

# THE **SEVENTH** AUGUSTA SYNDICATE GERMANY

OFFERING DOCUMENT





## **Offering Document**

Any transaction is subject to contract and a contract will not exist until formal documentation has been signed and consideration exchanged. Whilst The Seventh Augusta Syndicate - Germany GmbH, (the "Company") has taken all reasonable care to ensure all statements of fact or opinion contained herein are true and accurate in all material respects and that there are no material facts the omission of which would make misleading any statement herein, neither the Company nor its agents, employers, officers or advisers make any representation or warranty or give any undertaking as to the accuracy and completeness of any such information. Investors should seek independent professional advice. Attention is drawn to the risks outlined on page 13 and key assumptions on page 21.

This document is issued by The Seventh Augusta Syndicate - Germany GmbH. It is being issued in the Republic of Ireland only and is subject to Irish Law.





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# Introduction

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## Investment Summary

The Seventh Augusta Syndicate – Germany GmbH (“the Company”) has been established to raise, with the assistance of bank borrowings, funds to a maximum of €25 million (“the Fundraising”) to finance the purchase of up to three commercial properties.

The Company will employ pre-defined investment criteria in selecting properties (see page 10) and will focus primarily on the retail and office sectors. The Company affords investors an excellent opportunity to participate in an asset-backed investment into Europe’s largest economy.

Investment can be financed with cash, with a bank loan and/or via a pension plan, be it a Small Self-Administered Pension (SSAP) or a Pension Trust.

## Return to Investors

If the assumptions on page 21 of this document are achieved, **investors should achieve a return of 14.5% per annum compound on their original investment in approximately 5 years time**. The Directors believe that ownership of German commercial property, as a low to medium-risk investment, can offer significant rewards for investors over the medium term.

## Risks

Investment in property is speculative, as property values can fall as well as rise. There are a number of risk factors particular to the Company and this investment structure. These risk factors are set out on page 13 in the section entitled “Risks”. You should read this section carefully.

## Management Company

The management company, APS Augusta Property Services Limited (“Augusta”), has an extensive track record in assisting the purchase, development and management of commercial properties in the UK and Germany. Augusta, which currently has in excess of €100 million of funds under management, also has a close relationship with a network of real estate firms, who will advise the Company during the property purchase process. Augusta engages a management team on the ground in Germany to assist with the development, maintenance and letting of properties under its management.

## The Directors

Declan Kennedy and Philipp Graf von Matuschka, who collectively have considerable experience in developing and managing property funds and syndicates, as well as significant experience of investing in the German property market, have established and will manage the Company.

The Company and Augusta share common Directors.

## Property Sourcing

Properties that match the investment criteria are typically found through specialist commercial estate agents. The best returns for investors are often achieved by acquiring properties not offered by the large multinational agents but by independent professionals with access to on and off-market properties. The Directors have built excellent relationships with a network of such real estate agents in Germany and will utilise them to derive the greatest benefit for investors in the Company.





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## Property Purchasing

The Company is actively seeking a number of properties which closely match the investment criteria set out on page 10. The Directors believe that, on the closing date, the Company will be in a position to proceed immediately with the purchase process for these properties.

## Structure

Investment into the Company can be made in units of €10,000 (the “Units”). The minimum investment level is €50,000 per investor and in Units of €10,000 thereafter. Investment will be made through an Irish Nominee Company in order to increase the efficiency of the investment.

## Tax Status of Investment

The Directors, with the assistance of Deloitte, have devised an investment structure which allows investors to pay only 20% tax on profit gains arising from the sale of the Company. Further information can be found on page 16 entitled Taxation Issues.

## Investment Term

The investment will be held for approximately 5 years.

## Fees and Charges

The fundraising costs, management fees, professional set up fees and marketing costs are outlined on pages 19 and 21.

The investment must deliver an IRR in excess of the hurdle rate of 12.5% for Augusta to receive its performance incentive. This will be 15% of any return over 12.5%.

## Exit Mechanism

Following the expiry of the 5-year investment period, it is the intention of the Directors to exit the investment by way of a sale of the Company. The net surplus will then be distributed to the investors.

## Investment Opening And Closing Dates

The Company will open for investment, by way of a 10% deposit, on Monday 08 October 2007 and close at 6pm on Wednesday 14 November 2007. Investors will then have a further 30 days to provide the remainder of their investment.

## Application

The application form for this investment can be found at the last page of this document.









# Directors, Management Team & Advisors

## Declan Kennedy FCCA.



Declan, 44, began his career as an accountant with Deloitte & Touche. In 1991 he was appointed Financial Controller of Otis PLC. Since 1996, however, Declan has spent his professional career bringing new capital and tax-based investment products to

the market, winning the coveted Entrepreneur of the Year award for the Irish Forestry Funds.

Between 1996 and 2003, under Declan's stewardship, Irish Forestry Services Ltd grew into the largest private landowner in Ireland with 16,000 clients managing 19 public companies.

Having already built a personal commercial property portfolio, Declan in 2003 applied his experience in investment vehicles to the property sector with the establishment of Augusta. Through Augusta, he has since managed over 20 international private and public property acquisitions under the Augusta brand. Declan continues to refine the investment structure to ensure maximum investor return, improve tax efficiency and maintain legal and regulatory compliance. The Company is similar to previous Augusta property structures insofar as it offers an asset backed, tax efficient and capital growth investment.

Declan is a Director of the Company.

The Directors have personally invested in the Company.

## Philipp Graf von Matuschka B. Sc



Philipp, 45, was born in Ireland of German parents and speaks native German. Philipp began his professional career in product and project management. In 1998 Philipp was appointed CEO of Gorann Technology Venture Catalysts Ltd, providing

management consulting to software and internet start-ups.

In 2001 Philipp joined Prudential, launching a pension product into the German market. This project not only proved Prudential's most successful mainland European venture but also allowed Philipp to establish many strategic business contacts in Germany.

For the past 6 years, Philipp has been actively involved in the international financial services industry, most recently as an executive Director of APS, where he spearheads the acquisition and management of its German investments. Philipp has been an active investor and facilitator in the German property market both privately and on behalf of clients for several years. He has German property spanning the residential and commercial sectors. Philipp has personally evaluated several hundred properties since joining APS to select the most suitable investment properties for Augusta's private and syndicate clients.

Philipp is a Director of the Company.

**Deloitte**, Deloitte & Touche House, Earlsfort Terrace, Dublin 2, will provide the Company with tax advisory services. Over the course of the investment term Deloitte will also act as auditor to the Company. Deloitte is part of the Deloitte Touche Tohmatsu group that employs almost 150,000 people in nearly 140 countries.

**O'Donnell Sweeney Eversheds**, One Earlsfort Centre, Earlsfort Terrace, Dublin 2, will act as the Irish Solicitors to the Company. In addition to its advice on the investment structure, O'Donnell Sweeney Eversheds provides the Company with verification services, ensuring that all statements of fact contained in this document are independently verifiable. O'Donnell Sweeney Eversheds is part of the Eversheds group, one of the largest full service law firms in the world, with offices in major cities across the Europe, the Middle East and Asia.

The Directors have developed an expanded network of German property advisors, including Kempers and Colliers Property Partners, to assist with the selection of properties and the analysis of geographical and market sectors.



# Section A

## Features of the Investment

### Germany - Economic Performance

Germany is the largest economy in Europe and one of the world's top five.

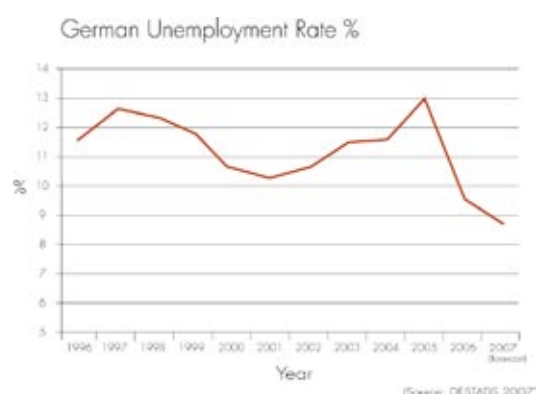
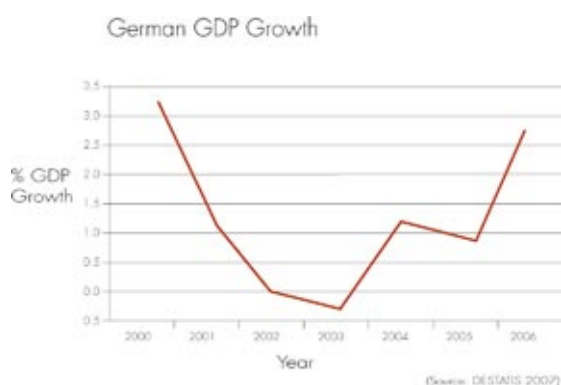
As the world's largest exporter in 2006 (OECD), Germany has benefited from several years of economic and industrial reform, most recently under Chancellor Angela Merkel.

Germany is now positioned in the engine room of an expanding Europe and as such is ideally placed to serve new neighbouring accession economies. According to DESTATIS (the German Federal Statistics Office), the value of German exports to Poland in 2006 was more than double that of exports to Japan.

Germany's unemployment rate fell below 9% in June 2007 to the lowest point since August 2001 – after companies increased hiring and investment to meet booming export orders. In one year alone (between Q1 '06 and Q1 '07) the number of people in employment rose by 800,000. Growth forecasts for the German job market in 2007 are already being upgraded by the experts as businesses continue to experience a positive economic situation and post improved results. (GfK Research, March 2007, Ifo Research, 2007 and Bloomberg, 2007).

The German Research Institute, GfK, compiles a monthly Consumer Confidence Index. In May this year, GfK's measure of consumers' economic outlook reached its highest level ever. Recently, unrest in international stock markets has seen optimism amongst German consumers temper slightly, though it remains considerably higher than in the same period last year. (GfK Research, September 2007).

However, buying propensity in Germany – the likelihood that consumers will spend – continues to rise. This augers well for increased domestic consumption in 2007 and 2008 and signals good news for the German retail sector and the German economy in general.







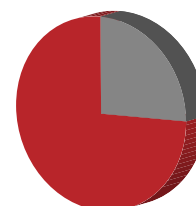
## Germany – Shock resistance

- Unlike economies with a high dependence on easily transferred service sector jobs, Germany has at its foundation a strong and successful manufacturing base, excellent R&D capabilities, thriving pharmaceutical, chemical and biotech industries and an international reputation as a provider of high quality, high margin, value-added goods and services.
- 75% of Germany's exports stay within Europe, which shields the German economy from export fluctuations as a result of currency market volatility.
- While Germany has some dependency on overseas markets for raw materials and energy, it is taking steps, particularly in the energy sector, to reduce this dependency with more domestic generation. Already sustainable energy provides 12% of German electricity consumption (while employing 214,000 people), this is expected to rise to 20% by 2020.
- Half of Germany's output feeds the domestic market of 82m people. Not only is the domestic market improving in terms of consumers' disposable income and buying propensity, but retaining such a large portion of output domestically makes Germany both relatively self-sufficient and insulated against drops in international demand.
- With home ownership in Germany at less than 50%, German banks are considerably less exposed domestically to the type of shock recently experienced in the US, where many borrowers in the sub-prime category defaulted on mortgage payments. As a nation of renters by tradition, mortgage indebtedness is low by western standards, as is credit consumption. The US market shock has only significantly affected a few small German banks, but those, against the national trend, had invested heavily into the US subprime market.

German Exports

■ Europe  
■ Rest of world

[Source: Bloomberg 2007]

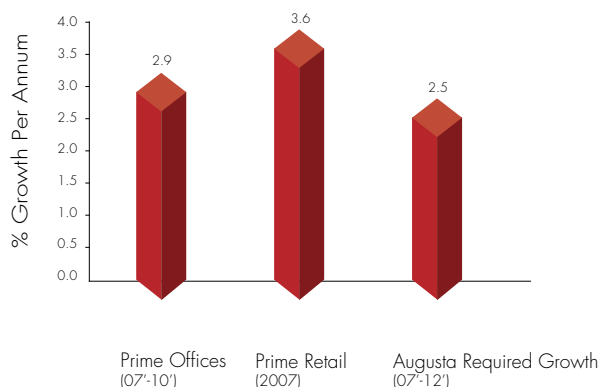


## The Rationale for Investment in German Property

From an international viewpoint, particularly an Irish one, German property is undervalued. It continues to prove a good source of yields, which – while falling as the revived economy and international investment drive demand – remain comparatively strong when compared with peer countries.

According to Dr. Daniel Piazzolo, Managing Director of the German IPD (Investment Property Databank), the value of German property grew “after five consecutive years of declining total return.” Indeed 2006 saw an increase in total returns of 80 basis points over the previous year. Indications are that 2007 will see further growth in the property market.

Forecasted German Rental Growth



[Source: DEGI 2007, Deutsche Bank 2007]

Office markets are benefiting from the demand for space that the creation of several hundred thousand new jobs has brought in the past 18 months. This demand is reflected in falling vacancy rates and increasing rents typical of an office market in the growth phase of the property cycle.



DEGI Research (real estate investment arm of Allianz Group) estimated the vacancy rate in prime German offices in 2006 to be 11.6%. This is an improvement on previous years though there is still room for rates to fall further – making it an ideal point in the property cycle to invest on a 5-year basis.

Deutsche Bank forecasts prime office rents to rise by just under 3% per annum between 2007 and 2010.

Retail property is also seeing a revival. With the economy booming for the first time in many years and household income on the rise, German consumer spending contributed to overall economic growth for the first time in six years. The pickup in spending and, more importantly, the high consumer confidence levels for 2007 and 2008 are driving rents and occupancy rates up in all parts of the country. DEGI Research forecast prime retail rents to increase by 3.6% in 2007. The Company only requires rents to grow by 2.5% p.a. to meet its projections.

## • Unprecedented Access

- o German commercial investment property has always attracted a strong domestic demand. Until recently, German open-ended real estate funds could only invest in domestic property, leaving few opportunities remaining for overseas investors. However, a change in government legislation allowing these German funds to invest in overseas property, coupled with the general improvement of the German economy, is allowing overseas investors unprecedented access to German retail property.

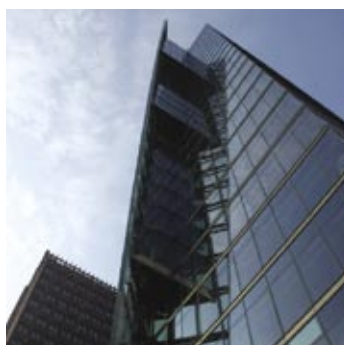
## • Rental Yields

- o German property enjoys strong rental yields. The average yield on rental income for the German properties on Augusta's extensive database is 6.8% for 2007. As rent reviews are typically linked to the German Consumer Price Index they can, therefore, be maintained in step with general inflation.
- o In multi-tenanted properties, the lease term can vary from tenant to tenant. This can give the acquirer the possibility to extract a greater rent roll from tenants and thereby increase value.
- o In an environment of falling vacancy rates, the opportunity exists for the purchase of selective properties in certain cities which are not fully let, in the reasonable expectancy of securing full occupancy well within a 5-year investment period.

## • Capital Appreciation

- o In an economic climate of high business confidence, such as is the case in Germany, commercial property values can be expected to increase. Ireland has seen capital appreciate and yields compress as confidence in our economy has grown, to the point that we have reached the mature stage of the property cycle. In contrast, Germany's economic growth is relatively recent, putting it at an ideal growth stage in the cycle for commercial investment.

"The Company only requires rents to grow by 2.5% p.a. to meet its projections.."









# Investment Strategy

## Purchase Criteria

The Company intends to capitalise on the market climate in Germany to deliver the projected appreciation in value of each investor's stake. The size of the return to investors is a function of three key variables. Properties will be selected on the basis that they should achieve one or more of the below:

### Rental Growth

Properties will be selected that give the possibility of rental growth over the 5-year timeframe. This would be possible where leases can be renegotiated upwards during the term, where existing tenants are replaced by others on improved terms, where vacant units are filled and/or where index-linked rent reviews are built into leases.

### Early Repayment of Debt

Investor returns will be enhanced when the Company is in a position to pay down bank debt ahead of schedule. The amount of debt that can be paid early depends on the gap between rental income and the cost of borrowing. Properties yielding good rental income from Year 1 thus form an important part of the investment portfolio.

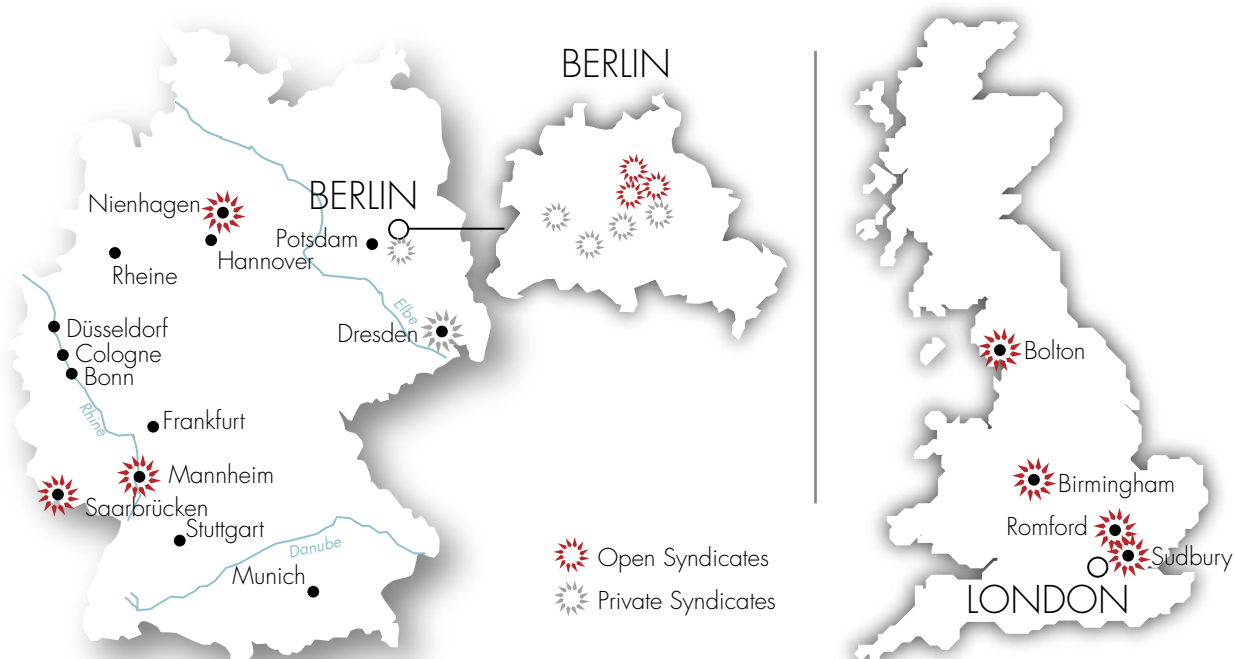
### Capital Appreciation

The positive business climate in Germany is delivering a market-driven level of capital appreciation and the Directors will aim to augment that with appreciation on the property itself. By securing the appropriate property, location, tenants and lease contracts and by managing them over the term, they intend to deliver to the market at time of sale assets that will command high demand among prospective buyers.

The Directors will select a portfolio of properties that will deliver, in their collective opinion, the best balance between the three above factors. To that end, they have built relationships with a network of German commercial estate specialists who understand the Company's investment criteria and who supply it with suitable on and off-market opportunities from which to make selections.

## Augusta Track Record

Augusta currently has over €100 million of property under management on behalf of both previous Augusta Syndicates and private individuals. These include:







## Augusta Open Syndicates

### Retail Centre in Mannheim

The FarlachCenter is located in the Farlach Business Park at the gates to Mannheim. Tenants include Hertz, McDonalds and Fitness Park Pfitzenmeier. The property was purchased with vacant units and is now fully let. A CPI-linked rent increase is due this year, which, combined with the full occupancy will deliver an increase in rental income of 16% in Year 1 alone.



### Medical Centres in Berlin

The property in Weissensee, Berlin, housing 24 tenants and a busy pharmacy, was originally bought as one existing centre and a second under development. The Directors have overseen the development and letting of the second centre – producing a much enhanced investment in a key location opposite a major Berlin hospital, yielding 8%.

### Retail Unit in UK

This Retail Warehouse, with 20 years remaining on the lease to Homebase, is in the town of Sudbury. The property was purchased under-tenanted in 2004. At the end of 2007, a rent review should see a substantial increase in income which, allied to solid capital appreciation in the intervening period, will deliver a value on this property above original projections for this point in the investment term.

## Sample properties

The Company has already identified properties which match the investment criteria and the below samples serve as accurate indicators of the type of property being sought. Some details have been removed to protect the purchase process:

### Retail Park, suburban Berlin

The opportunity exists to invest in the development of a new multi-tenanted retail park in one of the large suburban catchment areas of Berlin. Tenants of excellent covenant are already committed to the space. Upon completion, the development would yield 7.4% and holds the potential for good capital appreciation.

### Prime Mixed-Use Property, Chemnitz

This building in a prime location in the centre of Chemnitz, a city of 245,000 population, has a leading bank as its anchor tenant and houses a range of strong retail and office covenants. Yielding 7%.

### Office Park in satellite city of Frankfurt and Mannheim

This large-scale office development is located between the cities of Frankfurt and Mannheim. Already yielding 8%, with asset management this property holds ample scope for further rental growth in the investment timeframe.





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## Advantages of Investing into the Company

Investment in German commercial property through the Company has a number of advantages, including:

### 1. Syndication

By participating in a syndicated property company, investors can share in the economies of scale from pooled capital, gain access to greater bank borrowings without recourse to the investor, benefit from local experience and effort in property identification and delegate the management and development of the properties.

### 2. Directors' Experience in the German Property Market

Acquisition costs incurred in purchasing German property can be as high as 12% of the purchase price. However, the Company has negotiated improved rates with various professional advisers, brokers, etc allowing it to keep its acquisition costs relatively low. Similar syndicates managed by the Directors have incurred less than 8% acquisition costs.

### 3. Rate of Return

The German property market has, since German reunification, been under-performing relative to many other European property markets. There is evidence to show that this trend has reversed and that the property market is strengthening – in line with the economy in general. This contrasts with Ireland, where – as a very mature property market – yields are at an unattractively low level. Purchasing German property near the bottom of this value cycle in an up-turning market should, due to potential capital appreciation, offer substantially enhanced returns for investors.

### 4. Lower risk

Investors will beneficially hold shares in a company that will borrow money, on a non-recourse basis to investors, to purchase already established properties, with pre-existing tenancy arrangements.

### 5. Tangibility

Property is tangible. This tangibility provides sufficient security to financial institutions, which should enable the Company to raise bank debt to part finance the purchase of the properties.

### 6. Taxation

The investment is structured so as to maximise the after tax return for Investors.

### 7. Financial Strategy

A fundamental part of the Company's investment strategy is to repay, on an ongoing basis, any finance debt where possible, thus reducing the amount of money owed to the bank in terms of principle amounts and potential interest repayments. The Company will enter into appropriate fixed and variable interest rate agreements with lenders.





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## Risks

As with every leveraged property investment, there are risks involved and it is possible that returns could fall short of those illustrated or in fact – in a worst case scenario – may be negative. Conversely, it is also possible that actual returns could exceed the illustrated returns, as outlined on page 21.

The following list of risks is not comprehensive, but is intended to give an outline of the risks which intending investors need to consider. Independent advice should be sought and satisfaction should be obtained as to the suitability of investment into the Company prior to proceeding with same.

If investors are in any doubt about the contents of this document, they should consult a qualified advisor.

### Inherent

Investment in the German property market, like any other market, is speculative and involves a degree of financial and commercial risk.

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these are not a guide to the future. Aims, projections, forecasts, plans and intentions referred to herein are no more than that and do not imply or predict actual returns.

There is no guarantee that investors will recoup the full amount of their original investment upon the completion of the investment term.

Tax law and/or practice in Ireland or Germany may change with consequent adverse effects on the taxation aspects of this proposal.

The projected returns herein may be affected where an investor fails to make appropriate disclosures to Revenue or fails to file appropriate tax returns.

## The Properties

The future value of the Company is dependent on the future value of the properties. Property values are influenced by several factors, including, but not limited to, the level of rent a property will command, rental yield and the quality of the lease entered into in respect of the property.

As with all leased properties, there may be periods during which some of the properties purchased by the Company are vacant due to unforeseen circumstances and/or market conditions.

The sample properties described in this document may not be purchased. If other properties are purchased, they may not compare to the investment criteria in precisely the same fashion as the sample properties.

Any downturn in Germany's economy could affect the demand for property with a resultant adverse impact on the German property market.

Unforeseen circumstances may result in delays in the Company's activities or in it incurring additional costs with regards to the acquisition, disposal and/or the maintenance of the properties.

Property and property related assets are inherently difficult to value. As a result, valuations are subject to some uncertainty. While valuations will be obtained for disposal purposes, there is no assurance that the estimates resulting from the valuation process will be reflected in the actual sales price even where such sales occur shortly after the valuation date.



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## Gearing

The properties will be purchased using gearing, or bank borrowing. There is a possibility that, in the event of a decline in the property's valuation, the value of investors' interests in the Company might be less than the sum of their investment into it. While gearing by its nature increases the risks and rewards associated with investing, it should be noted that the debt will be provided on non-recourse terms to the investors.

There is no guarantee that the Company will be able to secure suitable borrowing facilities. In addition, where the Company obtains borrowings, there can be no guarantee that circumstances would not arise whereby the Company would be unable to meet its repayment obligations, leading to foreclosure by the relevant lender.

## Liquidity

It should be noted that the proposed investment is structured as a medium term investment of approximately five years, therefore, it may not be possible to encash or realise the investment prior to its maturity. It may also be the case that the management company may not be able to procure the disposal of the Company or that the Company may not be able to dispose of the properties at the end of the investment period due to market conditions or other unforeseen circumstances in which case the disposal of the properties could be delayed.

## Interest Rates

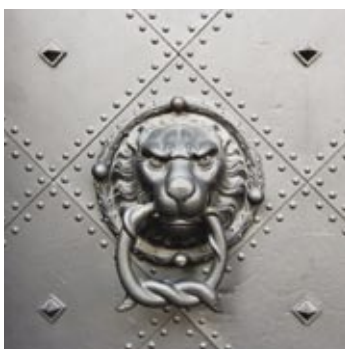
Interest rates may rise resulting in increased interest payments on borrowings taken out by the Company. This being said, in accordance with conservative financial policy, the Directors anticipate entering into appropriate hedging arrangements to minimise interest rate risks.

Interest rate increases could have an adverse impact on the property market.

## Exit Mechanism

Following the expiry of the 5-year investment period, it is the intention of the Directors to exit the investment by way of a sale of the Company. The net surplus will then be distributed to the investors. However, prevalent market conditions and tax law at that time may make it more appropriate to sell the properties within the Company and to distribute net funds after the winding up of the Company.

"If investors are in any doubt about the contents of this document, they should consult a qualified advisor."







ZUM ANDENKEN  
AN DIE ERHABENEN  
SIEGEREICHE ERWIEBERUNG  
DES DEUTSCHEN VOLKES  
UND AN DIE  
WIEDERHERSTELLUNG  
DES DEUTSCHEN REICHES

DURCH HUNDERTTAUSEND ZUCKT ES SCHNELL,  
UND ALLER AUGEN BLITZEN HELL,  
DER DEUTSCHE, BIEDER, FROMM UND STARK,  
BESCHÜTZT DIE HEILIGE LÄNDER  
VATERLAND, MAGS

ER BLICKT HINAUF IN HIMMELS AU'N,  
DA HELDENVÄTER NIEDERSCHAUN,  
UND SCHWOERT MIT STOLZER KAMPFESLUST:  
DU RHEIN BLEIBST DEUTSCH WIE MEINE BRUST!  
SEIN: FEST STEH'ND UND TREU

SO LANG EIN TROPFEN BLUT NOCH GLÜHT,  
HOCH ER REIßT DEN DEGEN ZIEHT,  
UND ER REIßT DIE KUECHSE SPANNT,  
BEI RHEIN REICH DEINER STRAND  
DIE WACHT A



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## Taxation Issues

The information contained herein is based on our understanding of tax legislation and the current interpretation thereof and is subject to change without notice. It is intended as a guide only and is not a substitute for professional advice. You should consult your tax advisor about the rules that apply in your individual circumstances. It is possible that any legislative changes may have a retrospective effect, thus the tax treatment for an investor may be subject to variation.

## Corporate Investment Structure

The acquisition of the properties is to be structured as follows:-

The Seventh Augusta Nominees Limited is an Irish registered nominee company. It will act as a vehicle for collectively investing the funds raised from the Irish individuals into The Seventh Augusta Syndicate - Germany GmbH, which is a German tax resident company. The Irish individuals' investment will be structured as 100% equity (i.e. share capital).

The German company will use the funds raised from the Irish investors in conjunction with third party debt to acquire the properties.

It is intended that the Company's shares will be sold in approximately 5 years from the date of the investment.

The net proceeds from the share disposal will be distributed to the investors via the Nominee Company.

## Tax on Rental Income

### (i) German Tax Implications

German corporate income tax, currently at a rate of 26.375%, will be payable by the German company on any net rental income. There is a proposal to reduce the effective corporate income tax rate in Germany to 15.825% with effect from 1 January 2008. Profit rent for tax purposes is calculated after deducting interest, hedging, other borrowing costs, management fees and German tax depreciation. Tax depreciation is applied at the rate of 3% for commercial property to the extent the building or separate parts of it are not used for residential purposes and the application for the building licenses relevant to the selected properties have been filed after 31 March 1985. Any residential parts of any selected building are subject to a tax depreciation rate of 2% only.

With effect from 1 January 2008, restrictions will be applied to interest deductions in calculating net rental income. However if the difference between the Company's interest payable and interest receivable is less than €1,000,000, the interest restriction will not apply.

### Trade Tax

Provided the German resident company is only involved in the administration of the assets and not trading activities, German trade tax should not apply. In principle, the ownership and leasing of up to three German real estate properties in a company is regarded as asset management activity and not business activity for trade tax purposes. Broadly speaking, the German tax authorities consider a business activity to occur if within a period of 5 years, more than 3 properties have been sold ("three-object test") and also if commercial activities are carried out by the company.

German Trade Tax may also apply where "trade plant facilities" are present in any of the selected properties.

Under current German tax rules, in the event of a trade tax liability arising, the trade tax is deductible from the income of the GmbH for corporate income tax purposes. According to the draft tax bill for 2008, trade tax will no longer be a deductible expense where it applies.

### (ii) Irish Tax Implications

No tax should be payable in Ireland on profit rent provided no distributions are made to the investors.





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## Tax on Disposal of Investment

The German and Irish tax treatment of a sale of shares in the Company would be as follows:

### German Tax

There should be no German tax arising to the investors on the sale of GmbH shares.

### Irish Tax

The Irish investors would be liable to Irish Capital Gains Tax – currently at the rate of 20% on any gain arising on the sale of the shares in the Company.

## Sale of properties and subsequent liquidation of the Company

Should market conditions not permit the sale of the Company, the properties may be sold separately and the company wound up. In this circumstance the German and Irish tax treatment is as follows:

### German Tax

Under current German tax law, German corporate income tax at a rate of 26.375% will be payable by the Company on the difference between the sales price and the tax written down value of the properties. However, as stated above, this tax rate may be reduced from 1 January 2008. The sale of the properties would also give rise to real estate transfer tax, however this would typically be for the account of the new owner.

### Irish Tax

There is no Irish tax payable on the disposal of the German properties by the Company. Once the properties are sold the German company can be liquidated and the proceeds of the liquidation can be distributed to the Irish investors. German withholding tax at a rate of 10% applies to the proceeds received on liquidation. As any distribution of funds after the assets have been sold would be taxable under Corporate Income Tax rules in Germany and under Capital Gains Tax rules in Ireland, relief for the 10% German withholding tax paid would be allowed by way of a deduction in the Irish Capital Gains Tax computation rather than by way of credit.

## Inheritance Tax Issues

The transfer of shares in a German company on the death of an investor would be liable to Inheritance Tax in Germany and Capital Acquisition Tax (CAT) in Ireland.

### German Tax

On the death of an investor, the transfer of shares in the company could give rise to German Inheritance tax in certain circumstances. If the deceased shareholder holds 10% or more in the share capital German Inheritance tax is applied.

German Inheritance tax arises at progressive rates between 7% and 50% depending on the value of the shares transferred. The amount of tax payable is also dependent on the relationship of the beneficiary to the shareholder.

### Irish Tax

CAT would apply in Ireland at a rate of 20%. Transfers to spouses are exempt from CAT and gifts or inheritance to children can be exempt up to a maximum of €496,824.

The Double Taxation Agreement between Ireland and Germany does not make provision for Inheritance tax, however, the Irish Revenue Commissioners will give unilateral relief for any German Inheritance tax imposed. This relief would be given as a credit against Irish CAT arising on the same transfer.



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## Real Estate Transfer Tax

Real Estate Transfer Tax ("RETT") at a rate of 3.5% (4.5% in Berlin) will be applied to the acquisition cost of the Properties. In purchase agreements, the tax burden will typically be assumed by the purchaser. However, by law the contracting parties are jointly and severally liable for RETT. Please note that the competence of determining the tax rate for RETT has been shifted from the federal to the state level. Federal states now have the power to deviate from the 3.5% rate.

## Value Added Tax

As a general rule, the transfer of real estate is exempt from Value Added Tax ("VAT") in Germany. However, the vendor may opt to apply VAT on the sale. This option to tax must be made by reference in the sale agreement. If the vendor opts to tax, the taxable supply of the property is subject to the reverse charge procedure. It will, therefore, be the German company as purchaser who is responsible for the VAT on the purchase. Whether a corresponding VAT reclaim on the purchase of the building can be made is dependent on whether the property is to be used for a taxable purpose. The property will be regarded as in use for a taxable purpose where it is leased to a VATable tenant and VAT is charged on the lease rentals. Rental contracts with individuals for residential purposes are not VATable.

The company can only charge VAT on leases granted to tenants if at least 95% of the tenants' use of the premises is VATable. If the tenants only provide VAT exempt services and the vendor opts for the purchase to be subject to VAT, the company will not be entitled to input VAT credit.

Therefore if VAT is charged to the company on the purchase of the properties that are selected, we will endeavour to ensure that the tenants to whom the building is leased are using the building for taxable purposes as outlined above to ensure that no irrecoverable VAT cost arises to the syndicate.

## General

The information contained herein is based on the understanding of tax legislation and the current interpretation thereof and is subject to change without notice. It is possible that any legislative changes may have a retrospective effect. Thus the tax treatment for an investor is subject to variation.

This section has necessarily been written in general form and does not take account of the particular circumstances of each investor. Investors should take separate advice on issues relevant to their own circumstances.

This outline of the tax implications of the transaction is based upon the understanding that all the investors are Irish tax resident individuals. Separate advice should be obtained where this is not the case. The analysis is based upon the assumption that the Company would not be considered as a close company in accordance with Irish tax legislation, had the company been Irish resident.



# Section B

## Fees and Charges

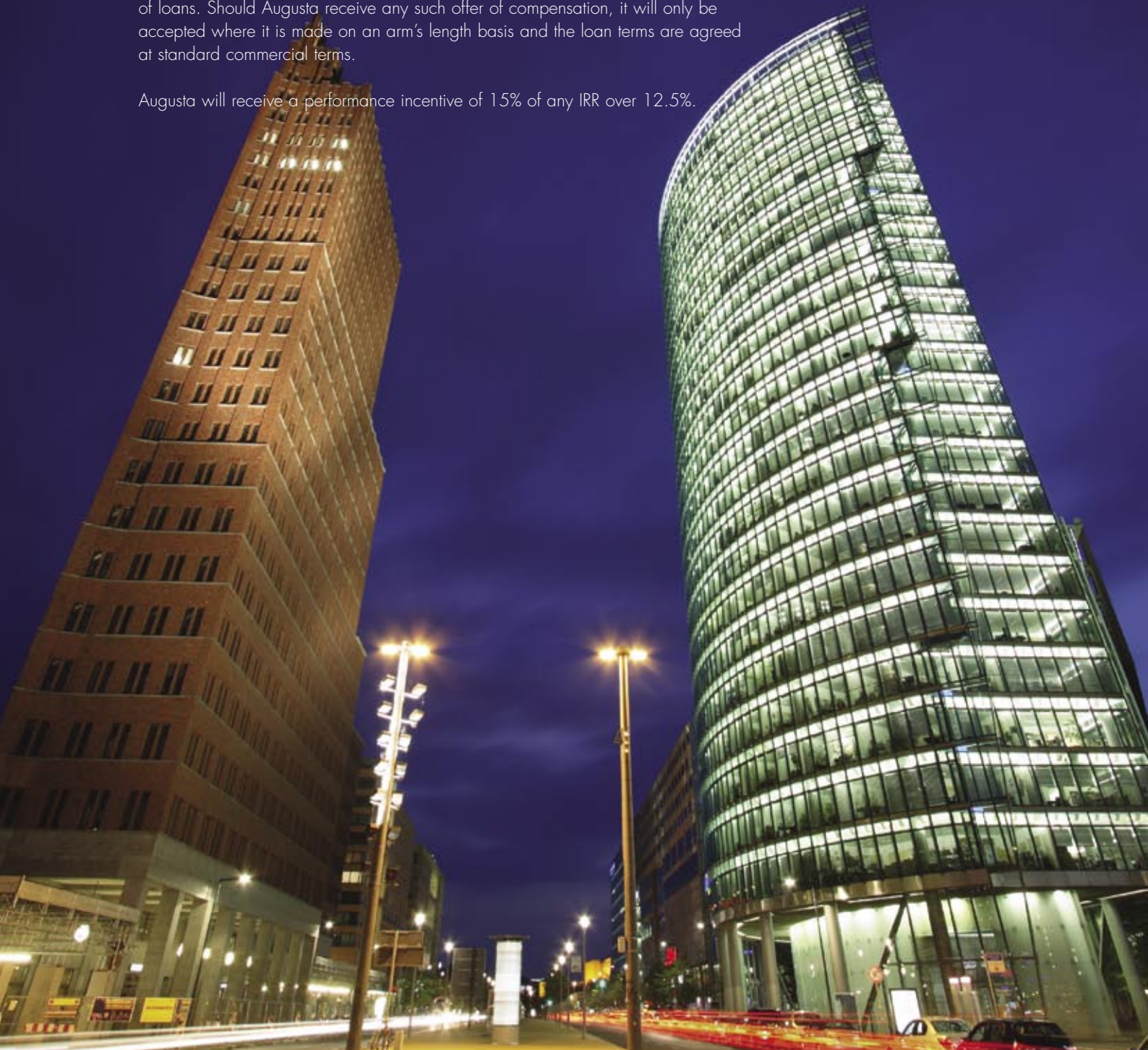
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### Management company fees and charges

No remuneration will be paid to the Directors of the Company, in their capacity as such. There are common Directorships between the Company and Augusta. The fundraising costs, professional set up fees and marketing costs are paid to Augusta in order to discharge third party costs. Where these costs exceed the stated amounts Augusta will absorb the difference, however where the costs are less Augusta will retain the difference. Augusta will receive one third of the agent fees. Augusta will receive the full benefit of the 0.75% annual management charge. See assumptions v, vi and vii in Section D.

Banks sometimes choose to compensate for work done in supporting the arrangement of loans. Should Augusta receive any such offer of compensation, it will only be accepted where it is made on an arm's length basis and the loan terms are agreed at standard commercial terms.

Augusta will receive a performance incentive of 15% of any IRR over 12.5%.





# Section C

## Corporate Structure

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### Share Capital and Structure

The Issued and Authorised Share Capital of the Company is €25,000. Investment into the Company will be by way of the purchase of Units. These Units will be issued in denominations of €10,000. The minimum investment is €50,000 and further units of €10,000 may also be purchased.

An Irish registered nominee company, The Seventh Augusta Nominees Limited (the “Nominee”), has been established to facilitate investment into the Company. The investors’ Units will be issued to the Nominee. The Nominee will hold Units on behalf of the investors pursuant to terms of individual Nominee Agreements and will issue a Nominee Certificate to the investors evidencing same.

### Material Contracts

The Company has entered into a Heads of Terms Agreement with APS Augusta Property Services Limited (“Augusta”) in connection with the future management and administration of the Company. Augusta and the Company have common Directors.

### Directors’ Interest

The Directors, in their personal capacity, have provided the seed capital for the Company and, as such, will benefit from any increase in value, along with other investors, upon the final disposal.

### Reports to Investors

Investors will receive an annual report comprising a review of the Company’s performance during the year, audited accounts, and a valuation of the Company. A regularly updated web site will show the progress of the Company. This website can be found at [www.augusta7.ie](http://www.augusta7.ie)

### Contact Details

The Seventh Augusta Syndicate – Germany GmbH  
c/o The Seventh Augusta Nominees Limited  
Longford House  
Longford Place  
Monkstown  
Co. Dublin.  
Email [info@augusta.ie](mailto:info@augusta.ie)  
Phone 01 2300858  
Fax: 01 2300868





# Section D

## Illustrative Financial Returns

### Key Assumptions

Illustrative financial returns have been calculated using the following key assumptions:

- i. The Company receives a total of €7 million from the Placing;
- ii. The properties are purchased for €25.5 million using debt finance as to 80% of the property cost;
- iii. An amortisation of 2.25% of the Bank loans are paid per annum and surplus cash is used to pay off bank borrowings as and when practicable;
- iv. Interest rate on borrowings averages at 5.8% for the five year period;
- v. Fundraising costs will be 3% of total equity investment;
- vi. Augusta's annual company management charge will be 0.75% of the initial capital cost of the properties;
- vii. Initial once-off property purchase and setup costs of 3.5% for stamp duty (RETT), 3% for broker fees, 1.4% for legal, notary and survey fees and 0.75% professional setup fees and marketing costs;
- viii. Annual owner's maintenance of 0.3% of the cost of the properties. Property management charge 2% of rental income;
- ix. Income tax payable on rents in Germany remains at 26.375%;
- x. The portfolio appreciates at an average rate of 5% per annum
- xi. Rental growth averages 2.5% per annum.

### Potential Investment Returns

The below returns are based upon the above assumptions.

Unaudited illustrative projected returns, net of Augusta's performance incentive:

Initial Investment	€50,000	€100,000	€250,000	€500,000	€1,000,000
Projected Distribution in Year 5	€96,982	€193,963	€484,908	€969,816	€1,939,632

"An initial investment of  
€100,000 should yield  
over €193,900  
after 5 years."











# Section E

## Application Procedure

### Procedure and conditions for application

To participate in the Company, completed application forms must reach the Company by the closing date. The applications list will close at 6pm on 14 November 2007 (the "Closing Date").

The Directors reserve the right to reject any application in whole or in part and also to extend the Closing Date. The Company will not proceed unless a minimum investment level of €2.5 million has been received. Monies will be returned to the applicants, without interest, within 28 days after the Closing Date if the minimum subscription level is not achieved.

The minimum subscription which an investor may make is €50,000. Subscriptions above this minimum level must be made in multiples of €10,000. It is possible to apply for Units on behalf of others and in joint names where required **provided that the minimum amount invested by each joint investor is at least €50,000.**

It is possible to secure an investment by way of a 10% deposit. To do this, an investor must complete the application form as normal and return it to the Company, along with the 10% deposit, on or before the Closing Date. The investor will then have a further 30 days with which to provide the remainder of their investment. Please note, this deposit is refundable only up to the Closing Date, after which it is non-refundable. The investor will not be entitled to proceed with the investment unless the minimum individual subscription is achieved.

Once an investor's application has been accepted by the Company, the investor will be issued with a Nominee Agreement for signature and return. The Nominee Agreement will regulate the relationship between the Nominee and investor and also provides for the manner in which investor funds are to be held and invested by the Nominee. The investor must return the signed Nominee Agreement to the Company within 21 days of receipt.

Applications to participate in the Company will be considered only on the terms and conditions of this document. A completed application form will be accepted only if it is accompanied by an appropriate subscription payment. If a discrepancy arises between the application form and monies tendered, the amount of monies tendered will be taken to be indicative of the number of Units to be allotted.

The Directors may, at their absolute discretion, without assigning any reason, decline to accept an application for Units in the Company without liability for interest and any resulting loss or damage.

The Directors may, at their absolute discretion, without assigning any reason, alter the investment structure or legal structure outlined herein.

### Checklist for application

- a) Completed application form and
- b) Cheque/Bank Draft made out to The Seventh Augusta Nominees Limited. Please ensure cheques are crossed and marked "A/C Payee, Not Negotiable".

### Send to

The Seventh Augusta Syndicate – Germany GmbH  
c/o The Seventh Augusta Nominees Limited  
Longford House, Longford Place  
Monkstown, Co. Dublin.

So as to be received no later than 6.00 p.m. on 14 November 2007.  
Please use the prepaid envelope provided.



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## Application form

The Seventh Augusta Syndicate - Germany GmbH  
c/o NSL Consulting GmbH,  
Charlottenstraße 57,  
10117, Berlin,  
Germany

I hereby apply for \_\_\_\_\_ Units of €10,000 each at a subscription price of €10,000 each  
and enclose a Cheque/Bank Draft made payable to "The Seventh Augusta Nominees Limited" in the amount of  
€ \_\_\_\_\_ (Minimum investment is €50,000 per investor).

### Please use block capitals

Please tick: Mr. ☐ Mr. & Mrs. ☐ Ms. ☐ Mrs. ☐ Other \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

1. I/we hereby accept that, subject to the compliance by the directors with their duties and obligations, under no circumstances whatever shall I be entitled to hold the directors liable for any default, act or omission by the directors or the failure or loss of any kind by the Company.
2. In the event that I/we do not, within 21 days of receipt, return a signed Nominee Agreement to the Company, I/we hereby irrevocably appoint either of the directors of the Company as my/our attorney with full power and on my/our behalf to enter into the said Nominee Agreement on my/our behalf.

Signature: \_\_\_\_\_









c/o Longford House, Longford Place, Monkstown, Co. Dublin.

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