

10th December, 2008

Dear Client,

SUBJECT: Changes to Client classification due to the incorporation of MiFID

As a CySec licensed investment firm, licence number # 077/06, we are required to inform you of the incorporation of the EC Directive 2004/39/EC, entitled the “Markets in Financial Instruments Directive” (MiFID) transposed into Cyprus Legislation, by the Investment Services & Activities and Regulated Markets Law. A requirement of the new law is to classify Cyprus Investment Firm (CIF) clients under the following categories, as part of the measures in force to protect the investors:

1. *Professional Client*
2. *Eligible Counterparty*
3. *Retail Client*

The definitions of each of the above classifications are as follows:

1. *Professional Client*

Professional Clients are those that have enough experience and knowledge of financial markets to take investment decisions and evaluate the risks therein. These clients may be entities which are required to be authorised or regulated in order to operate in the financial markets, a national and federal government or central bank, institutional investors whose main activity is to invest in financial instruments or large undertakings that fulfill at least two of the following three size requirements:

- net annual turnover of EUR 40.000.000
- balance total of at least EUR 20.000.000; and/or
- own capital of at least EUR 2.000.000

2. *Eligible Counterparty*

Eligible Counterparties are those institutions that are registered as credit institutions, insurance undertakings, pension funds and other financial institutions authorized by an EU member state or regulated under community legislation or the national law of a member state.

3. *Retail Client*

A Retail Client is one that is neither classified as a Professional Client nor Eligible Counterparty, and receives a greater level of regulatory protection for being classified as such.

MeritKapital has you classified as a retail client; should you wish to change your classification from retail to professional, two of the following criteria must be fulfilled:

- must have carried out transactions, in significant size, on the relevant market at an average frequency of 10 transactions per quarter over the previous four quarters
- must have an investment portfolio exceeding EUR 500.000; and/or
- must have at least one year experience in a professional position, which requires knowledge of the transactions or services envisaged

A change of classification from retail or eligible to professional shall entail professional treatment and will therefore receive a lower level of protection.

We hope that this informational has been succinct and useful and await to hear from you should you have any queries in this regard.

Kindest regards,

Persella D. Ioannides
Director