

Comprising the **MONTELLO INCOME LP**
and **MONTELLO INCOME FUND EXEMPT UNIT TRUST**

Issued by
Montello Private Finance General Partners Limited
4 Bentinck Street, London W1U 2EF
Company Number 7156408

Fund operated by
NCM Finance Limited
FSA Registration Number 183732

ISIN: GB00B648C163
SEDOL: B648C16

INFORMATION MEMORANDUM



montello

INCOME
FUND

Important Notice

If you are in any doubt about the contents of this document, you should consult your bank manager, stockbroker, solicitor, accountant or other authorised financial adviser.

Prospective Investors should read carefully the considerations set out under Section 11, RISK FACTORS, of this Memorandum.

This Information Memorandum (“Memorandum”) gives information relating to the limited partnership formed pursuant to the Limited Partnership Act 1907, under the limited partnership name “Montello Income LP” (the “Partnership”) and the unit trust under the name “Montello Income Fund Exempt Unit Trust” (the “Unit Trust”). The Memorandum is issued by Montello Private Finance General Partners Limited which is the General Partner to the Partnership. This Memorandum is not to be distributed, published or reproduced, in whole or in part, to the public, nor should its contents be disclosed by recipients to any other person.

Each of the Partnership and the Unit Trust (collectively known as the “Fund” or the “Schemes”) is an unregulated collective investment scheme as defined in the Financial Services and Markets Act 2000 (“FSMA”). The Schemes have not been authorised or otherwise approved by the UK Financial Services Authority and, as unregulated collective investment schemes, cannot be marketed in the UK to the general public. This Memorandum is exempt from the scheme promotion restriction (in Section 238 of FSMA) on the communication of invitations or inducements to participate in unregulated schemes on the grounds that it will be issued in the UK only to restricted categories of recipients, namely persons authorised under FSMA or other persons falling within the definition of “investment professional” in Article 4 of the FSMA 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (as amended) (the “CIS Order”), to persons falling within Article 22 of the CIS Order (“High net worth, companies, unincorporated associations etc”), to persons falling within Article 23 of the CIS Order (“Sophisticated Investors”) who have a current certificate in writing or other legible form signed by a person authorised under FSMA to

the effect that he is sufficiently knowledgeable to understand the risk associated with participating in unregulated schemes and who have signed within the period of 12 months ending on the date of this Memorandum a statement in the terms set out in paragraph (1)(b) of Article 23 of the CIS Order or to any other person to whom the promotion may otherwise lawfully be made in accordance with the CIS Order or Section 4.12 of the new Conduct of Business Sourcebook (November 2007) of the FSA’s Handbook of Rules and Guidance. Interests in the Fund are only available to such categories of person and no other person should rely on the content of this Memorandum.

This Memorandum must not and will not be made available to the public in the UK (within the meaning of Section 102B of FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of Section 85 of FSMA) is being made available to the public before the offer is made. No approved prospectus is required under Section 85 of the FSMA because the offer relates to units in an open-ended collective investment scheme.

Transmission of this Memorandum to any other person in the UK is unauthorised and may contravene the FSMA. Buying the Interests or Units to which this Memorandum relates may expose the individual to risks that could result in a loss of capital.

Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of an investment in the Fund, including the merits of investing and the risks involved. Prospective Investors should not treat the contents of this Memorandum as advice relating to legal, taxation or investment matters and are advised to consult their own professional advisers concerning the acquisition, holding or disposal of an interest in the Partnership and/or Units in the Unit Trust.

Certain information contained in this Memorandum has been obtained from published sources prepared by other parties. Neither Montello Private Finance General Partners Limited nor any other person assumes any responsibility for the accuracy or completeness of such

information. All statements of opinion and/or belief contained in the Memorandum and all views expressed and all projections or forecasts, or statements relating to expectations regarding future events or the possible future performance of the Fund represent Montello Private Finance General Partners Limited's own assessment and interpretation of information available to it as at the date of this Memorandum.

No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of the Fund will be achieved. Prospective Investors must determine for themselves if such statements, views, projections or forecasts are reasonable and no responsibility is accepted by Montello Private Finance General Partners Limited nor any other person in respect thereof. Prospective Investors are strongly advised to conduct their own due diligence including, without limitation, on the legal and tax consequences to them of investing in the Fund.

This Memorandum does not constitute, and may not be used for the purpose of, an offer of an Interest or an invitation to apply to participate in the Partnership, or an invitation to subscribe for Units in the Unit Trust, by any person in any jurisdiction in which such offer or invitation is not authorised or in which the person to whom it is unlawful to make such an offer or invitation. It is the responsibility of prospective Investors to satisfy themselves as to full compliance with the relevant laws and regulations of any territory in connection with any application to participate in the Partnership and/or subscribe for Units in the Unit Trust including obtaining and requisite governmental or other consent and adhering to any other formality prescribed in such territory.

Prospective Investors should note that past performance should not be seen as an indication of future performance. The value of an investment and the income from it can fall as well as rise and investors may not get back the amount originally invested. Taxation levels, bases and reliefs may change if the law changes and independent advice should be sought.

Prior to subscribing for an Interest in the Partnership, or subscribing for Units in the Unit Trust, prospective Investors should review this Memorandum and the Limited Partnership Agreement and the Unit Trust Deed. This Memorandum contains summary descriptions, believed to be accurate, of certain terms of the Limited Partnership Agreement and the Unit Trust Deed, copies of which are available on written request from Montello Private Finance General Partners Limited. These descriptions do not purport to be complete and may change subsequent to the date hereof and are qualified in their entirety by reference to the actual text of the Limited Partnership Agreement and the Unit Trust Deed. The delivery of this Memorandum does not imply that the information contained herein is correct as of any time subsequent to the date hereof.

This Information Memorandum was originally issued on 22 February 2010; and was last updated in February 2013.

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1 Parties



General Partner & Asset Manager

**MONTELLO PRIVATE FINANCE
GENERAL PARTNERS LIMITED**
4 Bentinck Street
London W1U 2EF

Advisor to the Asset Manager

MONTELLO CAPITAL PARTNERS LIMITED
4 Bentinck Street
London W1U 2EF

Operator of the Partnership and Unit Trust

NCM FINANCE LIMITED
7 Melville Crescent
Edinburgh EH3 7JA

Trustee of the Unit Trust

VISTRA TRUSTEES (UK) LIMITED
Suite 12, 55 Park Lane
London W1K 1NA

Legal Advisers to the Fund

THOMAS EGGAR LLP
76 Shoe Lane
London EC4A 3JB

Auditors

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Bankers

ADAM & COMPANY PLC
22 King Street
London SW1Y 6QY

The Fund has been approved as a permissible investment with various SIPPs, offshore bonds and wrap providers:



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2 Definition of Terms



THE FOLLOWING DEFINITIONS AND TERMS APPLY IN THIS DOCUMENT UNLESS THE CONTEXT REQUIRES OTHERWISE.

Assets

The benefit of the Loans and other assets held by the Partnership or an entity majority owned by the Partnership from time to time (or where the context so requires, proposed to be acquired) and the term 'Asset' shall be construed accordingly

Associate

Any corporation which in relation to the person concerned (if a corporation) is its holding company or its subsidiary of any such holding company, (if an individual, firm or other unincorporated body) is directly or indirectly controlled by such person, or (if a limited partnership) is its holding company or its subsidiary or a subsidiary of any such holding company of the Partnership's General Partner

Auditors

Such firm of auditors as may be selected by the General Partner to be the auditors of the Fund

Business Day

A day other than a Saturday, Sunday or public holiday in England

Capital Contribution

That part of each Investor's Commitment contributed to the capital of the Partnership

Capital Distribution

Any net proceeds payable upon the realisation of the Assets, or at the termination of the Partnership or payment of any uninvested cash

Commitment

The amount of money an Investor contributes to the Fund and 'Commitments' shall be construed accordingly

Distributions

Income Distributions and/or Capital Distributions

Extraordinary Resolution	In relation to the Unit Trust means a resolution passed as such at a meeting of the Unitholders duly convened and held in accordance with the terms of the Unit Trust Deed by a majority consisting of not less than 75% of the Unitholders voting threat upon a show of hands or if a poll is duly demanded and taken by a majority consisting of not less than 75% in number of the votes given on such poll
Financial Year	The period ending on the date specified as the financial year end of the Partnership in Section 9 of this Memorandum
FSA	The UK Financial Services Authority
Fund or Schemes	The Partnership and Unit Trust collectively
General Partner	Montello Private Finance General Partners Limited
Income Distribution	The distribution of net income of the Partnership up to the Target Return on Commitments
Income Distribution Dates	14 February, 14 May, 14 August and 14 November in each year (or, if that date is not a Business Day, the next following Business Day). From 2013 these dates will be 01 April, 01 July, 01 October, 01 January in each year (or, if that date is not a Business Day, the next following Business Day)
Interest	With respect to and subject to the provisions of the Limited Partnership Agreement, the interest of an Investor in the Partnership (including, for the avoidance of doubt, through a holding of Units in the Unit Trust) and 'Interests' shall be constructed accordingly
Investor	Person who holds Units in the Trust or who is a Limited Partner in the Partnership
Investor Consent	In relation to the Partnership and the Unit Trust, the consent of 75% or more of Investors in the Partnership or in the Unit Trust respectively and as appropriate, calculated by reference to the value of Investors' Capital Contributions
Limited Partner	Those Investors investing directly in the Partnership of which the Trustee of the Unit Trust will be one
Limited Partner Special Consent	In relation to the Partnership means the written consent (which may consist of one or more documents in like form each signed by one or more of the Limited Partners) of Limited Partners who hold at least 75% of the Capital Contributions of all the Limited Partners

Limited Partnership Agreement	The agreement entered into between Investors and the General Partner which will govern the operation of the Partnership
Loan	A loan made by the Fund as described in this Information Memorandum
LTV	Loan to Valuation ratio, which is represented as the Loan amount as a percentage of the relevant property's value
Maximum Holding	£2,000,000 being 2,000 participations in the Partnership or 2,000 units in the Unit Trust
Minimum Holding	£25,000 being 25 participations in the Partnership or 25 units in the Unit Trust
Offer	The Offer to participate in the Partnership and/or the Unit Trust, details of which are set out in this Memorandum
Operator	The operator of the Partnership and the Unit Trust, NCM Finance Limited
Operator Agreement	The agreement entered into between the Partnership, Agreement General Partner and the Operator
Participation	An Investor's unit of participation in the Partnership comprising a Capital Contribution. Participations are available in units of £1,000 subject to a minimum holding of 25 units
Partner	A partner in the Partnership whether limited or general partner
Partnership	The limited partnership constituted by the Limited Partnership Agreement and called the 'Montello Income Limited Partnership'
Quarter	The period of three calendar months ending at the end of each January, April, July and October. From 2013 these dates will be 01 April, 01 July, 01 October, 01 January in each year (or, if that date is not a Business Day, the next following Business Day)
Redemption Date	01 February, 01 May, 01 August and 01 November in each year (or, if that date is not a Business Day, the next following Business Day). From 2013 these dates will be 01 April, 01 July, 01 October, 01 January in each year (or, if that date is not a Business Day, the next following Business Day)

SIPPs	Self-Invested Personal Pension schemes which are approved under Part XIV of the Income and Corporation Taxes Act 1988 or registered under Part 4 of the Finance Act 2004
SSAS	Small Self-Administered Schemes, being pension schemes which are approved under Part XIV of the Income and Corporation Taxes Act 1988 or registered under Part 4 of the Finance Act 2004
Subscription	The process by which an Investor applies to become a Limited Partner or, as the case may be, a Unitholder
Subscription Form	The application form whereby prospective investors may apply to become a Limited Partner, or as the case may be, a Unitholder
Subscription Period	The period during which Subscription Forms will be accepted
Target Return	A rate of 8.5% per annum. The Fund has not missed this target since the Fund's inception
Trustee	The trustee of the Unit Trust, Vistra Trustees (UK) Limited
Unit	An interest of £1,000 in the Unit Trust
Unitholder	A holder of Units
Unit Trust	The UK unauthorised capital gains tax-exempt unit trust which will subscribe for an interest in the Partnership, and known as 'Montello Income Fund Exempt Unit Trust'
Unit Trust Deed	The deed, including any supplemental deeds, between the Unit Trust Manager and the Trustee pursuant to which the Unit Trust is constituted
Unit Trust Manager	The manager of the Unit Trust, NCM Finance Limited

3 Key Features

General

TARGET INVESTOR RETURN	8.5% per annum
RETURN PAID TO INVESTORS	Quarterly in arrears (paid within 14 days after the end of each relevant quarter)
INVESTOR REDEMPTIONS	Quarterly (upon 2 months' notice, and a minimum investor commitment of two quarters i.e. 6 months).
MINIMUM INVESTMENT	£25,000
MAXIMUM INVESTMENT	£2,000,000 (per investor)

Summary Terms of the Fund's investments

THE INVESTMENT	The Fund will make direct investment in real estate bridging loans.
LOAN SIZES	Loans usually between £100,000 and £3,000,000; a maximum loan size of £500,000 or 20% of the size of the Fund (whichever is the greater).
LOAN DURATIONS	Generally between 1 and 12 months.
SECURITY	First charge security over property in the UK (typically England). Primarily residential property, however the Fund can lend up to 25% of the Fund against other real estate assets (e.g. commercial property) provided that the LTV maximum (below) is not exceeded. The Fund can also lend against development property.
LTV OF LOANS	Loan principal of 75% or less of the current market value of the property (as determined by an independent valuer in each instance).

4 Executive Summary



Montello Bridging Finance (being the business name of Montello Capital Partners Limited) (“Montello”) has been appointed as the Advisor to the Asset Manager of the Fund.

Montello is one of the leading real estate bridging finance lenders in the UK. The loans arranged by Montello are ‘asset backed’, with the security being real estate in the UK.

Montello understands that fast access to capital is crucial in the current market. Individuals and businesses are seeing opportunities pass them by because they cannot access capital from traditional funding sources in a timely manner.

Operationally, Montello finds ‘lending opportunities’, conducts due diligence on a borrower and the security offered, and then arranges the loan for the Fund. From time to time Montello identifies and arranges for the Fund to enter into syndicated loan arrangements alongside other loan providers or investors.

Montello generally targets lending opportunities between £100,000 and £3,000,000. The finance is ‘short term’ and loans generally range in terms from 1 to 12 months. A valuation on the security is obtained from a reputable independent valuer and due diligence is done by Montello and their legal advisors in each instance.

Montello loans are all secured on a first legal charge basis against real estate in the UK. Typically, Montello requires further additional security (e.g. personal guarantees, fixed and floating charges etc). Montello lends up to a maximum loan principal of 75% LTV.

The Fund

The Fund lends on real estate bridging finance transactions sourced by Montello, whether entered into alone or jointly with another loan provider or investor.

Investor reporting

Investors will be sent a quarterly investor letter and a report on the Fund annually which will constitute periodic statements for the purposes of FSMA.

How investor returns will be achieved

The Fund will make loans to borrowers (whether alone or as part of a syndicated loan arrangement – for more detail on this see the “Lending Process - Syndication” sub section below), lending funds at rates generally between 0.75% and 1.5% per month. It is from these lending activities that the Fund intends to generate the Target Return to Investors of 8.5% per annum.

The Fund will have at least 10% of the size of the Fund in cash at all times. This equates to more than the total annual interest income payable to investors in the Fund. This reserve will be held in cash or in readily realisable cash instruments.

Any return achieved in excess of the Target Return will be paid as a fee to Montello (see “Costs and expenses” in Section 8 below). Investors should take note that, after payment of all legitimately incurred costs and expenses of the Fund, they will not receive a return in excess of 8.5% p.a. and that this rate of return is not guaranteed.

Security type

The Fund's Loans will all be secured on a first charge basis, against residential property in the UK. However, the Fund will be able to lend up to 25% of the size of the Fund against other real estate assets (such as commercial property). This also includes the ability to lend against property developments, provided that the maximum LTV (described below) is not breached.

There will be a particular focus on security property that is located in England, and particularly in London (within the M25).

Security leverage levels

The Fund will lend principal amounts up to a maximum LTV of 75%. If the Fund enters into a syndicated loan arrangement with another loan provider this LTV will still apply – the amount of the syndicated loan will not exceed the maximum LTV of 75%. Please refer to the subsection below headed “Lending Process - Syndication” below for more information.

A reputable independent valuer will be instructed to value each property that the Fund lends against. The valuation will be addressed to the Fund in each instance; and the valuer will have sufficient insurance cover for the value of the Loan.

The LTV will be calculated on the security property offered (on a first charge basis). Although typically Montello will arrange Loans for the Fund with additional security (e.g. personal guarantees, fixed and floating charges against company assets).

Duration of Loans

The Loans that the Fund invests in will generally be for a duration of no more than 12 months; with a typical minimum term of 1 month.

It is anticipated that 75% of the Fund will be allocated to shorter-term Loans with durations between 3 and 6 months.

Loan Amounts

It is anticipated that Loans will typically be of a principal amount between £100,000 and £3,000,000. The maximum principal amount contributed by the Fund in respect of any Loan will be £500,000 or 20% of the aggregate size of the Fund, whichever is the greater.

Loan Amounts

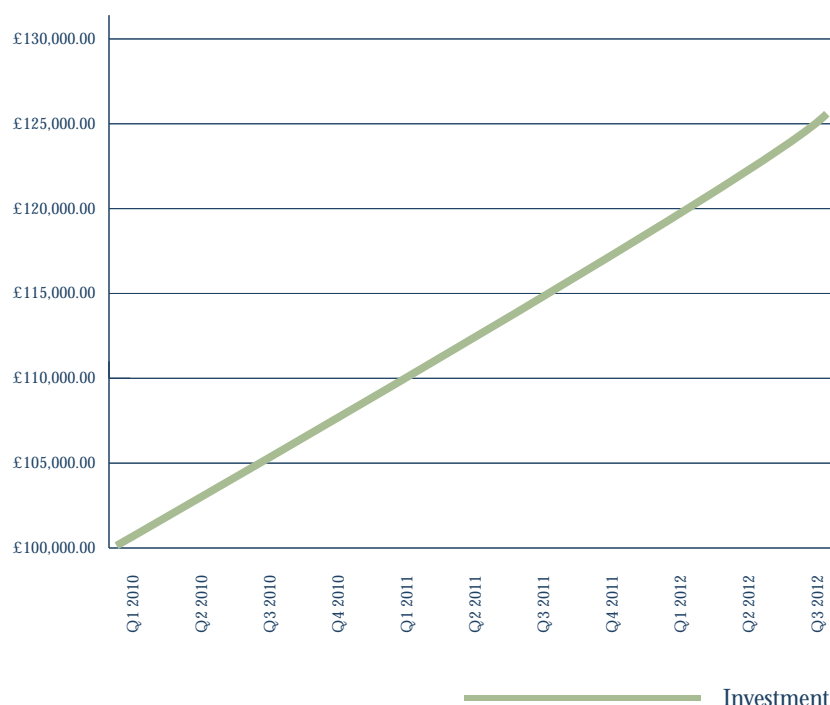
Since inception, the Montello Income Fund has met its target return of 8.5% per annum to investors. This return has been paid on time every quarter.

Some highlights from Montello's performance:

- 8.5% per annum return, paid to investors every quarter;
- Lent against £100m+ of property;
- The Fund is recognised as the leading real estate bridging finance fund in the UK;
- Average LTV across the Fund's portfolio, has historically been between 55-65% LTV;
- Focus primarily on the London residential property market; with historically over 85% of the Fund's portfolio lent against London property;

The table and chart below together provide an illustration of performance of the Fund to date. An investment made in the Fund in Q1 2010 when the Fund launched, would have performed as follows (if reinvested each quarter).

This provides an effective compounding return of 8.775% per annum:



Investment Date	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
01 February 2010	May	August	November	February	May	August	November	February	May	August	November
£100,000.00	£102,125.00	£104,295.16	£106,511.43	£108,774.80	£111,086.26	£113,446.84	£115,857.59	£118,319.56	£120,833.85	£123,401.57	£126,023.86

5 Overview of Montello



Montello has been appointed as Advisor to the Asset Manager of the Fund. This appointment is made on the basis that Montello is the exclusive transaction advisor to the Fund.

As one of the leading real estate bridging finance lenders in the UK, Montello has a very good reputation in the short term lending market, and is regularly featured in various mortgage industry publications (such as Mortgage Strategy, Mortgage Introducer, Bridging & Commercial, Mortgage Solutions, Mortgage Finance Gazette, My Introducer and Property Week). Montello has also been nominated for various industry awards, including best service bridging finance company at the Business MoneyFacts Awards and the Bridging & Commercial Awards.



The Fund has also received wide and positive coverage in various investment industry publications such as Investment Week, Fund Strategy, Property Week and the Financial Times.



Montello is also an active member of the Association of Short Term Lenders (ASTL), the Association of Bridging Professionals (AOBP), and the National Association of Commercial Finance Brokers (NACFB).



Christian Faes LLB (Hons)

MANAGING DIRECTOR

Christian Faes is co-managing director of Montello Capital Partners. Mr Faes has a number of years experience in the private mezzanine and bridging finance industry, having previously ran such a business in Australia. He was also non-executive chairman of Australian funds management firm Scintilla Capital.

Mr Faes is qualified as a solicitor in Queensland, Australia, and has considerable legal experience in a broad range of real estate, corporate finance and capital markets transactions. In Australia, Mr Faes previously practiced as a real estate lawyer with Allens Arthur Robinson, and subsequently co-founded boutique real estate law firm Ramsden Faes Lawyers. In London, Mr Faes has practiced as a securitisation and corporate trusts lawyer with Clifford Chance, and then as in-house legal counsel with Deutsche Bank.

Mr Faes is currently a director and member of the executive committee of the Association of Short Term Lenders (ASTL).

Education: Bond University, Queensland, Australia; University of Western Ontario, Ontario, Canada. Qualifications: Solicitor, High Court of Australia.

Ian Sutherland LLB (Hons), LLM (Hons)

MANAGING DIRECTOR

Ian Sutherland is co-managing director of Montello Capital Partners. Mr Sutherland has significant experience in deal structuring, valuations and real estate financing.

Before embarking on his legal career, Mr Sutherland interned at Goldman Sachs, Biddle & Co. and the World Trade Organisation. Mr Sutherland is a dual qualified New York attorney and UK solicitor, who until recently worked with Ballymore Group, a leading international property developer. Prior to Ballymore, Mr Sutherland worked as a solicitor with US law firm Wilmer Cutler & Pickering and UK firm Clifford Chance where he gained exposure to domestic and US private equity deals, capital markets transactions and litigation.

At Ballymore, Mr Sutherland worked in the residential, commercial, legal and investment divisions. Mr Sutherland assisted on the negotiation of alternative investment structures including joint venture developments and complex financial modelling.

Education: Georgetown University Law Center; Trinity College, Dublin; European University Institute, Florence. Qualifications: Attorney, New York; Solicitor, England and Wales.

Ian Thomas BSc (Hons) MRICS

DIRECTOR OF PROPERTY

Ian Thomas is Director of Property at Montello Capital Partners. Mr Thomas is a qualified Chartered Surveyor with a degree in Investment and Finance in Property from the University of Reading.

Prior to joining Montello, Mr Thomas worked for Ballymore Group, working within the acquisitions and disposals division, involved with the purchase of complex mixed use developments and investment projects in the UK and abroad. He was involved in deal structuring, viability analysis and acquisition due diligence for complex multi-phased projects. Before Ballymore, Mr Thomas worked for SEGRO flexible business space specialists; he was involved in the design, planning, development and leasing of industrial and office projects throughout the UK.

Education: The University of Reading. Qualifications: Chartered Surveyor MRICS.

Richard O'Toole

INDEPENDENT, NON-EXECUTIVE DIRECTOR

Richard O'Toole is currently a director of Goldman Sachs Bank (Europe) plc, and provides advice and consultancy services to Governments and international companies.

Richard has significant international corporate and government experience. He was previously the Assistant Director General of GATT in Geneva, having participated in the Uruguay Round trade negotiations which led to the establishment of the WTO. Richard was subsequently appointed Global Head of Government Affairs with one of the largest conglomerates in the world, ABB Group. Following this, Richard was Head of International Government Affairs for Goldman Sachs, where he was a managing director.

6 Background



The Background to ‘Montello’

The Montello business was originally founded by Christian Faes, who managed a private bridging finance business in Australia. Mr Faes was previously a partner in a boutique commercial and real estate law firm, and through this practice became involved in the private bridging finance market. At first, Mr Faes acted for a number of financial services companies (specifically in relation to bridging finance) and was involved in drafting documentation and working on enforcement issues. Through a number of high net worth law firm clients, Mr Faes was able to establish a successful private bridging finance business with those clients as investors.

In the middle of 2008, Mr Faes relocated back to the UK to set up Montello based in London. Mr Faes subsequently ‘teamed up’ with a previous work colleague (from Clifford Chance) Ian Sutherland. A former colleague of Mr Sutherland’s, Ian Thomas from Ballymore Group, also joined the business,. Together, the three directors bring impressive skills and experience to the bridging finance market and to Montello.

Over the years, Montello has made a significant investment in its resources, IT systems, precedent documentation, internal processes and market profile to establish itself as one of the leading short term lenders in the UK today.

The Bridging Finance Market in the UK

The 'credit crisis' has created a situation where it is particularly advantageous to be involved in bridging finance. The situation in the marketplace is that banks have significantly constrained and reduced their lending activities. As such, the current market presents an environment where:

- i. there is solid demand from prospective borrowers that are looking for alternative sources of finance. This means that, as a lender, there is essentially more choice with regards to who finance is provided to;
- ii. in addition to being able to choose from a larger pool of prospective borrowers, a lender is also able to demand more security for finance, and obtain an interest rate premium;
- iii. asset values have already fallen significantly (almost across the board). This means that security taken by a lender in today's market is being taken at current market values (as per the relevant LTV ratio calculation). Therefore, the downside risk to the value of the security being taken by a loan is reduced.

The Bank of England's regular review of lending entitled "Trends in Lending", confirms that generally, bank lending in the UK remains weak. The Council of Mortgage Lenders (CML) publishes monthly figures on the gross lending activities of its members in the UK. Its members are regulated by the Financial Services Authority (FSA) and authorised lenders, namely the main banks and building societies. The CML state that their figures represent about 94% of all mortgage lending activities in the UK (but only includes regulated lending activities of its members, of which there are no bridging finance lenders).

The CML figures for gross lending in the UK show that recently the market has seen gross loans of approximately £10-13 billion each month. For the 12 months from July 2010 to the end of June 2011, the CML figures show that gross mortgage lending during this period was approximately £135.5 billion for the year. This is dramatically below the gross mortgage lending seen in 2006 and 2007 (£345+ billion in 2006; and £362+ billion in 2007). That is, from the heights of 2006 and 2007, there has been a contraction in the size of the mainstream mortgage market of over 60%. The figures from the Bank of England on the decrease in the total lending in the UK to businesses and individuals indicate lending has fallen considerably more.

As a result of the 'credit crisis' of 2008, there are fewer bridging finance companies lending in the UK. Many operators have since been wound up, or are under formal administration, such operators having been active lenders at the property market's previous peak.

The majority of bridging lenders that are still operating in the UK depend on traditional banking facilities for their funding. Such funding sources are scarce due to banks being preoccupied with building capital reserves rather than lending to such businesses. As such, many of Montello's competitors have the criteria for their bridging loan portfolios dictated to them by the relevant banking institution that they have such a facility with.

The current climate provides an opportunity for the Fund, and for investors in the Fund to gain investment exposure to this opportunity.

7 | The Investment



The investment objective is for the Fund to provide investors with access to an innovative investment, and stable returns. The investment to a large extent capitalises on the illiquidity in the financial markets as a result of the 'credit crisis'.

The Fund will invest in real estate bridging finance transactions. The investment will be by lending the Fund's capital directly to end borrowers (as opposed to financiers or other bridging finance companies). The advantage to this is that the investment provided by the Fund is a direct investment in real estate bridging finance loans. The Fund will also have direct legal title to the security taken in relation to each Loan (i.e. first legal charge against the real estate security in each instance). The Fund will also have the benefit of the experience, market presence and deal-flow sourced through Montello. Operationally, Montello finds 'lending opportunities', conducts due diligence on a borrower and the security offered, and then arranges the loan for the Fund in each instance.

The loans that are sourced by Montello for the Fund, are secured on a first legal charge basis against real estate in the UK (with the majority of properties being in England). Typically, Montello also require (on behalf of the Fund) further additional security which includes personal guarantees, fixed and floating charges over company assets, and collateral second charges over real estate. The Fund will lend up to a maximum loan principal amount of 75% LTV over security offered by a borrower in each transaction.

The Lending Process

The process that the Fund adopts in relation to its Loans in most instances includes the same (or very similar) due diligence that a mainstream lender will perform on a loan prior to lending to a borrower.

Lending and Due Diligence

Montello commits its resources to finding attractive lending opportunities. In doing this, it has a wide network of introducers that generate prospective deal-flow. When Montello finds a borrower that looks like it may present a viable opportunity, Montello performs due diligence on the borrower and the security. Whilst each loan presents a different situation, Montello will generally perform the following as part of its initial due diligence process for the Fund:

- i.** Obtain a valuation or appraisal (valuer selected from Montello's panel of reputable independent valuers) on the security being offered for the Loan.
- ii.** Obtain the credit history or a credit check of any personal borrowers, personal guarantors, and corporate entities.
- iii.** Obtain company information on all corporate entities involved with the Loan (including searches on the directors and any majority shareholders, and obtaining financial data and event histories for such entities).
- iv.** Search for any County Court or other Judgments against any of the relevant parties.
- v.** Search the Land Register concerning any real estate security.
- vi.** Access databases to assess recent sales data concerning the relevant security.
- vii.** Make contact with any of the prospective borrower's existing financiers, to ensure that there are neither defaults nor concerns.

Investors should note that, in any particular case, Montello may decide not to carry out all the due diligence steps described above.

Montello prepares an indicative Letter of Offer containing the terms for the offer of finance. The Letter of Offer is specifically stated as not being binding on Montello nor the Fund, and that the offer is subject to positive due diligence. The borrower is then required to sign and return the Letter of Offer to Montello.

Once the Letter of Offer has been signed by the borrower and returned to Montello, then Montello or the Fund will instruct solicitors to prepare loan and charge documentation (which will reflect the terms of the deal as agreed in the Letter of Offer). The loan and security documentation will be entered into directly between the borrower and the Fund.

Real Estate Valuations

The Fund will obtain a valuation on real estate security in all instances. The valuation will be obtained from an independent reputable valuer with professional indemnity insurance at a level which is at least equal to the amount of the Loan. When the valuer is instructed, the Fund will outline guidelines as to what the valuer is required to assess. The valuer is also instructed to provide the valuation for 'secured lending purposes' which ensures a consistent valuation methodology is applied.

Mitigating Risk

There are a number of general standards that Montello applies to its loans, in order to mitigate the possible risk associated with any particular transaction. In addition to the due diligence conducted on the relevant borrower and security (as detailed above), Montello also ensures that where possible:

- i.** the overall LTV for the lending does not exceed 75% of the current market value for the property;
- ii.** suitable enquiries are made to verify the stated circumstances surrounding a loan application;
- iii.** where there is a corporate borrower, all directors are also typically required to provide personal guarantees. This is an important way of ensuring that the individuals involved with the transaction are personally liable for guaranteeing the loan debt;
- iv.** the relevant solicitors that are instructed to prepare the loan and mortgage/charge documentation have experience in drafting such documentation and advising on bridging loan transactions;
- v.** there is a clear understanding of the borrower's reasons for requiring the finance, and that the borrower's true position is understood; and
- vi.** there is a clear explanation from the borrower (and verification of the explanation provided), as to what the 'exit strategy' for the loan will be. Montello will make enquiries to ascertain whether the exit strategy is realistic in the circumstances, and whether the exit strategy to pay out the loan can be achieved within the term of the loan.

Duration of Loans

The Loans that the Fund invests in will each generally be for a duration of no more than 12 months; with a minimum term normally of 1 month.

It is anticipated that approximately 75% of the Fund will be allocated to shorter-term loans with durations between 3 and 6 months.

Loan Amounts

It is anticipated that the amount of principal advanced by the Fund for a Loan will typically be of a principal amount between £100,000 and £3,000,000. The maximum principal amount contributed by the Fund in respect of any Loan will be £500,000 or 20% of the aggregate size of the Fund, whichever is the greater.

Syndication

The Fund may, in its discretion, consider entering into a syndicated loan arrangement with another co-lender in certain circumstances, where, for example:

- The proposed loan size is above the maximum limit for Loans made by the Fund; or
- There are good commercial reasons for the Loan to be syndicated (for example, syndication will share the risk of the Loan between the Fund and another lender).

In each instance the relevant borrower will bear the Fund's legal and other professional costs associated with the Loan, including meeting the costs of entering into loan syndication documents with another co-lender.

Example Transactions

Some example transactions illustrate circumstances where it makes good commercial sense for a borrower to use bridging finance, and where there was a premium received by the lender (and good security taken for the loan):

PROPERTY PURCHASE

In this instance, the borrower had signed an unconditional contract to purchase an investment property. The sale was a distressed sale, and the purchaser (being the borrower) was able to purchase the property at a price that was around a 20% discount to the market value for the property. However, under the terms of the purchase contract, settlement was required within 14 days. The borrower was unable to arrange a loan from a traditional lender within this timeframe, and so the purchaser obtained a bridging loan for the

purchase (secured by a first charge over the property being purchased). The loan was for a period of only 3 months, which provided the borrower/purchaser enough time to refinance the bridging finance with a traditional lender. In this instance, it made commercial sense for the borrower to pay a higher rate of interest, because the alternative was to miss out on the opportunity to purchase the property at a large discount (and in this instance the borrower would have also lost his deposit).

BUSINESS CASH-FLOW

In this instance, the borrower had a fairly substantial tax liability that needed to be paid. The borrower in this instance was a profitable enterprise, but had been poorly managed (however a new CEO had recently been appointed). The borrower was not going to have serious difficulty with meeting the payment obligation, however the timeframe within which it was required, presented a significant cash-flow problem for the business (which was a seasonal business coming into a period where it needed to purchase stock for

the upcoming season). Bridging finance was arranged for the company in this instance and secured by a first charge over two properties owned by directors of the company. A fixed and floating charge over the company and its assets was also taken. Again, in this instance the finance made good commercial sense for the borrower. Traditional lending institutions are sometimes uncomfortable lending to pay off statutory debts, and the business only required the finance for a short period of time in order to assist with its cash flow situation.

For further information on recent Montello transactions, please visit our website

WWW.MONTELLO.CO.UK

Market Considerations

THE UK PROPERTY MARKET

The UK is continuing to feel the effects of the credit crisis with continued austerity, rising unemployment and a continued decrease in mortgage lending. According to official data as reported in the Financial Times output fell 0.7% between the first and second quarters – more than the 0.2% forecast by economists. As such, the UK's double dip recession has deepened sharply and unexpectedly.

In terms of mortgages being offered, there were 51,610 approvals in June worth £6.5bn, the lowest number of approvals the British Bankers' Association (BBA) has on its records, which stretch back to September 1997. Within these figures, there were 26,269 approvals for house purchases worth £4.2bn, the lowest number since January 2009. House purchase approvals are a fifth lower than they were a year ago.

According to the Office of National Statistics (ONS), the average price of a UK home in May was £228,000, unchanged on April 2012 on a seasonally adjusted basis. The annual rise in house prices was 2.3% in the UK (2.6% in England, 3.5% in Wales, -1% in Scotland and -10% in Northern Ireland).

Halifax's monthly house-price report on July 5 showed that values increased 1% in June from the previous month. That compares with Hometrack, which said that prices stagnated, and Nationwide Building Society, which recorded a 0.6% drop, noting that the annual change remains unchanged at 0.9% to -0.3%. Both Halifax and Nationwide base their data on their own mortgage approvals, thus excluding properties bought with cash or financed with other lenders.

The latest Housing Market Sentiment Survey from Zoopla.co.uk shows that homeowners are confident about the prospects for the housing market over the next six months, with 63% expecting house prices to rise during that time.

With all surveys taken into account it seems there will be marginal increases in property prices in the UK with much of that increase being fuelled by the London property market.

LONDON PROPERTY MARKET

According to the ONS, property values in London rose 7.2% in the year to May. Nationwide expects that prime London property will continue to perform satisfactorily whilst many of the surrounding areas remain stable. Nationwide believes house prices will continue to fluctuate on a monthly basis with the overall market generally remaining stable.

Savills have reported that in London, prices in the prime London residential markets rose 0.8% in the final quarter and by 8.7% over the year. Prime Central London increases in value were more pronounced with an annual price growth of 14.1% compared to 7.1% in prime South West London. Their research department forecasts small price growth of 3% in 2012 in the prime markets.

According to their research, over the past six years, prime residential property prices in central London have risen by 87%, even accounting for the downturn of 2008. This significantly exceeds average growth of 25% over a similar period across London as a whole. Within the prime market the variance in performance was significant over this period with the top 10% by price rising by 151% and the bottom 10% by 42%.

Despite the budget changes relating to the lapse of the stamp holiday, increases to stamp duty for properties over £2M to 7% and up to 15% of corporate borrowers, the overall opinion is that the UK housing market will remain relatively static over the year with slight improvements expected in 2013. The London market and the South East should continue to outperform the rest of the country benefiting from overseas investment as a result of the UK's perceived safe-haven status.

FSA STRESS TEST

In the first half of 2009, the FSA put UK banks through a 'stress test' to determine their financial health. The financial model used for the stress test, sought to apply a 'worst-case' scenario, and to see whether the UK banks could withstand such circumstances.

The key assumptions in the stress test were that the UK economy would shrink by 6% from peak to trough with growth not returning until 2011 and trend growth not until 2012. The FSA also assumed unemployment rising to 12% of the workforce, or 3.7 million people, which is

1.5 million more than the present number and would be a higher level of joblessness even than in the recession of the early 1980s.

The FSA 'worst case' model also provided for UK house prices to fall 50% from their peak in August 2007. House prices in many parts of the country, particularly in London, have recovered from their lows. The model also provided that commercial property prices could fall 60% from peak to trough.

The FSA stress test outlines an extreme and worst-case scenario for the UK economy and the property market. If this scenario were to play out in full then there could be losses incurred on a bridging finance loan made at 75% LTV.

On this basis it is asserted that the investment in real estate bridging loans, provides a superior risk adjusted return for investors.

The Regulatory Environment

INFORMATION COMMISSION REGISTRATION

Montello is registered with the UK Information Commissioner's Office under registration number Z1616808. This registration allows Montello to collect and hold personal information in relation to loan applications, under the Data Protection Act 1998.

THE CONSUMER CREDIT ACT

Montello has a Consumer Credit Licence issued by the Office of Fair Trading for its bridging finance business (licence reference number 624802/1).

The Consumer Credit Act 1974 (and its amendments in the Consumer Credit Act 2006) (the "CCA") encompasses the main consumer credit protection legislation for the UK. It provides a number of protections for borrowers, and is primarily aimed at protecting the consumer in relation to consumer orientated financial services activities.

Under the CCA, there is a specific exclusion for loans above £25,000 or that are predominantly for business purposes. The bridging finance business of the Fund comes directly under this exclusion as all Loans made by the Fund will be for an amount greater than £25,000.

FSA AUTHORISATION

NCM Finance Limited is authorised and regulated by the FSA, and has permission under FSMA to establish, operate and wind up unregulated collective investment schemes such as the Fund.

The Operator will be responsible for all FSMA regulated activities, including maintaining the Partnership register, dealing with redemptions, ensuring Investors are sent periodic statements, dealing with any transfers or complaints and giving of any regulatory advice. The Operator was appointed on 1 February 2011 replacing the initial operator. The term of the agreement with the Operator is for an initial period of 12 months and then a rolling 9 month period unless it is terminated earlier:

- 1 by the Operator giving 9 months notice to the General Partner other than where the Operator believes to continue to act would be damaging to the Operator's reputation where only 3 months' notice is required; or
- 2 Subject to an annual review by the General Partner, on 9 months' notice to the Operator; or
- 3 On the termination, winding up, or dissolution of the Fund in accordance with the Partnership Deed; or
- 4 If the Operator is in material breach which (if capable of remedy) is not remedied within 20 business days.

The Operator will not:

- hold a direct or indirect participation in the Fund
- hold money or be the custodian of investments on behalf of the Fund;
- supplement the Assets with borrowings;
- act as principal in a transaction of the Fund;
- undertake stock lending activities with or for the Fund;
- permit the Fund to contain units in a collective investment scheme either operated or advised by the Operator or in a collective investment scheme which is a regulated collective investment scheme; or
- permit the Fund to invest in contingent liability investments.

The Operator will be paid an initial set up fee of £7,500 and an annual fee of £20,000 per annum payable quarterly in advance. This will increase by the Retail Prices Index at the beginning of each calendar year.

Investors may direct any complaint to the Operator at 7 Melville Crescent, Edinburgh EH3 7JA (marked for the attention of "The Compliance Officer"). Investors may also subsequently complain direct to the Financial Ombudsman Service.

With regards to the Loans that the Fund will be involved with Montello is not required to be authorised by the FSA for the conduct of its bridging finance business.

The Financial Services & Markets Act 2000 ("FSMA") is concerned with the regulation of financial services and markets in the UK. Under the FSMA, any person who carries on a regulated activity in the UK must be authorised by the FSA or come under a relevant exemption. Under the legislation there is a specific exemption for mortgages that are for:

- (a) investment purposes;
- (b) second charge loans; or
- (c) overseas mortgages.

Montello and the Fund is only concerned with investment mortgages. That is, Montello does not provide mortgages for 'home-buyers' or take security over a borrower's home, and as such is involved only in 'unregulated mortgages' for FSA Authorisation purposes.

8 Summary of Principal Terms



Structure

The Partnership is an English limited partnership which is tax transparent for UK investors, with an unauthorised capital gains tax-exempt unit trust which will act as a feeder fund for pension schemes such as SIPPs and SSAS and other tax exempt investors. The Unit Trust, through the Trustee, will be a Limited Partner in the Partnership.

The Partnership will be able to be terminated by a resolution of the General Partner or the passing of a Limited Partner Special Consent at any time, and the Unit Trust will come to an end on the date that the Partnership terminates.

The General Partner for the Partnership, the Asset Manager, and the Advisor to the Asset Manager are related parties, and all part of the Montello group of companies. It is not considered that this is a conflict, as the interests of the relevant entities are aligned in the interests of ensuring the Fund is a success.

Redemptions

Investors may redeem their Interest (in the Partnership and the Unit Trust) quarterly on each Redemption Date, subject to giving not less than 2 months' prior written notice to the Operator (subject to a minimum investment period of two quarters (i.e. 6 months)).

Income Distribution

Distributions will be made to Investors on a quarterly basis in arrears on each Income Distribution Date out of the income received from the Fund from Loan repayments made in that Quarter. Distributions will be paid to Investors within 14 days of the Income Distribution Date. To the extent that the income of the Fund for that Quarter permits (after payment of legitimately incurred fees and expenses) these quarterly distributions will be paid on Commitments at the Target Return. If the level of the income for the Fund over a particular Quarter is such that the distribution payable to an Investor cannot be paid at the Target Return, then, provided that sufficient distributable income is available after payment of legitimately incurred fees and expenses, the Investor will receive an additional payment at the end of the next following Quarter sufficient to raise the annual distribution received to the Target Return.

Costs and expenses

The Operator's fees are as described above under the heading 'FSA Authorisation'. The initial Operator of the Fund, Park Caledonia Capital Limited, was paid various fees in relation to the operation of the Fund prior to the appointment of the current Operator. The fees paid to Park Caledonia have no bearing on the provision of the Target Return for Investors in the Fund.

In addition, a further fee equivalent to 1% of funds raised may be paid to introducers, authorised financial advisers and other professional intermediaries for advising potential investors on the Fund. In addition to the fees noted above, there may be a further fee payable to any such introducers, in the sole discretion of Montello.

The Partnership will pay the costs of maintaining the Partnership and Unit Trust including any fees due to the Trustee, the Auditors, any legal and accountancy costs and any other costs incurred in the running of the Partnership and Unit Trust and the reporting to Investors.

The Fund may also incur various other costs associated with Montello and the sourcing of transactions for the Fund. This may include marketing costs, staff costs, administrative and other fees, costs and other expenses.

Montello (or an entity as directed by Montello) will receive a fee equal to all surplus of income of the Fund at the end of each Quarter but only after payment of the Target Return to Investors on their Commitments and all other legitimately incurred fees and expenses of the Fund have been made for all preceding Quarters.

VAT

All fees are stated exclusive of and subject to VAT if it is payable.

Investors' Capital Contributions

The minimum investment will be £25,000 per Investor for both the Partnership and the Unit Trust. Contributions above this level will be offered in multiples of £1,000. Investors' Capital Contributions must be paid at the same time as application for an Interest.

Risk Factors

Investing in the Partnership or the Unit Trust is considered a potentially high risk investment. Prospective Investors should read the information set out in Section 11 of this Memorandum carefully before applying to invest in the Partnership or the Unit Trust.

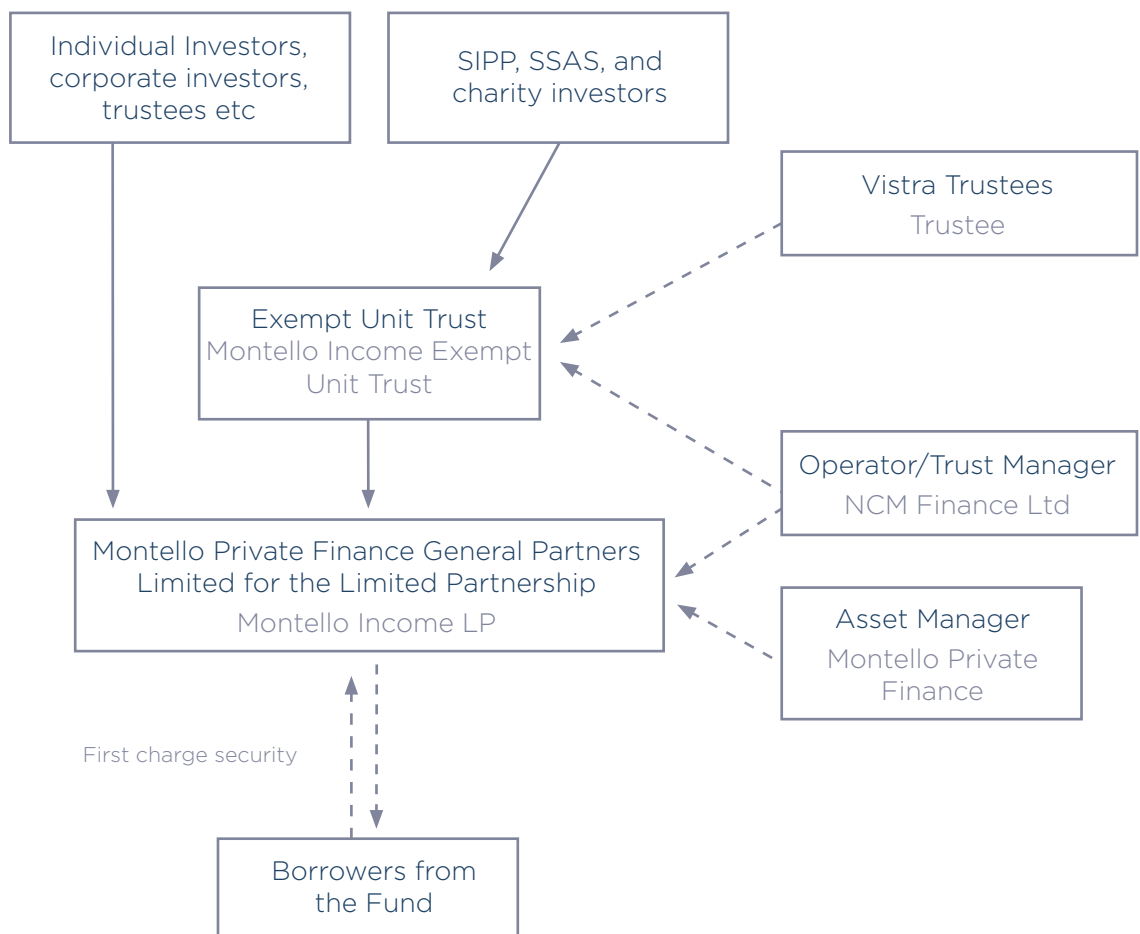
9 Fund Structure



Overview

The Partnership will consist of an English limited partnership, which is tax transparent, with an unauthorised capital gains tax exempt unit trust acting as a feeder fund for pension schemes and certain other tax-exempt investors. Investors are advised to consult their own professional advisers on the taxation consequences of an investment in the Fund.

A representation of the Fund's legal structure is shown below:



Principal Terms of the Partnership

INVESTMENT VEHICLE

All assets will be registered in the name of the General Partner as General Partner of the Partnership. Each investor who invests directly in the Partnership, the Trustee and the General Partner will enter into the Limited Partnership Agreement, which sets out the terms governing the Partnership.

Each person seeking to invest in the Partnership will be required to sign a power of attorney permitting the attorney(s) to sign the Limited Partnership Agreement on their behalf.

GENERAL PARTNER

The General Partner of the Partnership is Montello Private Finance General Partners Limited is a newly incorporated company. The General Partner has an authorised share capital of £1,000 of which the issued share capital is £1. The owner of the General Partner is Montello or an affiliate of Montello.

INVESTMENTS IN THE PARTNERSHIP

Investment in the Partnership will require a minimum Capital Contribution per Investor of £25,000. Contributions over the minimum amount will be permitted only in integral multiples of £1,000, and will be subject to a maximum amount per Investor of £2,000,000.

Principal Terms of the Unit Trust

INVESTMENT VEHICLE

It is intended that pension funds, certain charities and other UK investors wholly exempt from capital gains tax or corporation tax on chargeable gains in the UK (other than by way of residence) will be able to participate in the Fund by subscribing for Units in the Unit Trust which will, through its Trustee, be an Investor in the Partnership. The Unit Trust will have capital gains tax exempt status and is open to investment from eligible Investors, as defined in the Subscription Form.

This is a common method used to enable tax exempt UK investors to participate where their constitutions, or other considerations, might otherwise prevent them from investing directly in the Partnership.

Investors investing in the Partnership through the Unit Trust will effectively have an economic interest equivalent to that of other Investors in the Partnership. The Unit Trust will invest entirely in the Partnership and will therefore have the same Target Returns, fund strategy and debt characteristics as the Partnership.

TRUST MANAGER AND TRUSTEE

The manager of the Unit Trust is NCM Finance Limited. It will be paid an annual fee of £11,500 per annum payable quarterly in advance. This will increase by the Retail Prices Index at the beginning of each calendar year.

The trustee of the Unit Trust will be Vistra Trustees (UK) Limited. The fees of the Trustee will be paid by the General Partner.

INVESTMENT IN THE UNIT TRUST

The minimum investment in the Unit Trust per Investor is £25,000 and investments in excess of the minimum amount may only be made in multiples of £1,000, and will be subject to a maximum amount per Investor of £2,000,000.

General Terms

SUBSCRIPTION

Investors may submit a binding Subscription Form indicating the amount they wish to commit to the Fund. The Subscription Forms request separate sections to be completed to become an Investor in the Partnership or in the Unit Trust. The Subscription Forms are available on request but will usually be sent to professional advisers along with the Information Memorandum.

MANAGEMENT AND ADMINISTRATION OF THE PARTNERSHIP

Park Caledonia Capital Limited was appointed as the initial operator of the Partnership and manager of the Unit Trust. NCM Finance Limited were appointed on 1 February 2011 to replace Park Caledonia Limited as Operator and Trust Manager.

TRUSTEE OF THE UNIT TRUST

Vistra Trustees (UK) Limited is a trustee company with wide experience of acting in relation to trusts. It is responsible for the safe custody of the assets of the Unit Trust and ensuring that the Manager adheres to the terms of the Unit Trust Deed.

INCOME DISTRIBUTION

Distributions will be made to Investors on a quarterly basis in arrears on each Income Distribution Date out of the income received from the Fund from Loan repayments made in that Quarter. Distributions will be paid to Investors within 14 days of the Income Distribution Date. To the extent

that the income of the Fund for that Quarter permits (after payment of legitimately incurred fees and expenses) these quarterly distributions will be paid on Commitments at the Target Return. If the level of the income for the Fund over a particular Quarter is such that the distribution payable to an Investor cannot be paid at the Target Return, then the Investor will receive an additional payment at the end of the next following Quarter sufficient to raise the annual distribution received to the Target Return.

REDEMPTION

Investors may redeem their Interests quarterly on each Redemption Date, subject to giving not less than 2 months' prior written notice to the Operator (subject to a minimum investment period of two quarters (ie 6 months)).

FINANCIAL INFORMATION, REPORTS AND FINANCIAL STATEMENTS

The Financial Year of the Partnership and Unit Trust will end on 31 March in each year. Audited reports and financial statements will be made available to Investors by the Operator, with a report on the material transactions effected by the Partnership within four months of the end of the Financial Year. Tax certificates will be sent to Limited Partners each year advising of Partnership income (or losses) attributed to them. The Investor's investment in the LP will remain at par value at all times (with the Target Return being paid).

TERMINATION OF THE UNIT TRUST AND THE PARTNERSHIP

The Partnership will be dissolved if at any time Montello Private Capital Partners Limited ceases to be engaged as an advisor to the Partnership or the Unit Trust.

The Partnership will be able to be terminated by a resolution of the General Partner or the passing of a Limited Partner Special Consent at any time, and the Unit Trust will come to an end on the date that the Partnership terminates.

The Unit Trust will come to an end if:

- the Manager serves written notice to Unitholders that the Unit Trust be terminated for reasons of illegality;
- if in the reasonable opinion of the Trustee it is impractical or inadvisable to continue the Unit Trust;
- if the Partnership is unable or fails to complete the purpose of the investments comprising the property of the Partnership; or
- the Manager is directed to terminate the Unit Trust by an Extraordinary Resolution of the Unitholders of the Unit Trust.



Overview

The summary below is based on the taxation law and practice of the UK in force at the date of this memorandum, but prospective Investors should be aware that the relevant fiscal rules and practice or their interpretation may change. The following tax summary is not a guarantee to an Investor of the tax results of investing in the Partnership and/or the Unit Trust. Prospective Investors should consult their own professional advisers on the tax implications of making an investment in the Partnership, holding or disposing of an Interest in the Partnership or holding units in the Unit Trust and the receipt or accrual of income or gains therefrom under the laws of the jurisdiction in which they may be liable to taxation.

TAXATION OF THE PARTNERSHIP

The Limited Partnership will be treated as fiscally transparent by the UK HM Revenue & Customs. This means that, for UK tax purposes, the English limited partnership will not be treated as an entity separate and distinct from the Investors, and distributions to UK resident Investors will be made without deduction of tax.

The Partnership has registered with the UK HM Revenue and Customs and received a tax reference number and will file an annual Partnership return.

The following paragraphs under this Section discuss the position of Investors who are investing directly into the English limited partnership and not those who are investing via the Unit Trust.

INCOME

Each Investor, including non-UK resident Investors, will be liable to pay tax on his share (as determined in accordance with the Limited Partnership Agreement) of the Partnership's profits (as adjusted for UK tax purposes), which will be treated as arising directly to the Investor. Investors will be liable to pay income or corporation tax, as appropriate, on such profits on the normal due dates for payment of tax in respect of the period in which they are taken into account. Assuming that Investors are subject to the highest rate of taxation, individual Investors and Trustees may be subject to UK taxation at

a current rate of 40% and corporate investors may be subject to UK taxation at a current rate of 28%.

The Partnership's profits will be derived from the trading activities of the provision of bridging finance and will therefore be of an income rather than a capital nature and liable to tax as such in the UK.

CAPITAL TRANSACTIONS

Investors who are liable to UK tax on chargeable gains may also be liable to tax on their share of capital gains (if any) realised by the Partnership. A transfer or disposal by an Investor of his Interest in the Partnership will generally give rise to a chargeable disposal for the purposes of UK capital gains tax and may give rise to a chargeable gain or allowable loss.

A chargeable gain is calculated by deducting the acquisition cost of the asset and certain incidental costs of acquisition and disposal from the proceeds of sale.

For UK resident individuals and UK trusts, there is a current flat rate after reliefs and exemptions of 18%.

For UK companies, their allowable expenditure is increased to reflect the movement in the Retail Price Index in the period between the incurring of the expenditure and the time of disposal.

Assuming that the Investors are subject to the highest rate of taxation, corporate investors may be subject to UK taxation at a current rate of 28%.

INVESTORS' TAX RESPONSIBILITIES

Each Investor will be liable for any UK tax on his share of the income and gains arising in the Partnership. Each Investor is responsible for submitting self assessment tax returns, taking into account his Interest in the Partnership. In order to facilitate Investors' compliance with these requirements, the Auditor will provide each Investor with an annual statement, within four months of the end of the Partnership's Financial Year, showing the relevant information on the Investors' income and capital gains.

INHERITANCE TAX

An Interest in the Partnership held by an Investor subject to UK Inheritance Tax may be property qualifying for business property relief and may therefore qualify for an exemption from UK inheritance tax assuming that the Interest is held for at least two years. This is a difficult area and Investors are advised to consult their professional tax adviser on the availability of business property relief prior to making any investment.

NON-RESIDENT INVESTORS

The Partnership should be treated as fiscally transparent in the UK. Consequently, the Partnership will not be taxable as a separate entity, and will have no tax liability of its own in the UK. The limited partners of the Partnership will be taxed in accordance with the taxation rules of their country of residence. Each limited partner will be responsible for any UK tax on his share of the income arising in the Partnership. Each limited partner will be responsible for submitting self-assessment tax returns, taking into account for his interest in the Partnership.

Investors who are non-UK resident or who are non-UK citizens may have additional tax liabilities and tax filing obligations in their country of residence or may be entitled to additional tax reliefs there. Non-UK Investors should seek their own professional advice in relation to this.

TAXATION OF THE UNIT TRUST

Profits arising in the Unit Trust, after deducting allowable expenses, will be subject to income tax in the hands of the Trustee at the basic rate for the tax year in which the income arises.

For income tax purposes the Unit Trust will be treated as distributing as an annual payment the aggregate amount shown in the accounts of the Unit Trust as income available for payment to the holders of Units or for investment. The Unit Trust will be deemed to have withheld basic rate income tax before distributing (or being deemed to distribute) this income to holders of Units, who should be able to reclaim this income tax, provided they are exempt from tax on investment income as well as on chargeable gains.

If the gross annual payments (if any) made or deemed to be made to holders of Units exceeds the income taxable in the Unit Trust, the difference may be assessed on the Unit Trust. However, in broad terms, the tax reclaimed by holders of the Units should mirror the tax paid by the Unit Trust.

CAPITAL

As the Unit Trust will be open only to investors who are exempt from capital gains or corporation tax on chargeable gains, any gain accruing to the Unit Trust will not be chargeable to capital gains tax.

STAMP DUTY RESERVE TAX

Stamp Duty Reserve tax (SDRT) will be payable on the transfer of all or part of a unit-holder's interest in the Unit Trust. No liability to stamp duty or SDRT should arise on the subscription by investors for their interest in the Unit Trust. The Manager or Trustee of the Unit Trust may incur SDRT liabilities on the redemption of a unit-holder's interest in the Unit Trust.

11 Risk Factors



ANY INVESTMENT IN THE PARTNERSHIP OR THE UNIT TRUST INVOLVES CERTAIN RISKS. WHILST PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN EVALUATION OF THE RISKS INVOLVED IN INVESTING IN THE PARTNERSHIP OR THE UNIT TRUST, THEY SHOULD CONSIDER, INTER ALIA, THE FOLLOWING MATTERS BEFORE DECIDING TO INVEST:

- Returns from the Partnership and from the Unit Trust could be materially and adversely affected by (i) any changes to current tax law, practice and procedures set by tax case law; (ii) conditions within the property market; (iii) changes in landlord and tenant law; (iv) fluctuations in interest rates; and/or land law or (v) changes in planning, partnership or environmental law.
- Investors are prohibited from participating in day to day management of the Partnership or the Unit Trust or in Partnership or Unit Trust investment or funding decisions.
- The success of the Partnership depends, in part, on the ability of its various advisers. No assurance can be given that any particular adviser will continue to be retained by the Partnership. No assurance can be given that particular directors or senior managers of the Operator, Asset Manager, Advisor to the Asset Manager or of the General Partner, who are qualified to assess the commercial arrangements into which the Partnership must enter, will remain directors or senior managers of the Operator, Asset Manager, Advisor to the Asset Manager or General Partner.
- An Investor will not be able to sell, transfer, assign or otherwise dispose of any part of his Interest in the Partnership during the term of the Partnership other than with the consent of the General Partner or the Unit Trust Manager. This could be for as long as two years, or longer if the Partnership is extended, and therefore an investment in the Partnership is not a short term investment. However, an Investor in the Partnership will have the ability to redeem their Capital Contribution in the Partnership subject to the terms described in this Memorandum.
- Investors who hold Units in the Unit Trust may be able to transfer their Units to qualifying investors. However, there is no guarantee that there will be a readily available market to trade in these Units.
- Although the Fund does not initially anticipate using leverage against the funds of the Fund, it may choose to do so, and this may have the effect of amplifying gains to the Fund, but also of amplifying any losses.
- The investment opportunity described in this Memorandum may not be suitable for all recipients. Potential Investors are strongly advised to consult an independent

financial adviser regarding all aspects of the investment, including taxation matters, prior to committing to invest in the Partnership or Unit Trust.

- Potential Investors should realise that investment in the Partnership or the Unit Trust incurs a high degree of risk. There is no guarantee that the investment targets of the Partnership will be met or that Investors will obtain a satisfactory return on investment or that Investors will get back all of the amount invested by them.
- Figures set out in this Memorandum have been prepared on the assumptions stated. Investors are reminded that such figures are given by way of illustration only and do not constitute forecasts. Past performance is not necessarily an indicator of future returns.
- The Loans made by the Fund may go into default in the event that the relevant borrower is unable to repay the Loan (or interest) when payable. In such instance, the Fund may be required to take possession of a security property and to seek to sell that property to recover the loan principal, interest and other costs associated with the relevant Loan and enforcement. In this instance, it may take approximately 12 months to recover the funds owing to the Fund.
- There is potential for a change in the regulatory environment in which Montello (and the Fund) will operate. This includes the possibility for the FSA to require either the Fund or Montello to become authorised by the FSA, or to become an Authorised Representative of an FSA authorised entity.
- If the Fund takes a mortgage over an additional property (or properties) as part of the collateral security for a Loan, that mortgage may rank behind another lender. This would mean that, on enforcement, the Fund would rank behind that other lender in the order of priority of payments out of any proceeds of sale received from the sale of that additional property (or properties). In those circumstances, the Fund may be prevented by the prior lender from taking enforcement action against that additional collateral property and from possession of it for the purposes of selling it to seek to recover the loan principal, interest and other costs associated with the relevant Loan and enforcement.
- Any return received by the Fund in excess of the target return to Investors of 8.5% per annum will be paid as a fee to Montello once the Fund's properly incurred fees and expenses have been paid for that Quarter (see the section entitled "Costs and expenses"). Investors should take note that they will not receive a return in excess of 8.5% per annum and that this rate of return is not guaranteed.



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Parties

- i. Montello Income Fund LP (the “Partnership”).
- ii. Montello Income Fund Exempt Unit Trust (the “Unit Trust”).
- iii. Montello Private Finance General Partners Limited (the “General Partner”).
- iv. NCM Finance Limited (the “Operator”).
- v. Vistra Trustees (UK) Limited (the “Trustee”).
- vi. The Limited Partners and holders of Units in the Unit Trust (the “Investors”).
- vii. Montello Capital Partners Limited (the “Asset Manager”)

B

Establishment & Investment Objectives

- i. The Partnership is a limited partnership registered in England and Wales.
- ii. In the event that the Partnership is unable to pay its debts, the liability of an Investor will be limited to the amount of their respective Capital Contribution.
- iii. The General Partner will be fully liable for such of the debts of the Partnership as exceed the total liability of the Investors.
- iv. The purposes and objectives of the Partnership are to acquire, hold, manage and dispose of loans and related assets situated in the United Kingdom and elsewhere.
- v. Each Investor in the Partnership will be a limited partner of the Partnership from the date of payment of its Capital Contribution.
- vi. The principal place of business of the Partnership is 4 Bentinck Street, London W1U 2EF or such other place in the UK as the General Partner determines.

C

Capital Contributions

- i.** The Investors will contribute agreed amounts in pounds sterling as their Capital Contributions to the Partnership.
- ii.** The minimum amount of each Investor's Commitment will be £25,000, being twenty-five participations of £1,000 each. The maximum amount will be £2,000,000.
- iii.** Each Investor will contribute the full amount of his investment on application.
- iv.** No interest will be paid or payable upon any Capital Contribution or any other amount (whether representing income or capital) which has been allocated to any Investor but not yet distributed to it.

D

The Unit Trust

- i.** The Unit Trust is a Limited Partner in the Partnership.
- ii.** The Unit Trust is an English exempt unauthorised unit trust.
- iii.** The trustee of the Unit Trust will be Vistra Trustees (UK) Limited and the manager will be NCM Finance Limited.
- iv.** The objective of the Unit Trust is to enable tax-exempt Investors to invest in the Partnership.
- v.** The term of the Unit Trust will coincide with that of the Partnership.
- vi.** Subject to the terms of paragraph 9 of this Section 12, Investors in the Unit Trust may transfer their Units to other tax-exempt persons, subject to the approval of the Unit Trust Manager.

E

The Operator and the General Partner

- i.** Park Caledonia Capital Limited was the operator of the Partnership from 22 February 2010 to 1 February 2011. NCM Finance Limited was appointed on 1 February 2011. It's appointment is governed by the provisions of the Operator Agreement.
- ii.** The Investors will take no part in the management or control of the business and affairs of the Partnership except as provided in the Limited Partnership Agreement, but they may request access to the books and records of the Partnership at reasonable times by arrangement with the Operator.
- iii.** The Operator will, except where otherwise noted below, operate and manage the business and affairs of the Partnership and the assets of the Partnership to the exclusion of the General Partner. The Operator is authorised pursuant to the Financial Services and Markets Act 2000 in this respect.
- iv.** The Partnership will not be obliged to hold annual general meetings.

- v. The Operator will have full power and authority on behalf of the Partnership to do all things as may in the Operator's opinion be reasonably required to achieve the objectives of the Partnership as described above.
- vi. If the appointment of the Operator as operator of the Partnership is terminated for any reason, the General Partner will appoint a replacement operator. The appointment of the Operator may be terminated at any time upon 9 months' written notice by the General Partner.
- vii. Until such replacement operator is appointed, the Partnership will not undertake any new investment or trading activity and the General Partner will not (unless it holds the appropriate authorisations under the FSMA) operate or manage the Partnership.
- viii. The General Partner will have overall responsibility for the supervision of the business management functions carried out by the Operator.
- ix. The General Partner will pay all of its separate debts itself and will indemnify the Investors and the assets of the Partnership from such debts.
- x. The Partnership has paid all of the costs associated with the formation of the Partnership.
- xi. The Partnership will bear the fees and expenses of professional advisers and regulatory and other costs.
- xii. The Partnership will bear all costs incurred in relation to the production and distribution of reports and accounts and any other valuations or certifications.
- xiii. The General Partner and the Operator will bear the costs of providing office facilities and personnel to perform their respective duties under the Limited Partnership Agreement and the Operating Agreement (except where noted below). The Partnership will bear all costs relating to investments which do not proceed.
- xiv. Each Investor will bear all costs (including stamp duty land tax and stamp duty reserve tax) associated with any distribution of investments in specie to that Investor.
- xv. The General Partner, on behalf of the Partnership, shall have rights of remedial action under the Limited Partnership Agreement, the Operator Agreement and various other (but not necessarily all) agreements from time to time.

F

Controlling of Partnership Assets

- i. Money belonging to the Partnership will be held in a UK bank account opened by the Operator and the General Partner specifically for this purpose.
- ii. Assets acquired by the Partnership will be registered in the name of the General Partner as general partner of the Partnership or its nominees.
- iii. Where deemed appropriate by the General Partner, Assets acquired on behalf of the Partnership may be held by special purpose vehicles

which will themselves usually be wholly owned by the General Partner acting on behalf of the Partnership.

- iv. Save to the extent required by the terms of the Financial Services and Markets Act 2000 or the Handbook of Rules and Guidance published by the Financial Services Authority, neither the Operator nor the General Partner accepts any liability, in the absence of its own negligence, fraud or wilful default, for any loss of value of the Assets held by or on behalf of the Partnership.
- v. The property of the Partnership will not be lent to, or deposited by way of collateral with, any third party, but money may be borrowed on behalf of the Partnership against the security of such property on the terms to be agreed by the General Partner.

G

Allocation and Distribution of Income and Capital and Upon the Winding Up Of The Partnership

- i. Prior to the distribution or allocation of net income or capital gains to the Limited Partners and the General Partner payment of or provision for the following shall on the occasion of any such proposed distribution, subject to the provisions of any agreements by which the Partnership (or its special purpose vehicles) has borrowed monies ("Credit Agreements"), be effected in the following order:
 - first, all payments due and payable under the Credit Agreements;
 - second, all amounts due and payable in respect of other bank borrowings of the Partnership;
 - third, any amount due under the indemnities in favour of the General Partner and the Operator provided for in the Operator Agreement and the Limited Partnership Agreement; and
 - fourth, by the transfer to the reserves of the Partnership of such amount as the General Partner considers prudent to meet any income liabilities or expenses of the Partnership.
- ii. Subject to meeting the payments and making the provisions set out in paragraph g i. above, the net profits and capital gains shall, on the occasion of each distribution to the Limited Partners or the General Partner, be distributed in the following order:
 - first, to the Limited Partners (pro rata to their respective Capital Contributions) until they have received repayment of their Capital Contributions; and
 - second, to the Limited Partners (pro rata to their respective Capital Contributions).
- iii. With the unanimous consent of the Limited Partners, the General Partner may distribute the assets of the Partnership in specie to the Limited Partners.
- iv. The General Partner may at any time repay to any Limited Partners all or part of their Commitment, but must repay the same proportion of every Investor's Commitment to them.

- v. The Investors will have no personal liability for the debts of the Partnership or of the other partners in the Partnership or other Investors, except as described in the Limited Partnership Agreement or the Limited Partnerships Act 1907.
- vi. The General Partner will be fully responsible for the debts of the Partnership to the extent that the Investors are not liable, but the General Partner will not be liable to return any part of Capital Contributions paid by the Investors to the Partnership.
- vii. The Partnership will be responsible for paying the Operator in respect of their respective services provided to the Partnership.
- viii. The Operator and/or General Partner will establish and maintain accounts and records for each Investor. Allocations of income, capital gains and losses of the Partnership will be made through these accounts.
- ix. The Operator will not make distributions on behalf of the Partnership which would render the Partnership insolvent or which would, in its opinion be contrary to the prudent management of the Partnership.

H

Assignment of Interests

- i. No Investor may directly or indirectly dispose of, assign or encumber any part of its legal or beneficial Interest in the Partnership or in the Unit Trust without the prior written consent of the General Partner or the Unit Trust Manager (as appropriate), such consent being given at the General Partner's or the Unit Trust Manager's sole discretion.
- ii. Any transferee of such an Interest, if so approved in writing by the General Partner or Unit Trust Manager, will be bound by the terms of the Limited Partnership Agreement or Unit Trust Deed by virtue of executing a deed of adherence.
- iii. Any Investor wishing to dispose of its Interest in the Partnership or Unit(s) in the Unit Trust (other than to one of its Associates or to a replacement or successor trustee or fiduciary or a beneficiary of a family trust of the transferor) may, subject to h i. and h ii. above, do so via an auction process. All Investors who wish to acquire the Interest or Units concerned must submit a tender offer and the Investor offering the highest tender (subject to meeting the reserve set by the disposing Investor) will be bound to acquire the Interest at the price tendered.
- iv. The General Partner may dispose of, assign or encumber its general partnership Interest in the Partnership only with Investor Consent.

I Termination and Liquidation

- i. The Partnership will continue, unless terminated for various reasons (including the insolvency of the General Partner, agreement of the General Partner and the Investors (by Investor Consent) to terminate, a resolution by the General Partner to terminate or if the Partnership, having held assets, ceases to hold any), or subject to the request by Investors holding not less than 75% of Investors' Capital Contributions, in the event of various breaches of the Limited Partnership Agreement.
- ii. There are provisions in the Limited Partnership Agreement dealing with the realisation of assets and the application of any surplus or shortfall.
- iii. There are provisions in the Limited Partnership Agreement dealing with the circumstances under which the General Partner and the Asset Manager could be dismissed.

J Financial Statements, Reports and Auditors

- i. The Operator will procure the preparation of the financial statements of the Partnership and the Unit Trust in respect of each accounting period and will cause such statements to be audited by the Auditors. A copy of such accounts will be provided to each Investor within 4 months after the end of each accounting period.
- ii. The Financial Year of the Partnership and the Unit Trust will end on 31 March in each year.
- iii. The Operator may appoint and remove the Auditors from time to time.

K Complaints and Compensation

- i. In the event of dissatisfaction with the performance of the Operator or the Unit Trust Manager, Investors may complain direct to the Operator. If still dissatisfied, Investors may, in certain circumstances, be able to take their complaint to the Financial Ombudsman Service.
- ii. It should be noted that the Financial Services Compensation Scheme does not generally apply to investments in unregulated collective investment schemes such as the Fund.

L The Asset Manager

- i. The General Partner and the Asset Manager have entered into an asset advisory agreement whereby the Asset Manager is appointed as the exclusive adviser to the Fund for the purposes of fulfilling the Fund's asset management needs.

- ii. The Asset Manager will be paid a fee for its services (as detailed in Section 8 above). The Asset Manager will be entitled to have its costs and expenses reimbursed to it by the Fund (where properly incurred).
- iii. The General Partner and the Asset Manager may each terminate the asset advisory agreement immediately on the insolvency of the other and with written notice if a breach of the terms of the asset advisory agreement is not remedied within 30 days of a request being made to remedy it.

M

Procedure for Subscription

- i. Individuals, companies, FURBS and trusts (including non-residents) wishing to make an investment in the Partnership should follow the procedures and use the forms set out at the back of this Memorandum.
- ii. UK pension schemes, UK charities and other UK investors exempt from Capital Gains Tax and Corporation Tax on capital gains may invest in the Unit Trust and should follow the procedures and use the forms set out at the back of this Memorandum.

13 Procedure for Subscription



To invest in the Montello Income Fund you need to submit a completed application form. You can obtain an application form from our website at

www.montelloincomefund.com

or by calling our office and requesting one on **0800 130 3388**