

Non- binding advance information – Private Placement

**INVESTMENT MEMORANDUM**  
**OF**  
**Horeal Fund**

**DBH Fonds 1 GmbH & Co. KG., based in Nibelungenplatz 3, 60318 Frankfurt am Main,  
Bundesrepublik Deutschland**

**-hereinafter also referred to as „fund company“ or „the company“-**



STATE 06/2018

**Capital Management Company:**

MAS Deutsche Beteiligungsgesellschaft mbH  
Nibelungenplatz 3, 60318 Frankfurt am Main  
represented by the managing director Mr. Marcel Schuster  
Listed in the commercial register Frankfurt am Main (HRB 106848 /BaFin ID 10148461)

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## **General information about investment**

The present investment memorandum (hereinafter also referred to as “memorandum”) is not a sales brochure but a non-binding advance information. This memorandum is not publically available. The price of each offered share amounts to minimum € 200,000,-. This memorandum is neither subject to the asset and sales brochure regulation, nor to an audit by the German Financial Supervisory Authority (BaFin). This investment memorandum will be presented worldwide to a selected and experienced group of investors (professional §1 Abs. 19 Nr. 32 KAGB (German Capital Investment Code) as well as semi-professional §1 Abs. 19 Nr. 33 KAGB persons), unless there are restrictions in the individual courtiers.

Prospective future investors should seek their own tax and legal advice from knowledgeable third parties on any legal and tax issues related to the impending investment prior to any participation. It is expressly noted that the present participation proposal is an entrepreneurial participation.

The non-binding Investment Memorandum provides information on the possibility of subscribing limited partnership shares in a private limited investment company (hereinafter also referred to as “fund company” or “company”). The rights and obligations associated with the participation in the fund company at the time of subscription are set out in detail in the fund company’s Articles of Association.

Participation in this asset investment represents an entrepreneurially strong investment. Such a participation involves considerable risks which, in the worst case could jeopardize the investment object, respectively the entire investment asset and ultimately lead to a partial or total loss of the subscription amount. Unforeseeable future developments in economic, legal or tax terms cannot be anticipated, so that no guarantee can be given that the economic, fiscal and other objectives pursued by the investor will occur. The purchase and sale of shares takes place on the basis of the investment conditions in the applicable version. The investment conditions are printed at the end of this memorandum. Information or explanations deviating from the memorandum may not be given. Any purchase or sale of shares on the basis of any information or statement not contained in the memorandum or in the key investment information occur at buyer’s sole risk exclusively.

All information contained in this Investment memorandum should be treated confidentially and only be forwarded to selected potential buyers. A dissemination of the contents of this memorandum over the internet or other media is not permitted.

Frankfurt am Main, 22<sup>nd</sup> June 2018

### 1. Most important legal implications of the contractual relationship

Through the acquisition of shares the investor becomes a limited partner in the fund company. He cannot dispose of the assets held by the company. The contractual relationship between the company and the investor as well as any pre-contractual relations are based on German law. The registered office of the company is the place of jurisdiction for disputes arising from the contractual relationship, unless the investor has general place of jurisdiction in Germany. All publications and/or advertising material are to be worded in the German language or provided with a German translation.

### 2. The Investment

The investment is made in the fund company. This is a collective investment scheme that seeks to raise capital from a number of investors in order to invest it for the benefit of those investors in accordance with a defined investment strategy. The business purpose of the company is limited to investing in accordance with a defined investment strategy by means of its funds. The assets in which the company may invest the funds of the shareholders and which provisions it must follow in this regards, are given i.e. by the German Capital Investment Code (hereinafter also referred to as "KAGB"), the interrelated ordinances and the investment conditions of application, which govern the legal relationship between investors and the company.

Additional Information about the Investments limits of the risk management, the risk management methods as well as recent developments in the risks and returns of the main categories of assets can be provided electronically by the company.

### 3. The management company

MAS Deutsch Beteiligungsgesellschaft mbH is a capital management company established on October 25<sup>th</sup> 2016, in accordance with §44 of the KAGB (German Capital Investment Code), in the legal form of a limited liability company (in German GmbH). The

Company's name is MAS Deutsche Beteiligungsgesellschaft mbH and is based in Frankfurt am Main.

The company is listed by the German Federal Financial Supervisory Authority (hereinafter also referred to as "BaFin") under the ID 10148461 as Capital Management Company of Alternative Investment Funds (hereinafter also referred to as "AIF"), in accordance with §44 s. 1 in connection with §2 s. 4 of the KAGB. The management of the company consists of the managing director Mr. Marcel Schuster. The company has a share capital of € 25.000,-. The paid in capital amounts to € 25.000,-.

### 4. The depositary

The company Hauck & Aufhäuser Privatbank AG, (Kaiserstrasse 24, 60313 Frankfurt, Germany) has taken over the role of the depositary. The depositary is a bank under German law.

The KAGB provides for a separation of administration and custody. The depositary holds the assets in blocked custody accounts resp. escrow accounts. For assets that cannot be held, the depositary will verify whether the fund company has acquired ownership of these assets. It monitors whether the disposals of the company over the assets comply with the requirements of the KAGB and the investment conditions. The investment in bank deposits with another credit institution as well as disposals of such bank balances are only permitted with the consent of the depositary. The depositary must give its approval if the investment or disposition is compatible with the requirements of the KAGB.

Upon request, the fund company will provide up-to-date information on the depositary and their duties as well as on any potential conflicts of interest in connection to the activities of the depositary to the investors (if there are any).

### 5. Risk indication

Before choosing to purchase shares in the company, investors should carefully read the following risk notices and the other information contained in this memorandum, as well as the investment information sheet (pursuant to §13 VermAnlG) and consider them in

their investment decision. The occurrence of one or more of those risks may, taken alone or in combination with other circumstances, adversely affect the performance of the company or of the assets held in the company and thereby unfavorably affect the unit value.

The investor could potentially lose part or even all of the capital invested in the fund company. Value increases cannot be guaranteed. The investors risk is limited to the invested amount. There is no additional funding requirement beyond the capital invested by the shareholder. In addition to the potential risks and uncertainties described and listed in this memorandum, the performance of the company may be adversely affected by other risks and uncertainties that are unforeseeable at this point in time. Furthermore, the order in which the following risks are listed does not indicate the likelihood of their occurrence, nor the extent or significance of individual risks.

The following are the risks typically associated with an asset investment. These risks may adversely affect the value of the shares to the extent of the investor's capital.

As previously mentioned, the following is not an exhaustive list of all risk factors that may be associated with an investment, but merely an exemplary listing of specific risks to the company. Not all of the risks outlined below must be relevant for fund companies. .

#### Volatility of participation in a limited partnership

The value of the limited partner's participation is calculated as the value of the company, divided by the number of company shares that have been placed on the market. The value of the limited partner's participation corresponds to the sum of the market values of all Company's assets less the sum of the market values of all liabilities. If the value of these assets decreases or if the value of the liabilities increases, the value of the limited partnership participation decreases.

#### Influencing the individual results through tax aspects

Tax treatment of investment income depends on the individual circumstances of the respective investor

and may be subject to future alterations. For individual questions- particularly taking into account the individual tax situation- the investor should contact his personal tax advisor.

#### Profitability and fulfillment of the investment objectives of the investor

There can be no assurance that investors will achieve their desired investment performance. The share value may depreciate and lead to losses for the investor. There are no guarantees from the Company or third parties regarding a specific minimum payment commitment upon return or a certain investment performance. Thus the investor's return could remunerate be lower amount than originally invested. In addition a subscription premium (Agio) paid on acquisition of shares can also reduce or even erode the success of an investment, particularly if such investment is only short- lived. Investments before the end of the subscription process incur not only the investment itself, but also the associate costs- such as for lawyer fees, appraisers, taxes and levies, notaries and others, including those for the administration- further information can be found in the Investment Information Sheet.

#### Value change risks

The assets in which the company invests are subject to risks. For instance, value losses can occur if the market value of the asset falls compared to the cost price or they progress differently.

The performance of tangible assets is regularly dependent on the general development of the corresponding market as well as the general economic situation and other factors specific to the asset. In the event of a negative development of these markets or the general economic situation, there is a risk that the valuation assumptions for existing assets may have to be adjusted. Future economic success will be dependent on successfully building up, managing, optimizing, leasing and selling a portfolio of assets.

#### Risk of inflation

Inflation encompasses a devaluation risk for all assets. This also

applies to the assets held by the fund company. It is possible that the inflation rate may be higher than the value increase of the fund company.

#### Currency risk

Assets of the fund company may be invested in a currency other than the fund currency. The fund company receives income, repayments and revenue from such investments in the other currency. If the value of this currency falls compared to the fund currency, the value of such investments and thus the value of the assets of the company are reduced.

#### Single investment risk

If the investment is concentrated in certain assets or markets, then the fund company is particularly dependent on the performance of those assets or markets.

#### Risks of the investment spectrum

In accordance with the investment principles and limits prescribed by the law and the investment conditions, which provide a very broad framework for the fund company, the actual investment policy may also be geared to the acquisition of assets. This concentration on a few specific investment sectors may be associated with risks (e.g. market bound, high fluctuation range within certain economic cycles). The annual report provides information on the content of the investment policy retrospectively for the past financial year.

#### Risks from criminal acts, abuses or natural disasters/ force majeure

The company may become a victim of fraud or other criminal acts. It may suffer losses due to misunderstandings or errors of employees of the company or external third parties or due to external events such as natural disasters.

#### Legal and political risks

Investments in jurisdictions in which German law does not apply or, in case of legal disputes, the place of jurisdiction is outside of Germany, may be made for the investment company. The resulting rights and duties of the company may differ

from those in Germany to the detriment of the investor. Political or legal developments, including changes in the legal framework in these jurisdictions, may not be recognized by the Company, or may be recognized too late, or may result in restrictions on any acquisitive or already acquired assets. These consequences may also arise if the legal framework for the Company and / or the administration of the Fund changes in Germany.

#### Change in tax environment, tax risk

A change in the tax bases of the fund company for the respective fiscal years (e.g. due to external tax audits) may result in a fundamentally unfavorable tax deduction for investors in that the investor will be able to recover the tax burden from the previous adjustment Financial years, even though he may not have been invested at that time. Conversely, the investor may incur a tax advantage that is fundamentally advantageous to him for financial years in which he was involved in the fund company, because he has redeemed or sold his shares before the correction was implemented. In addition, a correction of tax data may result in taxable profits or tax benefits being recognized in a tax assessment period other than the actual tax assessment period, which will have a negative impact on the individual investor.

#### Key man risk

If the investment performance of the Fund is very positive over a certain period of time, this success may also depend on the suitability of the persons acting and thus the correct decisions of the management. However, the composition of personnel at management can change. New decision-makers may then be less successful.

#### Liability risk

Investors who participate as limited partners (shareholders) are directly liable to creditors of the affiliated company in the amount of their liability noted in the commercial register. The liability amount corresponds to 100% of the deposit. If the investor has made his contributions in the amount of this liability, his personal liability is excluded. The personal liability of the investor may be revived. This is the case if

the investee makes payments to the investors that are not covered by matching profits and thus pay back portions of the investor's deposit. Insofar as the deposit falls below the entered liability amount, the investor is personally liable up to a maximum of the amount of liability.

#### **6. Profile of the typical investor**

The investment in the fund company is only suitable for very experienced and very risk-averse investors who are able to estimate the risks and the value of the investment. The investor must be willing and able to accept significant fluctuations in the value of the shares and, if necessary, a significant loss of capital. The investment horizon should be at least 5 – 10 years.

The assessment of the Company does not constitute investment advice, but is intended to give the investor a first indication of whether the investment is consistent with its investment experience, risk appetite and investment horizon.

#### **7. Investment objectives and strategy**

As investment objective, the fund company strives to generate a marketable return. The investment strategy of the Company is to generate income from purchasing from existing hotel properties and facilities, their optimization (business development via renovation, new management etc.) and the subsequent resale within the planned fund duration, thus generating the largest possible surplus for the fund company and ultimately for the investors. It is the company's objective to achieve growth through acquisition of hotel properties, their strategic asset as well as operation development management and selling out as optimized business. Investment policy of the fund company is to take all measures that serve the investment strategy.

In order to avoid any financial disadvantages, the fund company may use the funds paid in for investments, expressly before the closing of the subscription.

#### **8. Investment properties**

It is intended that the fund company immediately starts investing in purchasing and optimization of

existing hotel properties and facilities in among others Greece, Turkey, Egypt, Tunisia, Morocco, Jordan. the fund company acquires particularly distressed real estate and loans to enhance its real estate and business value and sells them after a period of up to 10 years after taking over. The company's strategic focuses lie on achieving economic growth, targeted risk diversification and steady generation of stable and above-average growth in hotel long term revenue via management taking over. In addition, the planned selling of the properties as exit increases the value of the investments.

The fund company's focus is on increasing value creation by optimizing its business activities (quality optimization) and marketing them (quantity optimization) through a management company from its own network. , The increase in added value should be implemented and realized in the medium term through active management. The fund company also intends to conclude long-term leases with international hotel chains or major travel agents, such as FTI

#### **9. The Fund Company**

The fund company is organized as a private partnership in the legal form of a private limited investment company as a GmbH & Co. KG, which is subject to German law, particularly to the provisions of the German Commercial Code.

It is listed in the commercial register of the Frankfurt am Main local court under HRA HRA49872 Its business address is Nibelungenplatz 3, Frankfurt am Main, Germany.

The articles of association of DBH Fonds 1 GmbH & Co. KG. in its current version are available at any time upon request. They will then become part of this memorandum. The following outline is merely intended to provide an overview of the regulations in the articles of association.

#### Business object and main activity areas

The objective of the company is to acquire, hold, manage and dispose participations in hotels, leisure facilities and other tourist services (such as travel agencies, airlines, tour operators, etc.) in among

others Greece, Turkey, Egypt, Tunisia, Morocco, and Jordan. In particular, purchased properties will also be distressed loans and problematic real estate with a tourist base.

The company may engage in all transactions that are directly or indirectly suitable to the objectives and goals of the company and may acquire other companies and/or their shares which are operating in the above mentioned business areas. The business objective is in line with the main activities of the fund company.

#### Partners

The partners described below are also the shareholders of the fund company at the time that this memorandum was prepared.

#### General partner

The personally liable general partner of the fund company is Horeal Management- und Beteiligungsgesellschaft mbH (listed in the commercial register Frankfurt am Main – HRB 112083, with its registered office in Germany, 60313 Frankfurt am Main, Stephanstraße 1. The general partner is a limited liability company.

Typically the general partner of a private limited company (KG) is liable without restriction. However, due to the fact that the general partner is a corporation in the form of a limited liability company, the general partner's liability is limited to its assets. The general partner makes no contributions and is principally not involved with the assets, profits and losses of the company.

Professor Stephan Gerhard is managing director of the general partner and is based in Bavariaring 29, 80336 Munich, Germany

#### Founding limited partner

Mr. Marcel Schuster, based in Nibelungenplatz 3, 60318 Frankfurt am Main, Germany, is founding limited partner of the fund company.

The founding member made a limited partnership contribution of € 1000 and participates in the profit and loss of the company in proportion to his capital account in ac-

cordance with the general distribution of profits laid out in the articles of association.

The total amount of deposits subscribed and paid by the founding limited partner is EUR 1.000,-. This is an exclusively limited partnership investment.

#### Capital of the fund company

The total subscribed capital, at the time the memorandum is prepared, amounts to EUR 1.000,-. This is exclusively limited partner capital. There are no deposits on the capital.

The investments of the limited investors represent participations as direct limited partners in the fund company. The limited partnership capital amounts to EUR 499,001.000,- excl. Agio. The investors authorize the general partner to enter the shares in the commercial register.

Up to this date no shares or investments have been issued in accordance with the German Capital Investment Act. Due to the legal form of the fund company, there are no conversion or subscription rights to shares

In the future it is planned, that the fund company will increase its limited partner capital from EUR 1.000,- to EUR 499,001.000,- by obtaining additional limited shareholders

#### Main features of investor's shares

Through his participation the investor obtains the rights and obligations of a limited partner, which are connected to the limited partnership and justifies in §66 ff. HGB (German Commercial Code). These are supplemented by the provisions of the articles of association.

The shares are limited partnership shares. In accordance with the articles of association of the fund company, the investor has the following rights and obligations:

#### Participation in the company

Following the Articles of Association, investors in the Company may directly participate as limited partners.

#### Deposit

In accordance with the articles of association, investors shall pay the investment amount plus a premium (Agio) of 5% thereafter no later than 14 days after the receipt of the written confirmation of the fund company regarding the acceptance of the accession offer.

#### The right of opposition and control

As stated in the Articles of association, the limited partners have the right, in addition to the right under s. 166 HGB (German Commercial Code), to have the trading book and the company's papers inspected at any time by an expert obliged to maintain secrecy.

#### Right of inspection

Until the annual financial statements have been approved, the shareholder has the right to inspect the annual report on request at the Company's business premises. The full annual report will be sent to the shareholders upon request.

#### Voting rights in corporate associations

The articles of association grant investors the right to vote in resolutions of shareholders in written proceedings or in shareholder meetings as well as a right to participate in shareholder meetings.

#### Participation in the results and assets of the company

Pursuant to the articles of association, investors partake in the results and assets of the company in proportion to their liable assets. The same applies to the liquidation of the fund company regarding the liquidation proceeds.

#### Transfer and debit law

The investor may, in whole or in part, transfer or encumber his share of the company with prior written consent of the managing limited partner, which may only be given in extraordinary circumstances, in accordance with the articles of association.

#### Leaving the company

The investor has a right to extraordinary termination provided there is a sufficient reason. In the case of the resignation of a partner or the intervention of other legal reasons for dissolution or exclusion, the fund company will continue to exist between the remaining shareholders. The limited participation of the ex-limited partner increases to the other shareholders in proportion to their previous participation. The departing shareholder is entitled to a severance payment in accordance with the articles of association.

#### Right to participation in liquidation proceedings

Upon dissolution of the company, the third party liabilities of the company are settled in a first step, with the hidden charges being revealed. The remaining assets, including hidden reserves, are distributed among the shareholders in accordance with the key and rank determined for the distribution of profits in accordance with the Articles of Association

#### Management

The management of the fund company consists of the personally liable general partner, who legally represents the fund company externally. The general partner company is represented by the managing director Professor Stephan Gerhard.

#### Management and representation authority

The articles of incorporation stipulate that the founding member is also the managing director. This is transferred with all rights and obligations to Prof. Stephan Gerhard.

The managing director is solely responsible for the management of the fund company. He is authorized at any time and, subject to exemption from the restrictions of § 181 BGB, to have all or part of the Company's affairs procured by third parties acting for and on behalf of the Company and to conclude corresponding contracts with effect for the Company and to give full powers. The business-leading limited partner is exempt from the restrictions of § 181 BGB.



The Managing Limited Partner is entitled to undertake all actions that do not go beyond the ordinary course of business of the Company. For all business beyond the ordinary business operations of the company, a shareholder resolution is required.

#### Shareholder resolutions

The provisions to be taken by the partners in the affairs of the Company are made by resolution. The resolutions of the shareholders are passed by written procedure or by a shareholders' meeting at the registered office of the company. The Shareholders' Meeting has a quorum if all shareholders are duly invited and the general partner and the managing limited partner are present or effectively represented. If the quorum is not met, a second general meeting must be called within four weeks, which is quorate without these prerequisites.

#### Disposition of a company share/ restriction of free tradability of investment

A transfer of shares takes place in the case of donation and sale by way of assignment as well as inheritance by operation of law. In principle, every transfer, partial transfer or other disposal of shares in companies requires the prior written consent of the Managing limited partner to be effective. A transfer of company shares or sub-fund shares is only permitted with effect from the end of December 31 of a calendar year. There is no regulated secondary market for the assets offered in this investment offer.

### **10. Distributions**

In accordance with the management's strategy, the fund company aims to distribute dividends during its existence.

This forecast calculation is based on a period of 10 years. By the end of this term, total payouts (including repayment of the deposit) of approximately 250% of the deposit are expected, which is approximately 15 % p.a. average target yield. This breaks down into ongoing payouts and those from a final payout as follows:

- 7 % p. a. current annual payments, beginning after the first completed financial year, payable

after the annual financial statements have been approved.

- At the end of the predicted term, an additional final payout is expected from the sale of the investment assets amounting to 80% of the deposit.

In principle, distributions are made according to the ratio of capital accounts. The general partner is typically not involved in the assets and results of the company.

The share amounts and Agio can be paid also in USD, convert to the published exchanged rate of the German Federal Bank on the subscription date.

### **11. Purchase price**

The purchase price for the asset corresponds to the investment fee. The investment amount of each member must be at least € 200,000 or higher, which can be divided 10,000 without remainder. The purchase price is subject to a premium (Agio) of 5%

The liable assets to be entered in the commercial register of investors who participate as limited partners in the company receive the percentages related to the respective investment contribution subscribed as compulsory contribution. The aspiration of the company to the performance of the deposit is payable upon its deposit.

### **12. Type, number and total amount of investment offered**

The assets offered are a direct limited partnership interest in the fund company.

The minimum participation investment is generally € 200,000; higher capital contributions must always be in the full € 10.000 plus 5% premium (Agio). The total amount of the investment offered is € 499,000.000

The Managing Limited Partner is entitled to declare full placement even if a lower issue capital is reached. He may also immediately invest the funds deposited after the deposit in accordance with the investment terms.

The investor must pay the investment amount plus a premium (Agio) of 5% thereafter up to 14 days after receipt of the written confirmation

from the managing limited partner about the acceptance of the membership offer to the fund company's account.

### **13. Taxation**

The tax treatment depends on the personal circumstances of the shareholder and can be changed by new legislation, if necessary retrospectively. Investors are advised to seek additional advice from a member of the tax advisory profession. The latter informs about the tax consequences of acquiring, holding and disposing of the investment, paying particular attention to the personal circumstances of the investor

STATE 06/2018

#### **IMPORTANT NOTICE:**

This Investment Memorandum serves as a non-binding preliminary information only. It does not constitute a public offer of investment in the fund company or investment advice. It is neither an offer nor an invitation to tender for sale or purchase. For the completeness and accuracy of the information and data reproduced here, no liability is assumed.