK plc over which Santander Guarantee Company has a first charge pursuant to the Cell Security Documents for the Protected Cell. Under the terms of the Cell Security Documents, the Company is not permitted, without the prior consent of Santander Guarantee Company, to utilise the monies in the account for any purpose other than to make payments to Shareholders in respect of the redemption of their Cell Shares.

The payment obligations of the Investment Counterparty under the Plan Investments in combination with the account arrangement described above are designed to enable the Company, in turn, to pay the Investment Return to Shareholders at the Maturity Date.

The Term Loan Agreement and the Forward Transaction will constitute the Plan Investments and will be the only investments of the Protected Cell.

The investments of each Cell established after 22 December 2011 consist solely of Financial Instruments. Descriptions of the Financial Instruments entered into by the Company in respect of each Cell referred to in the table below (which consist of a term loan agreement and a forward transaction in respect of each such Cell) are set out in the Relevant Securities Note relating to each such Cell on the pages specified in the table below and are incorporated by reference into this Securities Note. The Relevant Securities Notes are available for inspection at the address referred to in Part J of the Registration Document.

	<b>Description of Financial Instruments</b>
Securities Note for Cell 222	Pages 16, 19 and 20
Securities Note for Cell 223	Pages 16, 18 and 19
Securities Note for Cell 224	Pages 16, 19 and 20
Securities Note for Cell 225	Pages 16, 18 and 19
Securities Note for Cell 226	Pages 16, 19 and 20
Securities Note for Cell 227	Pages 16, 18 and 19
Securities Note for Cell 228	Pages 16, 19 and 20
Securities Note for Cell 229	Pages 15, 18 and 19
Securities Note for Cell 230	Pages 17, 20 and 21

## **REALISATION OF INVESTMENT**

On the Maturity Date, the Company is scheduled to compulsorily redeem all Cell Shares in issue for an amount per Cell Share equal to the Investment Return.

Subject to the receipt in cleared moneys by the Company of an amount equal to the aggregate Investment Return payable in respect of the outstanding Cell Shares under the Plan Investments on or around the Maturity Date from the Investment Counterparty, the Directors will procure that the Paying Agent pays to each Shareholder the redemption proceeds for his or her Cell Shares within three Business Days of the Maturity Date or such later date on which the aggregate Investment Return is actually received by the Company in cleared moneys. Payment of such redemption proceeds will be made by the Paying Agent to Shareholders in such manner as is set out in the section headed "Payment At Maturity" in Part B of the Registration Document. The Paying Agent is Anson Registrars Limited, PO Box 426, Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 3WX.

In the event that the proceeds of the relevant Plan Investments are insufficient to pay the Guaranteed Return to Shareholders, the Guarantee Claims Agent will act on behalf of the holders of Cell Shares in asserting claims against the Guarantor under the Cell Guarantee for the shortfall as set out in the sub-section headed "Cell Guarantee" in Section C of this Securities Note.

Following distribution of the proceeds described above on redemption of the Cell Shares, notification will be made by the Company to the GFSC and an application will be made to the Channel Islands Stock Exchange for the delisting of the Cell Shares.

## **FURTHER INFORMATION ON THE PLAN INVESTMENTS**

The obligations of Abbey National Treasury Services plc under each Plan Investment will be guaranteed by Santander UK plc pursuant to a deed poll guarantee dated 29 January 2008.

In the absence of unforeseen circumstances, the investment objective and policies of the Company with respect to the Protected Cell will be adhered to for its Investment Term.

A holder of Shares will be entitled to look solely to the assets of the relevant Cell in respect of all amounts payable in respect of those Shares. If the realised assets of the relevant Cell are insufficient to pay any amounts payable in respect of such Shares, such a Shareholder will have no further right of payment in respect of such Shares nor any claim against or recourse to any of the assets of any other Cell or any of the other assets of the Company.

If the realised assets of the Cell are greater than the amounts payable on the relevant Shares and the Shareholder has been paid the amounts payable, the Shareholder shall have no entitlement to any such surplus.

The eighth paragraph, the credit ratings table and the ninth and tenth paragraphs of the section headed "Returns on the Plan Investments" in Part A (*Information on the Company*) of the Registration Document are deleted in their entirety and replaced with the following:

"The Plan Investments will not be rated for credit purposes. However, the current long-term issuer credit ratings of Santander UK plc, which guarantees the obligations of each Investment Counterparty which is a member of the Santander Group (other than Santander UK plc) under the Plan Investments for each Cell, are set out below.

<b>Rating Agency</b>	<b>Current Long-term Issuer Credit Rating</b>	<b>Rating Outlook/ Watch</b>	<b>Range of Rating Agency Ratings</b>	<b>Description of Rating and Rating Outlook/ Watch</b>
S&P	A+	Outlook Negative	AAA (highest) to D (lowest)	<p>An obligor rated <b>A</b> is considered by S&amp;P to have a strong capacity to meet its financial commitments, but is somewhat susceptible to adverse economic conditions and changes in circumstances. The modifier '+' indicates a ranking in the higher end of the <b>A</b> rating category.</p> <p>An S&amp;P rating outlook of <b>Negative</b> means that a long-term credit rating may be lowered over the intermediate term (typically six months to two years). An outlook is not necessarily a precursor of a rating change.</p>
Moody's	A1	Rating Under Review for possible downgrade	Aaa (highest) to C (lowest)	<p>A long-term issuer rating is an opinion of the ability of entities to honour long-term senior unsecured financial obligations and contracts and is expressed on Moody's long-term global obligation scale. Long-term obligations rated <b>A</b> are considered by Moody's to be of upper medium grade and are subject to low credit risk. The modifier '<b>1</b>' indicates a ranking in the</p>

				<p>higher end of the <b>A</b> rating category</p> <p>On 21 February 2012, Moody's assigned a <b>Rating Under Review</b> designation to the long-term rating of Santander UK plc, indicating that Santander UK plc's long-term rating is under review for possible downgrade. This overrides the outlook designation of <b>Outlook Negative</b> previously assigned to the long-term rating of Santander UK plc. As a result, Moody's may downgrade the long-term rating of Santander UK plc within three months of this date.</p>
Fitch	A+	Outlook Stable	AAA (highest) to D (lowest)	<p><b>A</b> ratings denote Fitch expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The modifier '+' indicates a ranking in the higher end of the <b>A</b> rating category.</p> <p>Fitch rating outlooks indicate the direction a rating is likely to move over a one to two year period.</p>

S&P, Moody's and Fitch are each established in the European Union and are each registered under Regulation (EC) No. 1060/2009 (as amended). As such S&P, Moody's and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

**The information provided in relation to the long-term issuer credit rating of Santander UK plc should be read in conjunction with the risk factor headed "Rating Agency Credit Ratings".**

## SECTION C

### REDEMPTION AT MATURITY

The definitions set out below apply to the Protected Cell and to the Cell Shares, unless the context otherwise requires and supplement the section headed "Definitions" of this Securities Note. Any definitions set out on pages 21 to 31 of the Registration Document which are not set out in this document will also apply to the Protected Cell and to the Cell Shares. In the event of any inconsistency between a definition in the Registration Document and the definition specified below, the definition specified below will prevail in relation to the Protected Cell, the Cell Shares and the Offer of the Cell Shares.

All references to time in this Securities Note are to time in Guernsey.

<b>"Exchange"</b>	the London Stock Exchange
<b>"Final Index Level"</b>	as determined by the Determination Agent, the arithmetic average of the closing levels of the Index at the Valuation Time on each Scheduled Trading Day during the Final Valuation Period, subject to adjustment pursuant to the Market Disruption, Adjustment to Index or Correction to Stock Prices or Index Levels provisions in Part B of the Registration Document
<b>"Final Valuation Period"</b>	6 November 2015 to 5 May 2016 (inclusive), provided that (i) if the first day of the Final Valuation Period is not a Scheduled Trading Day, then such day shall be deemed to be the next following Scheduled Trading Day, subject to adjustment pursuant to the Market Disruption provisions in Part B of the Registration Document, and/or (ii) if the final day of the Final Valuation Period is not a Scheduled Trading Day, then such day shall be deemed to be the immediately preceding Scheduled Trading Day, subject to adjustment pursuant to the Market Disruption provisions in Part B of the Registration Document
<b>"Fixed Return"</b>	0.25p per Cell Share
<b>"Guaranteed Return"</b>	in respect of each Cell Share held at the Maturity Date, an amount equal to the aggregate of the Investment Amount and the Fixed Return per Cell Share
<b>"Index"</b>	FTSE 100 Index (Capital Return), an index comprising 100 of the largest companies (in terms of market capitalisation) listed on the London Stock Exchange which is compiled and calculated by the Index Sponsor
<b>"Index Sponsor"</b>	FTSE International Limited, or such other corporation or entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the Index and (ii) announces (directly or through an agent) the level of the Index on a regular basis during each day on which the Exchange is scheduled to be open for trading for its regular trading sessions, as determined by the Determination Agent
<b>"Initial Index Level"</b>	as determined by the Determination Agent, the closing level of the Index at the Valuation Time on the Initial Valuation Date, subject to adjustment pursuant to the Market Disruption, Adjustment to Index or

Correction to Stock Prices or Index Levels provisions in Part B of the Registration Document

<b>"Initial Valuation Date"</b>	the date which is 1 Business Day after the Closing Date (which is expected to be 8 August 2012) or, if such Business Day is not a Scheduled Trading Day or is a Disrupted Day, the next following Business Day which is a Scheduled Trading Day but is not a Disrupted Day subject to adjustment pursuant to the Market Disruption provisions in Part B of the Registration Document
<b>"Investment Amount"</b>	£1.00 per Cell Share
<b>"Investment Date"</b>	the date which is 1 Business Day after the Closing Date (which is expected to be 8 August 2012)
<b>"Investment Return"</b>	the Investment Amount plus the greater of (a) the Fixed Return and (b) the Performance Return
<b>"Investment Term"</b>	the period from the Investment Date to the Maturity Date
<b>"Maturity Date"</b>	9 May 2016, provided that if such date is not a Business Day the Maturity Date shall be the next following Business Day
<b>"Performance Return"</b>	a return per Cell Share calculated by the Determination Agent equal to:  (i) if the Final Index Level is less than the Initial Index Level, zero; or  (ii) if the Final Index Level is equal to or greater than the Initial Index Level 21p.
<b>"Related Exchange"</b>	the London International Financial Futures and Options Exchange
<b>"Valuation Time"</b>	in relation to a Scheduled Trading Day, the time at which the Index Sponsor normally calculates and publishes the closing level of the Index for such Scheduled Trading Day

## **INVESTMENT RETURN**

Holders of the Cell Shares shall not be entitled to any dividends but shall be paid an amount per Cell Share on the Maturity Date calculated by the Determination Agent equal to the Investment Return, which shall be equal to the Investment Amount (£1.00) plus the greater of (a) the Fixed Return (0.25)p and (b) the Performance Return.

The Performance Return shall be equal to either:

- (a) if the Final Index Level is less than the Initial Index Level, zero; or
- (b) if the Final Index Level is equal to or greater than the Initial Index Level, 21p.

The Determination Agent's determination of the Investment Return is final.

The following table sets out illustrative values of the Investment Return assuming different values for the Final Index Level (as a percentage of the Initial Index Level).

<b>Final Index Level as a % of Initial Index Level</b>	<b>Investment Return</b>
200%	£1.21
175%	£1.21
150%	£1.21
125%	£1.21
100%	£1.21
75%	£1.0025
50%	£1.0025
25%	£1.0025
0%	£1.0025

As can be seen from the illustration above, the minimum possible Investment Return is £1.0025 and the maximum possible Investment Return is £1.21 for each Cell Share held until the Maturity Date.

The Cell Shares are intended to appeal to all classes of investors who are willing to invest their money for three and three quarter years and are seeking a return linked to equities but with an element of capital protection at the end of the Investment Term, although the Cell Shares are intended to be primarily marketed to retail investors seeking investment exposure of this type.

#### **GUARANTEED RETURN**

Pursuant to the Cell Guarantee applicable to the Cell Shares provided by Santander Guarantee Company in favour of the Shareholders, Shareholders are guaranteed to receive (subject to the continued solvency of Santander Guarantee Company and Santander UK plc) an amount equal to the Investment Amount and the Fixed Return (referred to as the "**Guaranteed Return**") for each Cell Share held until the Maturity Date, subject to the terms and conditions of that Cell Guarantee, but no greater amount is guaranteed (see the section headed "Cell Guarantee" below).

#### **WITHHOLDING TAX**

Under current taxation legislation applicable in Guernsey and the UK, the Company is not required to withhold for or on account of any tax on the payment of the Investment Return to Shareholders at the Maturity Date. In the event that a subsequent change in UK or Guernsey tax legislation or an introduction of, change in or application of any other tax legislation, regulation thereunder or official interpretation thereof (or, based upon currently-applicable rules under FATCA, a FATCA agreement between the Company and the IRS) were to result in the need to withhold for or on account of tax on such payments to Shareholders, the amount of the Investment Return actually received by Shareholders would be reduced. Similarly, an introduction of, change in or application of, taxation law, regulation thereunder or official interpretation thereof (or, based upon currently-applicable rules under FATCA, the failure of the Company to enter into a FATCA agreement with the IRS) may impose a withholding obligation on payments to the Company under the Plan Investments, which may reduce the amounts capable of being paid to Shareholders. In such circumstances, the Investment Return shall be calculated on an after-tax basis. In each case, if the amounts payable to Shareholders are less than the Guaranteed Return, the amount guaranteed pursuant to the Cell Guarantee will be amended accordingly. Payments under the Cell Guarantee will also be made net of any withholding tax or other tax deduction, including, for the avoidance of doubt, any withholding or deduction required pursuant to a FATCA agreement described in Section 1471(b) of the Code or any withholding or deduction otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof.



Notwithstanding the forgoing, the Company agrees that, if it becomes aware of the need to make a deduction or withholding on a payment of the Investment Return to Shareholders pursuant to an agreement described in Section 1471(b) of the Code or any withholding or deduction otherwise imposed on a payment of the Investment Return to Shareholders pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof because the Paying Agent does not satisfy any applicable information reporting requirements or any requirements necessary to prevent or minimise the amount of such withholding, the Company will use reasonable endeavours to find a replacement Paying Agent which does satisfy such requirements.

**Shareholders should therefore be aware that, in such circumstances, their Investment Return would be reduced and any payment due under the Cell Guarantee may be reduced.**

**Further, Shareholders agree to provide any information that may be requested by the Company or the Guarantor to allow the Company or, as the case may be, the Guarantor to satisfy any applicable information reporting requirements or any requirements necessary to prevent or minimise the amount of FATCA withholding with respect to any payments to be made or received by the Company or the Guarantor.**

#### **CALCULATION OF NET ASSET VALUE**

The Net Asset Value per Cell Share will be calculated on a monthly basis as at the close of trading on the London Stock Exchange on the 7th day of each calendar month during the Investment Term of the Protected Cell, provided that, if such valuation day is not an Exchange Business Day, the Net Asset Value will be calculated as at the close of trading on the London Stock Exchange on the immediate following day which is an Exchange Business Day. The Net Asset Value per Cell Share will be announced to the Channel Islands Stock Exchange.

#### **CELL GUARANTEE**

Under the terms of the Cell Guarantee applicable to the Cell Shares, Shareholders will be guaranteed to receive (subject to the continued solvency of Santander Guarantee Company and Santander UK plc) the Guaranteed Return in respect of all Cell Shares which are held until they are redeemed on the Maturity Date.

A demand will be made by the Guarantee Claims Agent under the Cell Guarantee if the Company has insufficient assets or resources in the Protected Cell to allow payment of the Guaranteed Return on or around the Maturity Date or if the Company otherwise fails to make payment of the Guaranteed Return to Shareholders. The Company may have insufficient assets or resources in the Protected Cell if there is a default by the Investment Counterparty in making payments under any Plan Investment or if any Plan Investment terminates for any reason prior to its maturity date, or if the payments by the Investment Counterparty are subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof.

However, the liability of the Guarantor to make payment under the Cell Guarantee applicable to the Cell Shares will be reduced to the extent that the value of the Investment Return less:

- (a) the reduction (if any), expressed as an amount per Cell Share, in the value of the assets of the Protected Cell arising as a result of the imposition or proper payment of any withholding tax which is levied or imposed by any agency having jurisdiction in the United Kingdom, or the imposition of any tax, withholding or other charge in Guernsey, on any payments under any Plan Investment; and
- (b) the reduction (if any), expressed as an amount per Cell Share, in the value of the assets of the Protected Cell arising as a result of the imposition or proper payment of any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or any withholding or deduction otherwise imposed pursuant to Sections 1471 through 1474 of the Code

and any regulations or agreements thereunder or official interpretations thereof on any payments under any Plan Investment; and

- (c) the amount (if any) expressed as an amount per Cell Share, of any withholding tax or deduction which is levied or imposed by any agency having jurisdiction in the United Kingdom and/or Guernsey and/or pursuant to an agreement described in the Code or any withholding or deduction otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof on payments by the Company to holders of the Cell Shares in connection with the redemption of such Cell Shares held by them as at the Maturity Date; and
- (d) the extent to which it is unlawful for the Guarantor to remain under any (or any further) obligations under that Cell Guarantee.

is less than the Guaranteed Return.

In addition, if any payment required to be made by the Guarantor under the Cell Guarantee is subject to any deduction or withholding in respect of tax, the Guarantor will be entitled to deduct the amount of such deduction or withholding from the relevant payment so that the relevant Shareholders who are entitled to receive such payment will receive an amount net of such deduction or withholding. The Guarantor will not be under any obligation to make any additional payment under the Cell Guarantee in respect of such deduction or withholding. For the avoidance of doubt, the Guarantor shall be entitled to deduct any amounts required to be withheld or deducted pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof.

Investors should note that the Company has agreed to indemnify the Guarantor for payments under the Cell Guarantee applicable to the Cell Shares and such indemnity will be secured on the assets of the Protected Cell. The Guarantor will have first recourse to the assets of the Protected Cell in relation to any payment it makes under the Cell Guarantee. This means that, if a payment is made under the Cell Guarantee, the assets of the Protected Cell will not be available to pay any non-guaranteed element of the Investment Return due in relation to the Cell Shares until the Guarantor has been reimbursed in full for its payment under the Cell Guarantee.

## **MARKET DISRUPTION AND ADJUSTMENT**

The provisions of Market Disruption, Adjustment to Index and Correction to Stock Prices or Index Levels, each as specified in Part B in the Registration Document, apply to the Cell Shares.

## **INFORMATION ON THE INDEX**

The following description of the Index has been derived from publicly available information on the website of the Index Sponsor ([www.ftse.com](http://www.ftse.com)). The description has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the Index Sponsor, no facts have been omitted which would render the description inaccurate or misleading.

The FTSE 100 is a market-capitalisation weighted index representing the performance of the 100 largest UK listed blue chip companies, which pass screening for size and liquidity. The Index is managed according to a transparent and public set of index rules, and overseen by an independent committee of leading market professionals. The committee ensures that the rules are correctly applied and adhered to. Regular index reviews are conducted to ensure that a continuous and accurate representation of the market is maintained.

The Cell Shares are in no way sponsored or endorsed by the Index Sponsor.

## SECTION D

### INFORMATION ON THE COMPANY

#### SHARE CAPITAL

On 26 April 2012, the Directors resolved, conditional on Admission, to issue up to 500 million shares pursuant to the Issue of Cell Shares.

#### ARTICLES OF ASSOCIATION

The Articles contain the following provisions concerning the specific rights attributable to the Cell Shares:

The Directors have established the Protected Cell as a new Cell in the Company in accordance with the Companies Law and to issue Shares in respect of the Protected Cell (referred to as "**Cell Shares**").

##### *Income*

The holders of Cell Shares are not entitled to receive, and do not participate in, any dividends or other distributions out of the profits of the Protected Cell of the Company available for distribution. The Directors shall not resolve to distribute any dividends or any other income to the holders of Cell Shares.

##### *Capital*

Upon the redemption of Cell Shares (or upon any other return of capital on or after the Maturity Date for Cell Shares), after paying all debts attributable to, and satisfying all liabilities of, the Protected Cell, holders of Cell Shares shall be entitled to receive by way of capital the Investment Return per Cell Share.

Notwithstanding the above:

- (a) to the extent that the Company is required to make any withholding or deduction in respect of tax in respect of any distribution to holders of Cell Shares upon the redemption of such Shares, holders of such Shares shall not be entitled to seek to recover from the Company any amounts so withheld or deducted and shall be deemed to have been satisfied in full; and
- (b) the Investment Return per Cell Share shall be reduced by (i) an amount equal to the reduction arising as a result, directly or indirectly, of the imposition or proper payment of any withholding tax levied or imposed by an agency having jurisdiction in the United Kingdom on payments to the Company under any Plan Investment or the imposition of any tax in Guernsey on the Company on the proceeds of any Plan Investment received by the Company and (ii) an amount (if any) equal to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or any withholding or deduction otherwise imposed on any payment to or by the Company in connection with the Cell Shares pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof, provided that any such reduction is applied first against any Performance Return or Fixed Return and then against the Investment Amount.

On a winding-up of the Protected Cell (or on any other return of capital) prior to the Maturity Date for the Cell Shares after paying all debts attributable to, and satisfying all liabilities of, the Protected Cell, holders of Cell Shares shall be entitled to receive by way of capital any surplus assets of the Protected Cell in proportion to their holdings of Cell Shares.

The holders of Cell Shares are only entitled to participate in the assets of the Protected Cell and have no entitlement to participate in the distribution of any assets attributable to any other Cell or, except as provided under the Companies Law, to the assets not attributable to any Cell, in meeting their capital entitlement.

#### *FATCA Withholding Information*

The holders of Cell Shares agree to provide any information that may be requested by the Company or the Guarantor to allow the Company or, as the case may be, the Guarantor to satisfy any applicable information reporting requirements or any requirements necessary to prevent or minimise the amount of FATCA withholding with respect to any payments to be made or received by the Company or the Guarantor.

Should any holder of Cell Shares fail to provide any such information, such Cell Shares may, at the option of the Company, be deemed to be "Prohibited Shares" for the purposes of Article 50(4) and consequently will be subject to compulsory transfer in accordance with Article 50(4).

#### *Voting*

The rights as to voting attributable to the Cell Shares are identical to those of the Cell Shares generally, as set out in paragraph 6.2 of Part D of the Registration Document.

#### *Restriction on Transfer*

Cell Shares may not be transferred prior to the Investment Date.

#### *Compulsory Redemption prior to Maturity Date*

If any of the following events occur, the Directors shall compulsorily redeem all Cell Shares in issue at the Issue Price (plus any net interest earned thereon) and cancel the listing of such Cell Shares on the Channel Islands Stock Exchange:

- (a) if no Drawdown Date occurs on or prior to the Drawdown Cut-off Date; or
- (b) if the Net Issue Proceeds are not lent to the Investment Counterparty on the Drawdown Date,

for any reason other than as a result of the Company being unable to recover some or all of its subscription monies placed on deposit with the Royal Bank of Scotland International Limited (Guernsey Branch).

If the Company is unable to recover some or all of its subscription monies placed on deposit with the Royal Bank of Scotland International Limited (Guernsey Branch) on or prior to the Drawdown Cut-off Date, the Directors shall compulsorily redeem all Cell Shares in issue at their net asset value and cancel the listing of such Cell Shares on the Channel Islands Stock Exchange.

Further information on voting rights is set out in paragraph 6.2.1(i) of Part D of the Registration Document.

### **MATERIAL CONTRACTS**

In addition to those Material Contracts specified on pages 85 to 99 of the Registration Document that are applicable to the Cell Shares, the Company has entered into the Listing Sponsor's Agreement and the Series Deed which, amongst other things, constitutes the ISDA Master Agreement, the Forward Transaction, the Term Loan Agreement, the Charge Agreement and the Determination Agency Agreement, each as described below.

## Protected Cell Documentation

The ISDA Master Agreement governs each of the Term Loan Agreement and the Forward Transaction for the Protected Cell. Each of the ISDA Master Agreement, the Term Loan Agreement and the Forward Transaction are constituted by the execution of the Series Deed for the Protected Cell.

The ISDA Master Agreement contains standard events of default and termination events, including failure to pay and insolvency related events, but excludes from the definition of "Indemnifiable Tax" any withholding or deduction under FATCA. Under the terms of the ISDA Master Agreement, the Investment Counterparty has agreed to limit its recourse for payments due to it from the Company under the ISDA Master Agreement to the assets of the Protected Cell.

Performance by the Investment Counterparty of any obligation or liability to make any payment in cash which is or becomes payable by it under the ISDA Master Agreement is unconditionally and irrevocably guaranteed by Santander UK plc pursuant to a deed poll guarantee dated 29 January 2008. It should be noted that the guarantee is a guarantee of payments due under the ISDA Master Agreement to the Company and not a guarantee of the Investment Return for the Protected Cell.

The Company and Mourant Ozannes Securities Limited have entered into an agreement dated 27 April 2012 for the Protected Cell under which Mourant Ozannes Securities Limited has agreed to act as sponsor in connection with the application for Admission of the Cell Shares (the "**Listing Sponsor's Agreement**"). In consideration of the services provided by it under the Listing Sponsor's Agreement, Mourant Ozannes Securities Limited will be paid an initial fee of £750 and then an annual fee of £750 for the Protected Cell.

The Listing Sponsor's Agreement contains certain warranties and indemnities, which are of a customary nature, given by the Company in favour of Mourant Ozannes Securities Limited. The agreement may be terminated by either party by not less than 60 days notice in writing. In certain circumstances, the agreement may be terminated forthwith by notice in writing by either party to the other and may, in certain circumstances, be terminated prior to such Admission.

The Company and Abbey National Treasury Services plc have entered into an agreement dated 27 April 2012 for the Protected Cell under which Abbey National Treasury Services plc has been appointed to undertake a calculation agency role in connection with the Cell Shares and to make all the determinations specified in this Prospectus to be made by the Determination Agent (the "**Determination Agency Agreement**").

The Determination Agency Agreement contains certain warranties and indemnities, which are of a customary nature, given by the Company in favour of Abbey National Treasury Services plc. The agreement may be terminated by either party by not less than 90 days notice in writing. In certain circumstances, the agreement may be terminated forthwith by notice in writing by either party to the other.

The Company and Santander Guarantee Company entered into a charge agreement on 27 April 2012 (the "**Charge Agreement**") under which the Company grants a fixed charge over the Plan Investments for the Protected Cell, and bank accounts at Santander UK plc in respect of such Cell ("**Charged Assets**") into which it will pay the proceeds of Plan Investments for the Protected Cell, in favour of Santander Guarantee Company as security for its indemnity obligations to Santander Guarantee Company under the Guarantee Facility Agreement in relation to the Cell Guarantee applicable to the Cell Shares. Under the terms of the Charge Agreement for the Protected Cell, the Company is entitled to make payments out of the bank accounts only where such payments have been countersigned by a duly authorised officer of Santander Guarantee Company.

In the event that the Company fails to repay Shareholders the Guaranteed Return in respect of the relevant Cell Shares redeemed on the Maturity Date for the relevant Cell, Santander Guarantee Company will be entitled to enforce its security over the Charged Assets for the relevant Cell to assist it in meeting its obligations to pay Shareholders under the Cell Guarantee applicable to the Cell Shares.

## TAXATION

Information relating to Guernsey and United Kingdom taxation is set out in Part D of the Registration Document under the heading "Taxation".

The description of the tax position in relation to the Cell Shares which is set out in Part D of the Registration Document under the heading "Taxation" (as supplemented by information contained in this Securities Note), is based on the Company's current understanding of current legislation and practice as at the date of this Securities Note and may be subject to change.

Prospective investors should note that the information relating to United Kingdom Taxation set out in Part D of the Registration Document under the section headed "United Kingdom" under the heading "Taxation" is supplemented by and should be read in conjunction with the following:

The third paragraph of the sub-section headed "*Taxation on disposal or redemption*" in the section headed "*(b) Shareholders – Individual UK tax resident and domiciled Shareholders*" shall be deleted in its entirety and replaced with the following:

"The annual exemption is £10,600 for the 2012/2013 tax year. The Government has announced that for the 2012/2013 tax year and later years, this exemption will be, unless Parliament decides otherwise, increased annually in line with the rate of increase (if any) in the consumer prices index (instead of the retail prices index, as is the case under current legislation). Shareholders should be aware that the UK Parliament is entitled to withdraw this link between the level of the annual exemption and the retail prices (or other relevant) index or even to reduce the level of the annual exemption for future tax years below its current level."

The fifth paragraph of the sub-section headed "*Taxation on disposal or redemption*" in the section headed "*(b) Shareholders – Individual UK tax resident and domiciled Shareholders*" shall be deleted in its entirety and replaced with the following:

"Where an individual's total taxable income and gains (after allowable deductions) are less than the upper limit of the basic rate income tax band (which is £34,370 for the 2012/2013 tax year and is expected to be £32,245 for the 2013/2014 tax year), capital gains tax will be charged at 18 per cent. Any gains or part gains in excess of that upper limit will be taxed at 28 per cent."

The first paragraph of the sub-section headed "*Dividends*" in the section headed "*(b) Shareholders – Individual UK tax resident and domiciled Shareholders*" shall be deleted in its entirety and replaced with the following:

" Any dividends received in respect of Shares (that do not constitute an interest in an offshore fund) which are held as an investment by individuals domiciled and ordinarily resident in the UK will be taxed either at the dividend ordinary rate (currently 10 per cent.) or (if total income in a tax year exceeds the higher rate threshold) the dividend upper rate (currently 32.5 per cent.). Dividend income for individuals with taxable income for a tax year in excess of £150,000 is charged at 42.5 per cent; the Government has announced that this rate will drop to 37.5 per cent. from April 2013."

The fifth and sixth paragraphs of the sub-section headed "*Individual Shareholders who acquire their investment in Shares through an Individual Savings Account*" in the section headed "*(b) Shareholders – Individual UK tax resident and domiciled Shareholders*" shall be deleted in their entirety and replaced with the following:

"The Cell Shares will not be eligible for inclusion within a stocks and shares ISA."

The words "5 April 2012" in the second paragraph of the sub-section headed "*Withholding Tax and Provision of Information*" in the section headed "(d) *Other UK tax considerations*" shall be deleted and replaced with "5 April 2013".

The following paragraph shall be inserted at the end of the final paragraph of the sub-section headed "*Section 13 of the Taxation of Chargeable Gains Act 1992*" in the section headed "(d) *Other UK tax considerations*":

"The European Commission has challenged the legality of Section 13 of the Taxation of Chargeable Gains Act 1992 under European Law. The Government has announced that the legislation will be amended by the Finance Act 2013, and that such amendments will apply retrospectively from 6 April 2012 (but taxpayers may elect to defer that application until 6 April 2013)."

The following paragraph shall be inserted at the end of the final paragraph of the sub-section headed "*Sections 714-751 of ITA 2007*" in the section headed "(d) *Other UK tax considerations*":

"The European Commission has challenged the legality of the Transfer of Assets Abroad Legislation under European law. The Government has announced that the legislation will be amended by the Finance Act 2013, and that such amendments will apply retrospectively from 6 April 2012 (but taxpayers may elect to defer that application until 6 April 2013)."

## **DIRECTORS' INTERESTS**

John Le Prevost, a director of the Company, is also a director of Anson Fund Managers Limited (the Administrator and Secretary of the Company and the owner of the two Management Shares of the Company) and Anson Registrars Limited (the Registrar, Transfer Agent, Paying Agent and Receiving Agent and the Guarantee Claims Agent). John Le Prevost is also the Chief Executive Officer and the majority shareholder of Anson Group Limited, the holding company of Anson Fund Managers Limited and Anson Registrars Limited. Gavin Farrell is a partner of Mourant Ozannes, the Advocates to the Company, and a director of Mourant Ozannes Securities Limited, the Sponsor of Admission to Listing.

## **DIRECTORSHIPS**

The following information supersedes and replaces the information contained in Section 4.12 of Part D of the Registration Document relating to Gavin Farrell:

In addition to his directorship of the Company, Gavin Farrell holds directorships in other companies and is a member of various partnerships. Details of those directorships (apart from the Company) and partnerships as well as details of Gavin Farrell's directorships and partnerships during the five years preceding the date of this document are set out below:

### **Gavin Farrell**

#### *Current Directorships and Partnerships*

Altima Advisors (Guernsey) Limited  
Altima Agriculture Equity Fund Limited  
Altima Agriculture Equity Master Fund Limited  
Altima Central Asia Fund Limited  
Altima Central Asia Master Fund Limited  
Altima Emerging Markets Fund Limited (formerly  
Altima European Special Situations Fund Limited)  
Altima Emerging Markets Master Fund Limited  
(formerly Altima European Special Situations  
Master Fund Limited)

#### *Past Directorships and Partnerships*

Alternative Risk Management (Guernsey)  
Limited (formerly Thomas Miller Risk  
(Guernsey) Management Limited)  
Altima Asia Fund Limited  
Altima Asia Master Fund Limited  
Altima Global Emerging Markets Fund  
Limited  
Altima Global Special Situations Fund I Ltd  
Altima Latin America Fund Limited  
Altima Latin America Master Fund Limited

Altima Global Special Opportunities Fund Limited  
 Altima Global Special Opportunities Master Fund Limited  
 Altima Global Special Situations Fund Ltd  
 Altima Global Special Situations Master Fund Ltd  
 Altima India Fund Limited  
 Altima India Master Fund Limited  
 Altima One World Agriculture Fund Limited  
 Altima One World Agriculture Master Fund Limited  
 Altima Situational Credit Fund S.A.  
 Altima Situational Credit Vehicle S.a.r.l  
 Arle (Guernsey) GP Limited  
 AXA Property Trust Limited  
 BBOF II SLP G.P. Limited  
 BBOF III SLP G.P. Limited  
 BBOF IV GP Limited  
 Bermuda Holdco Lux 1 S.a.r.l  
 Bermuda Holdco Lux 2 S.a.r.l  
 Bermuda Holdco Lux 3 S.a.r.l  
 Bermuda Holdco Lux 4 S.a.r.l  
 B-Haig Acquisitions (Lux) S.a.r.l  
 Brockton Capital Fund I GP (Guernsey) Limited  
 Brockton Capital Fund II GP (Guernsey) Limited  
 Candover 2005 Fund (Guernsey) Limited  
 Candover 2008 Alpha GP Limited  
 Candover 2008 Beta Limited  
 Candover 2008 GP Limited  
 Cheshire Business Insurance Limited  
 CHG Insurance Limited  
 Directorco One Limited  
 Directorco Two Limited  
 Donald Luxco Sarl (formerly VCP VII Luxco 5 S.a.r.l)  
 E.I. Sturdza Funds Plc  
 E.I. Sturdza Strategic Management Limited  
 Eliot Luxembourg Holdco S.à.r.l. (formerly Tulip Luxembourg Holdco S.a.r.l)  
 European Forest Resources Limited  
 European Forest Resources Holdings GP Limited  
 European Forest Resources Holdings Limited  
 Fennel Acquisition (Lux) S.a.r.l  
 Glendevon King (Guernsey) Limited (formerly King Capital Management (Guernsey) Limited)  
 Haig Luxembourg Holdco S.a.r.l  
 HitecVision Asset Solutions (GP) Limited  
 HitecVision V (GP) Limited  
 HitecVision VI (GP) Limited  
 HSBC NF China Investors Limited  
 HVPE IV (GP) Limited  
 JD Selector S.a.r.l (formerly H-Haig Acquisitions (Lux) S.a.r.l)  
 John Mowlem (Guernsey) Limited  
 Kinetrics Holdings S.a.r.l  
 Altima Situational Credit Fund Limited  
 AQH Dundee GP Limited (Alternate)  
 AQH Edward Street GP limited (Alternate)  
 AQH Edward Street Properties Limited (Alternate)  
 Aspect Sterling PCC Limited  
 Associated Partners GP Limited (Alternate)  
 Aviation Baggage Claims Insurance Company Limited  
 Blue Cap (2004) Limited;  
 BPB Finance (Guernsey) Limited;  
 Brockton Capital Fund I (Cayman) Limited;  
 Brockton (EC1) Limited  
 Caterpillar Property Holdings Limited  
 Candover 2008 CEE GP Limited  
 Caterpillar Property Limited  
 CEDR Investment Company Limited  
 Czechvalue Investments Limited  
 Eredene General Partner Limited  
 Fulmar Finance & Insurance Limited  
 HSBC German Retail Properties 2 Limited  
 Infrastructure Holdings Limited  
 JOHCM (Guernsey) Limited  
 JOHCM Offshore PCC Limited  
 Legis Limited  
 Lex Finance (Guernsey) Limited  
 Lex Service (Guernsey)Limited  
 Markland Thorpe Park Limited (Alternate)  
 Markland Thorpe Park Investments Limited (Alternate)  
 M&J Properties Limited (Alternate)  
 Nippon Growth Fund CHF Class Limited  
 NVPE Secondary (GP) Limited  
 Onestop Insurance Limited  
 Pasia V GP Limited (Alternate)  
 Pantheon Cipio V Limited (Alternate)  
 Peuro V GP Limited (Alternate)  
 Peuro VI GP Limited (Alternate)  
 PGIF GP Limited (Alternate)  
 PGSF III GP Limited (Alternate)  
 Phoenix Venture Insurance Limited  
 Poppy Property Holdings Limited  
 Poppy Property Limited  
 Poppy (Trafford) Holdings Limited  
 Poppy (Trafford) Limited  
 Poppy (Trowbridge) Holdings Limited  
 Poppy (Trowbridge) Limited  
 Sage Acquisition (Lux) S.a.r.l  
 Smiths Property Holdings Limited  
 Smiths Property Limited  
 Strand Associates Limited  
 Strategic Anaconda Fund Limited  
 Strategic Blue Star Euro Holdings Limited  
 Strategic Euro US Opportunities Limited



Ma Selector S.a.r.l  
 Memberco One Limited  
 Memberco Two Limited  
 Mourant Ozannes Corporate Services (Guernsey) Limited  
 Mourant Ozannes (Partner)  
 Mourant Ozannes Property Holdings (Guernsey) Limited  
 Mourant Ozannes Securities Limited  
 Nelson Luxco S.a.r.l (formerly VCP VII Luxco 1 S.a.r.l)  
 New Super Selector S.a.r.l (formerly C-Haig Acquisitions (Lux) S.a.r.l)  
 Nippon Growth Fund Limited  
 Norvestor IV (GP) Limited (formerly NVPE IV G.P. Limited)  
 Norvestor V (GP) Limited  
 Norvestor VI (GP) Limited  
 Parallel Insurance Services Limited  
 Park Cakes Acquisition (Lux) S.a.r.l (formerly Caterpillar Acquisition (Lux) S.a.r.l)  
 Poppy Acquisition (Lux) S.a.r.l  
 Pi Selector S.a.r.l  
 Po Selector S.a.r.l  
 Psource Capital Guernsey Limited  
 Portman Group International S.a.r.l (formerly Q-Haig Acquisitions (Lux) S.a.r.l)  
 Real Asset Insurance Limited  
 Secretaryco Limited  
 Sphinx Luxco A S.a.r.l.  
 Sphinx Luxco B S.a.r.l.  
 Sphinx Luxco C S.a.r.l.  
 Sphinx Luxco D S.a.r.l.  
 Sphinx Luxco S.a.r.l.  
 Strategic Blue Star Resources Fund Limited  
 Strategic Evarich Japan Fund Limited  
 Strategic Fund Limited  
 Strategic Global Growth Fund Limited  
 Strategic Global Innovation Fund Limited  
 Strategic US Growth Fund Limited  
 Super Selector S.a.r.l  
 Sweeper Selector S.a.r.l  
 Terphane Holdco Lux S.a.r.l (formerly VCP VII Luxco 3 S.a.r.l)  
 T-Haig Acquisitions (Lux) S.a.r.l  
 THC Acquisition Lux S.a.r.l (formerly VCP VII Luxco 4 S.a.r.l)  
 The Accelerated Return Fund Ltd (Alternate)  
 Topi Insurance Company Limited  
 TRF Guernsey PCC Limited (formerly the King Capital Management Total Return Fund Limited)  
 Trio Luxco 3 S.a.r.l  
 VCI (General Partner) Limited  
 VC Offshore Limited  
 Strategic Evarich USD Holdings Limited  
 Strategic Global Innovation Euro Holdings Limited  
 Strategic Global Innovation Fund CHF Class Limited  
 Strategic Global Opportunities Euro Holdings Limited  
 Teesland Thorpe Park (Guernsey) Limited (Alternate)  
 TIP (Guernsey) GP Limited  
 True North (GP) Limited  
 Trident Luxembourg 1 S.à.r.l  
 Trident Luxembourg 2 S.à.r.l  
 VCP V-A (GP) (CI) Limited  
 VCP V-A (GP) Limited  
 VCP V-B (GP) Limited  
 VCP VI GP Limited  
 VCP VI-B GP Limited  
 VCP VI E GP Limited  
 VCP VI S GP Limited  
 Vision Capital (General Partners) Holdings Limited  
 Vision Capital Sub Holdings Limited  
 Whitehall Insurance Co. Limited  
 Willstar Energy Limited

VCP Finance Limited  
 VCP IV (GP) Limited  
 VCP JET GP Limited  
 VCP V-A GP (Guernsey) Limited  
 VCP VI GP (Guernsey) Limited  
 VCP VI A General Partner Limited  
 VCP VI A-R GP Limited  
 VCP VI B GP (Guernsey) Limited  
 VCP VI E GP (Guernsey) Limited  
 VCP VI S GP (Guernsey) Limited  
 VCP VII A GP Limited  
 VCP VII B GP Limited  
 VCP VII C GP Limited  
 VCP VII D GP Limited  
 VCP VII GP Limited  
 VCP VII Holdco Lux S.a.r.l (formerly VCP VII  
 Luxco 2 S.a.r.l)  
 VCP VII Luxco 6 S.a.r.l  
 VCP VII Luxco 7 S.a.r.l  
 Vision Capital (CI) Holdings Limited  
 Vision Capital GP Holdings Limited

The following information supersedes and replaces the information contained in Section 4.12 of Part D of the Registration Document relating to Steven Meeks:

In addition to his directorship of the Company, Steven Meeks holds directorships in other companies and is a member of various partnerships. Details of those directorships (apart from the Company) and partnerships as well as details of Steven Meeks's directorships and partnerships during the five years preceding the date of this document are set out below:

### **Steven Meeks**

#### *Current Directorships and Partnership*

Canley Consulting Limited  
 Dedicated Engines plc  
 Investec Structured Products Calculus VCT plc  
 Get Smarter Energy Limited

#### *Past Directorships and Partnerships*

Clickstream Technologies plc  
 Postged 02 Limited  
 The Commercial Property Growth Fund  
 Limited  
 The Commercial Property Income Fund  
 Limited  
 The Westbury Commercial Property Fund  
 WCP Holdings Limited

### **OTHER INFORMATION**

Save for the issue of Cell 211 Cell Shares, Cell 212 Cell Shares, Cell 213 Cell Shares, Cell 214 Cell Shares, Cell 215 Cell Shares, Cell 216 Cell Shares, Cell 217 Cell Shares, Cell 218 Cell Shares, Cell 219 Cell Shares, Cell 220 Cell Shares, Cell 221 Cell Shares, Cell 222 Cell Shares, Cell 223 Cell Shares, Cell 224 Cell Shares, Cell 225 Cell Shares, Cell 226 Cell Shares and Cell 228 Cell Shares, in respect of which the Company raised aggregate gross issue proceeds of £62,223,812 as at 25 April 2012 and the redemption of Cell 6 Cell Shares, Cell 7 Cell Shares, Cell 9 Cell Shares, Cell 38 Cell Shares, Cell 41 Cell Shares, Cell 44

Cell Shares, Cell 47 Cell Shares, Cell 50 Cell Shares and Cell 53 Cell Shares in respect of which the aggregate gross redemption proceeds paid out were £630,749,499.13 as at 25 April 2012, there has been no significant change in the trading or financial position of the Company since the last published financial report of the Company, being the un-audited half-yearly financial report for the period ended 30 September 2011.

## SECTION E

### FINANCIAL INFORMATION ON THE COMPANY

**This Section E should be read in conjunction with Part C of the Registration Document. The information set out in this Section E supplements corresponding information in Part C of the Registration Document.**

#### **UNAUDITED HALF-YEARLY FINANCIAL REPORT OF THE COMPANY FOR THE PERIOD ENDED 30 SEPTEMBER 2011.**

The unaudited half-yearly financial report of the Company for the period ended 30 September 2011 (as set out in its entirety from page 36 of the Company's Securities Note in respect of Cell 226, dated 24 February 2012) is hereby incorporated by reference and is available for inspection at the addresses referred to in Part J of the Registration Document and includes, on the original page numbers of the financial report specified in the table below, the following information:

<b>Nature of Information</b>	<b>Page</b>
Directors, Advisors and Other Information	2
Directors' Report	4
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Net Assets Attributable to Holders of Shares	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Schedule of Investments	48

## SECTION F

**INFORMATION ON SANTANDER UK PLC,  
ABBEY NATIONAL TREASURY SERVICES PLC,  
SANTANDER GUARANTEE COMPANY  
AND  
SANTANDER ISA MANAGERS LIMITED**

### **MATERIAL CONTRACTS**

In addition to those Material Contracts specified on pages 111 to 119 of the Registration Document that are applicable to the Cell Shares, the Guarantor has entered into the Charge Agreement and Deed of Guarantee described below.

#### **Deed of Guarantee**

Santander Guarantee Company entered into a Deed of Guarantee on or around 27 April 2012 which sets out the obligations of Santander Guarantee Company under the Cell Guarantee applicable to the Cell Shares and the terms and conditions of such Cell Guarantee as described more fully under the sub-section headed "Cell Guarantee" in Section C of this Securities Note. The Deed of Guarantee is constituted by the execution of the Series Deed.

#### **Charge Agreement**

The Company and Santander Guarantee Company entered into a Charge Agreement on or around 27 April 2012 over the Charged Assets as described more fully in Section D of this Securities Note. The Charge Agreement is constituted by the execution of the Series Deed.

### **FINANCIAL INFORMATION**

On 16 March 2012 Santander UK plc published its Annual Report and Accounts for the year ended 31 December 2011, incorporating: (i) its audited consolidated annual financial statements for the financial year ended 31 December 2011, which appear on pages 157 to 274 and pages 62 to 135 thereof, except the Operational Risk and Other Risks sections on pages 128 to 134 thereof; (ii) its audited information in the "Balance Sheet Business Review" on pages 44 to 48 thereof; (iii) the audited information titled "FSA Remuneration Disclosures" on pages 152 to 156 thereof; (iv) the section entitled "Bank of England Special Liquidity Scheme" on page 58 thereof; and (v) its audited information in the "Director's Report" on pages 143 to 145 thereof, (the "**Santander UK plc Financial Information**").

On 16 March 2012 Abbey National Treasury Services plc published its Annual Report and Accounts for the year ended 31 December 2011, incorporating its audited consolidated annual financial statements for the financial year ended 31 December 2011, which appear on pages 11 to 120 thereof (the "**ANTS Financial Information**").

The Santander UK plc Financial Information and the ANTS Financial Information have been filed with the FSA by being submitted to the National Storage Mechanism and are hereby incorporated by reference and are available for inspection at the address referred to in Part J of the Registration Document and include, on the pages specified in the table below, the following information:

	<b>Santander UK plc</b>	<b>Abbey National Treasury Services plc</b>
	<b>Financial year ended 31 December 2011</b>	<b>Financial year ended 31 December 2011</b>
<b>Nature of Information</b>	<b>Page</b>	<b>Page</b>
Consolidated Balance Sheet	161	14
Consolidated Income Statement	160	13
Consolidated Cashflow Statement	163	15
Accounting Policies and Explanatory Notes	167	19
Statement that the accounts have been audited and auditors' opinion	158	12

There has been no significant change in the financial or trading position of each of Santander UK plc and its subsidiaries or Abbey National Treasury Services plc and its subsidiaries since 31 December 2011 (being the date to which the most recent audited financial information was prepared).

There has been no material adverse change in the prospects of Santander UK plc or Abbey National Treasury Services plc since 31st December 2011 (being the date to which the most recent audited financial information was prepared).

The audited annual financial statements of the Guarantor for the financial year ended 31 December 2011 (as set out in the Securities Note in respect of Cell 228, dated 2 April 2012) (the "**SGC Financial Information**") are hereby incorporated by reference and are available for inspection at the address referred to in Part J of the Registration Document.

The SGC Financial Information includes, on the pages specified in the table below, the following information:

	<b>Santander Guarantee Company</b>
<b>Nature of Information</b>	<b>Financial Year ended 31 December 2011</b>
Independent Auditor's Report	3
Income Statement	4
Cashflow Statement	4
Balance Sheet	5
Accounting Policies and Explanatory Notes	6

There has been no significant change in the financial or trading position of the Guarantor since 31 December 2011 (being the date to which the most recent audited financial information was prepared).

## **SECTION G**

### **FEES AND EXPENSES**

#### **Investment Manager**

In respect of the Protected Cell, the Investment Manager shall be entitled to be paid a fee by the Company in respect of the Protected Cell not exceeding 1 per cent. of an amount equal to the number of Cell Shares in issue on the Investment Date multiplied by £1.

#### **Marketing Manager**

In respect of its activities in seeking subscribers for Cell Shares, the Marketing Manager will be entitled to be paid a fee by the Company in respect of the Protected Cell not exceeding 4.00 per cent. of an amount equal to the number of Cell Shares in issue on the Investment Date multiplied by £1.

#### **Directors' Fees**

Each Director will be entitled to be paid a fee of £500 per annum in respect of the Protected Cell. The Investment Manager has agreed to pay this fee out of the proceeds it receives under the terms of the Investment Management Agreement.

#### **Estimate of Expenses**

Based on an estimated issue size of £22,800,000 for the Protected Cell, the total estimated costs and expenses (including VAT, where relevant) of and incidental to the Issue of Cell Shares would be, in aggregate, approximately £647,720 and the estimated Net Issue Proceeds for the Protected Cell would be approximately £22,152,280. The Net Issue Proceeds for the Protected Cell will be applied as described under the sub-section headed "Investment Policy and Redemption" in Section B of this Securities Note.



**SECTION H**  
**OTHER INFORMATION**

**GENERAL**

Mourant Ozannes Securities Limited has given and not withdrawn its consent to the issue of this Securities Note with the inclusion of its name and references to it in the form and context in which they appear.

Save in relation to the Offer for Subscription of Cell Shares, the Cell Shares have not been marketed to, and are not available in whole or in part to, the public in conjunction with each Issue.

Anson Fund Managers Limited is the Designated Manager for the purposes of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Close Ended Investment Schemes Rules 2008.

## CAPITALISATION AND INDEBTEDNESS

The following table shows the Company's unaudited gross indebtedness as at 24 April 2012. The information below has been extracted without material adjustment from internal management accounting records:

	<b>£'000</b>
<b>Total current debt</b>	
Guaranteed	0
Secured	0
Unguaranteed/Unsecured	0
	<hr/> <b>0</b> <hr/>
<b>Total non-current debt (excluding current portion of non-current debt)</b>	
Guaranteed	0
Secured	0
Unguaranteed/Unsecured	0
	<hr/> <b>0</b> <hr/>

The following table shows the capitalisation of the Company as at 30 September 2011. The information has been sourced from the Company's unaudited half-yearly financial report for the period ended 30 September 2011:

	<b>£'000</b>
<b>Shareholders' equity</b>	
Share capital <sup>1</sup>	6,776,079
Legal reserve	0
Other reserves	645,615
Total	7,421,694

Notes:

1. While IAS 32 interprets the share capital and share premium as debt, they represent the equity securities admitted under the Listing Rules of the Channel Islands Stock Exchange. Therefore they are classified under Shareholders' Equity in the above statement of Capitalisation and Indebtedness.

The following table shows the capitalisation of the Company as at 24 April 2012. The information has been extracted without material adjustment from internal management accounting records:

	<b>£'000</b>
<b>Shareholders' equity</b>	
Share capital <sup>1</sup>	6,237,360
Legal reserve	0
Other reserves	719,779
Total	6,957,140

Notes:

1. While IAS 32 interprets the share capital and share premium as debt, they represent the equity securities admitted under the Listing Rules of the Channel Islands Stock Exchange. Therefore they are classified under Shareholders' Equity in the above statement of Capitalisation and Indebtedness.

As at 24 April 2012 the Company has no indirect or contingent indebtedness.

The following table shows the Company's unaudited net indebtedness as at 24 April 2012. The information below has been extracted without material adjustment from internal management accounting records:

	<b>£'000</b>
A. Cash	4,290
B. Cash equivalent	0
C. Trading securities	0
<b>D. Liquidity (A + B + C)</b>	<u>4,290</u>
<b>E. Current financial receivable</b>	
F. Current bank debt	0
G. Current position of non-current debt	0
H. Other current financial debt	0
<b>I. Current financial debt (F + G + H)</b>	<u>0</u>
<b>J. Net current financial (indebtedness)/cash (I - D)</b>	<u>4,290</u>
K. Non-current bank loans	0
L. Bonds issued	0
M. Other non-current loans	0
<b>N. Non-current financial (indebtedness)/cash (K + L + M)</b>	<u>0</u>
<b>O. Net financial indebtedness (J + N)</b>	<u>4,290</u>

## **WORKING CAPITAL**

The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements, that is for at least the next twelve months from the date of this document.

## **AVAILABILITY OF THE PROSPECTUS**

In addition to the documents set out in Part J of the Registration Document, a copy of this Securities Note and the Summary will also be made available at the address specified therein.

**SECTION I**  
**DEFINITIONS**

The definitions set out below apply to the Protected Cell and to the Cell Shares, unless the context otherwise requires. Any definitions set out on pages 21 to 31 of the Registration Document which are not set out in this document will also apply to the Protected Cell and to the Cell Shares. In the event of any inconsistency between a definition in the Registration Document and the definition specified below, the definition specified below will prevail in relation to the Protected Cell, the Cell Shares and the Offer of the Cell Shares.

All references to time in this Securities Note are to time in Guernsey.

<b>"Admission"</b>	admission of the Cell Shares to the Official List of, and to trading on, the Channel Islands Stock Exchange
<b>"Cell Shares"</b>	the participating redeemable preference shares of 0.0001p each issued by the Company in respect of the Protected Cell (which may also be referred to as the "Protected Cell 231 Cell Shares")
<b>"Closing Date"</b>	7 August 2012
<b>"Derivatives"</b>	any transaction between the Company and an Investment Counterparty which is a forward transaction, a term loan agreement governed by an ISDA master agreement, rate swap transaction, zero coupon swap, basis swap, forward rate transaction, equity swap, index swap, equity option, index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, credit derivative or any other similar transaction or any combination of such transactions
<b>"Determination Agency Agreement"</b>	a determination agency agreement dated 27 April 2012 entered into between the Company for and on behalf of the Protected Cell and the Determination Agent. The Determination Agency Agreement is constituted by the execution of the Series Deed for the Protected Cell
<b>"Drawdown Cut-off Date"</b>	the date falling 21 Business Days following the Investment Date
<b>"Drawdown Date"</b>	the first Business Day (if any) in the period from, and including, the Investment Date to, and including, the Drawdown Cut-off Date on which the Term Loan Conditions Precedent have been satisfied or waived by the Company in accordance with the terms of the Term Loan Agreement.
<b>"Forward Cash Settlement Amount"</b>	means the amount payable on the Maturity Date under the terms of the Forward Transaction
<b>"Forward Transaction"</b>	a share forward transaction dated 27 April 2012 entered into between the Company for and on behalf of the Protected Cell and the Investment Counterparty. The confirmation in respect of the Forward Transaction is constituted by the execution of the Series Deed for the Protected Cell and forms part of, and supplements, the ISDA Master Agreement
<b>"Gross Issue Proceeds"</b>	the Original Subscription Proceeds, and any interest earned from placing

the Original Subscription Proceeds on deposit in the Company's bank account with the Royal Bank of Scotland International Limited (Guernsey Branch) during the Offer Period

<b>"Investment Counterparty"</b>	Abbey National Treasury Services plc (or any other party to a Plan Investment, save for the Company)
<b>"ISDA Master Agreement"</b>	a master agreement dated 27 April 2012 entered into between the Company for the Protected Cell and the Investment Counterparty constituted by the execution of the Series Deed, in the form of the Master Agreement Master Terms as amended and/or supplemented by the Series Deed
<b>"Issue"</b>	the issue of Cell Shares pursuant to the Offer for Subscription for such Cell Shares
<b>"Issue Price"</b>	£1.00 per Cell Share
<b>"Master Agreement Master Terms"</b>	the standard Master Agreement Master Terms (December 2011 Edition) under which the Company and the Investment Counterparty expect to enter into derivative transactions in respect of the Protected Cell except to the extent amended and/or supplemented in the relevant Series Deed and which are based on the 1992 International Swaps and Derivatives Association's Multicurrency Cross-Border Agreement
<b>"Net Issue Proceeds"</b>	the Gross Issue Proceeds less the Investment Manager's fee and the Marketing Manager's fee payable by the Company in respect of the Protected Cell as set out in the section headed "Fees and Expenses" of this Securities Note
<b>"Offer" or "Offer for Subscription"</b>	the offer for subscription of Cell Shares on the terms set out in the Prospectus
<b>"Offer Period"</b>	the period from, and including, 30 April 2012 to, and including, the Closing Date (pursuant to the terms set out in the Prospectus)
<b>"Original Subscription Proceeds"</b>	the aggregate amount paid to the Company during the Offer Period by way of subscriptions for the Cell Shares under the Offer
<b>"Plan Investments"</b>	comprise the Term Loan Agreement and the Forward Transaction (and any other notes, securities, investments or assets acquired by the Company for the Protected Cell prior to the Maturity Date with the proceeds of any Plan Investment)
<b>"Prospectus"</b>	together the Registration Document, the Summary and this Securities Note, including any supplement thereto published, from time to time, by the Company
<b>"Protected Cell"</b>	Protected Cell 231, being a protected cell in the Company established in accordance with the laws of Guernsey and the Company's memorandum and articles of association
<b>"Registration Document"</b>	the registration document issued by the Company dated 22 December 2011

<b>"Securities Note"</b>	this document, as amended or supplemented from time to time
<b>"Series Deed"</b>	means the deed dated 27 April 2012 entered into between the Company acting on behalf of the Protected Cell, the Investment Counterparty, the Guarantor and the Determination Agent the execution of which constitutes, amongst other things, the ISDA Master Agreement, the Forward Transaction, the Term Loan Agreement, the Deed of Guarantee, the Charge Agreement and the Determination Agency Agreement in respect of the Cell Shares
<b>"Shareholders"</b>	holders of the Cell Shares
<b>"Summary"</b>	the summary document in respect of the Company and the Offer issued by the Company on 27 April 2012
<b>"Term Loan Agreement"</b>	a term loan agreement dated 27 April 2012 entered into between the Company for and on behalf of the Protected Cell and the Investment Counterparty. The Term Loan Agreement is constituted by the execution of the Series Deed for the Protected Cell and forms part of, and supplements, the ISDA Master Agreement
<b>"Term Loan Conditions Precedent"</b>	<p>each of the following conditions:</p> <ul style="list-style-type: none"> <li>(a) the Prospectus has been approved by the UKLA and filed with the GFSC;</li> <li>(b) the Cell Shares issued in respect of the Protected Cell are admitted to the Official List of the Channel Islands Stock Exchange;</li> <li>(c) the Guarantor has executed the Cell Guarantee in respect of the Guaranteed Return payable in respect of the Cell Shares;</li> <li>(d) the Company acting for and on behalf of the Cell and the Investment Counterparty have executed the Forward Transaction Confirmation;</li> <li>(e) the number of Cell Shares in issue on the Investment Date equals or exceeds 10,000; and</li> <li>(f) the Company acting for and on behalf of the Cell has access to a readily available amount in GBP equal to the Net Issue Proceeds that the Company acting for and on behalf of the Cell is able to lend to the Investment Counterparty on such date.</li> </ul>

The Company acting for and on behalf of the Cell does not have the ability to waive the satisfaction of sub-paragraph (f) above under the Term Loan Agreement.

## SECTION J

### DIRECTORS AND ADVISERS

#### **Directors**

Gavin John Farrell

John Reginald Le Prevost

Steven Guy Meeks

*All of the Directors are non-executive*

#### **Registered office**

Anson Place

Mill Court

La Charroterie

St. Peter Port

Guernsey

GY1 1EJ

01481 722260

#### **Administrator and Secretary**

Anson Fund Managers Limited

PO Box 405

Anson Place

Mill Court

La Charroterie

St. Peter Port

Guernsey GY1 3GF

01481 722260

#### **Registrar, Transfer Agent, Paying Agent, Receiving Agent and Guarantee Claims Agent**

Anson Registrars Limited

PO Box 426

Anson Place

Mill Court

La Charroterie

St. Peter Port

Guernsey GY1 3WX

01481 722260

#### **Sponsor of Admission to Listing**

Mourant Ozannes Securities Limited

PO Box 186

1 Le Marchant Street

St. Peter Port

Guernsey GY1 4HP

01481 723466

#### **Investment Manager**

Abbey National Treasury Services plc

2 Triton Square

Regent's Place

London

NW1 3AN

England

#### **Marketing Manager**

Santander ISA Managers Limited

287 St. Vincent Street

Glasgow

G2 5NB

Scotland

#### **Guarantor**

Santander Guarantee Company

2 Triton Square

Regent's Place

London

NW1 3AN

England

#### **Determination Agent**

Abbey National Treasury Services plc

2 Triton Square

Regent's Place

London

NW1 3AN

England

#### **Solicitors to the Company**

*(as to English Law)*

Allen & Overy LLP

One Bishops Square

London E1 6AD

England

**Advocates to the Company**

*(as to Guernsey Law)*

Mourant Ozannes

PO Box 186

1 Le Marchant Street

St. Peter Port

Guernsey GY1 4HP

**Auditors and Reporting Accountants**

Ernst & Young LLP

PO Box 9

14 New Street

St. Peter Port

Guernsey GY1 4AF

**27 April 2012**

ICM:14750018.9