

Kaiser Ritter Partner
Privatbank AG

General MiFID Information Brochure



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Introduction

On 21 April 2004, the European Union adopted the Markets in Financial Instruments Directive (MiFID) as a European framework directive. It is a component of the overall package of measures by the EU to strengthen the European financial market. MiFID is supplemented by a further directive and a regulation with detailed provisions.

The goal of MiFID is to ensure a uniform legal framework for the provision of investment services and investment activities by financial service providers and thereby to strengthen competition among providers and improve investor protection.

As a member state of the European Economic Area (EEA), Liechtenstein is required to implement this EU directive into national law. Implementation is accomplished by adapting the Liechtenstein Banking Act and the associated Banking Ordinance.

Goal, purpose, and content of this brochure

The Banking Act and the associated Banking Ordinance of the Principality of Liechtenstein demand that as of 1 November 2007, banks providing investment services and/or ancillary services must furnish their clients with detailed information on the services and products they offer. This brochure is intended to give you an overview of the Bank and its services in connection with the performance of investment services. The core of the brochure is the third part on client classification and the fourth part on investment services and financial instruments offered by the Bank.

The brochure does not claim to cover all aspects of the investment business in a comprehensive manner. Where necessary, the brochure refers to additional materials that the Bank has already given you or that may be obtained for free from the Bank. The table of contents and a detailed index in the annex will help you find your way quickly in the brochure. Study this brochure carefully and do not hesitate to ask us if you have any questions.

The brochure uses numerous technical terms and expressions. It relies on the terminology already used by the legislature. Where it appears necessary, we have explained terms in footnotes or referred to the relevant legal foundations.

We reserve the right to inform you only of significant changes to the content of this brochure.

1. General information

1.1 Information on the Bank

Kaiser Ritter Privatbank AG, hereinafter «Bank», is domiciled at the following address:
Herrengasse 23, Postfach 725
FL-9490 Vaduz, Fürstentum Liechtenstein

It is registered as a bank in the legal form of a company limited by shares in the public registry of the Principality of Liechtenstein. For its activities as a bank, it holds a license issued by the Liechtenstein Financial Market Authority (FMA), Heiligkreuz 8, P.O. Box 684, FL-9490 Vaduz, and is subject to FMA supervision.

The Bank is a member of the Liechtenstein Bankers Association and, for purposes of protecting client assets, has joined the Deposit Guarantee and Investor Protection Foundation of the Liechtenstein Bankers Association. The scope of the liabilities protected by the Deposit Guarantee and Investor Protection Foundation is set out in a fact sheet published by the Liechtenstein Bankers Association, which may be obtained from the Bank or directly from the Liechtenstein Bankers Association.

Additional information on the organization and structure of the Bank can be found in the business report, which we will be happy to provide to you upon request.

1.2 Language and means of communication

The official language for the contractual relationship between the Bank and our clients is German. However, you may always communicate with us in English or – upon prior agreement – in another language. As a rule, contractual materials and documents are provided in English, unless otherwise agreed between the Bank and the client.

As a rule, we will communicate with you in writing. Orders and notifications by telephone, fax, or e-mail are only accepted on the basis of a separate written agreement. If such an agreement exists and if you use one of these channels to communicate with us, we reserve the right to contact you in the same way.

2. Terms of contract and business

The rights and duties applicable between the Bank and you in connection with the performance of investment services and/or ancillary services are governed by the terms of contract and business. In particular, the General Business Conditions (GBC) and the Safe Deposit Regulations of the Bank apply in this regard. The present brochure serves as supplemental information.

3. Client classification

3.1 Classification by the Bank

Effective 1 November 2007, the Liechtenstein Banking Act applicable to the performance of investment services and ancillary services provides for the client categories of «non-professional client», «professional client» and «eligible counterparty». The banks are required to classify their clients in accordance with precisely defined criteria in one of the aforementioned client categories. If we have not already done so, we will inform you of your client classification. The classification serves to ensure treatment of our clients in accordance with their knowledge, experience with transactions in financial instruments, as well as type, frequency, and scope of such transactions.

3.1.1 Non-professional client

We consider you to be a «non-professional client» (sometimes also termed a «small investor» or «private investor») if you can neither be classified as a «professional client» nor as an «eligible counterparty». This classification entitles you to the highest legally provided level of protection.

3.1.2 Professional client

In order to classify you or your company as a «professional client», the criteria set out in point 2 of Annex 1 of the Banking Act must be met. A lower level of protection applies to a «professional client» than to a «non-professional client». In contrast to «non-professional clients», we assume in the case of «professional clients» that the acting persons have sufficient experience, knowledge, and expertise to make investment decisions and to adequately assess the associated risks.

3.1.3 Eligible counterparty

According to the Liechtenstein Banking Act, only supervised legal persons, large companies, governments, central banks, and international or supranational organizations may be considered eligible counterparties. The lowest level of protection applies to this category of clients, as we assume that the acting persons have sufficient experience, knowledge, and expertise to make investment decisions and to adequately assess the associated risks. In addition, we do not provide investment advice and asset management services to such clients. If a client classified as an eligible counterparty nevertheless wants to take advantage of such services, we will treat the client the same as a professional client.

3.2 Reclassification

At any time, you have the option of agreeing on a different classification with us in writing. Please note that a change of classification entails a change of the legally provided level of protection applicable to you. Accordingly, we draw your attention to the fact that we can only agree to such reclassification if specific conditions precisely described in the Liechtenstein Banking Ordinance are met. For instance, only clients who meet at least two of the following criteria may be reclassified from the status of «non-professional» to «professional client»:

- in the four preceding quarters, the client carried out an average of 10 transactions of significant volume each quarter
- liquid assets and financial instruments equivalent to more than 500,000 euros
- at least one year of experience in a professional position in the financial sector requiring knowledge of the planned transactions or services

To perform a reclassification from a «non-professional client» to a «professional client», you must submit a written application to the Bank. We will be happy to assist you in this regard. Your account representative will be happy to advise you on the precise modalities and effects of a reclassification.

Please note that we will in general only undertake a reclassification with respect to all investment services, ancillary services, and financial instruments.

If we should learn that you no longer meet the conditions for the client category in which you have been classified, we are required to undertake an adjustment of our own accord. We will then inform you immediately.

4. Information on the investment services and financial instruments offered by the Bank

4.1 Financial instruments

Trading in financial instruments¹ involves financial risks. Depending on the financial instrument, these risks may differ. In principle, a distinction must be made between so-called «non-complex» and «complex» financial instruments. What types of financial instruments exist and what risks they are associated with is explained in more detail in the brochure «Risks in Securities Trading».

¹ On the term «financial instrument», see Annex 2 Section C of the Liechtenstein Banking Act

4.2 Investment services and ancillary services

Wherever possible, we perform all types of investment services and ancillary services² for you, in particular in connection with the buying and selling of financial instruments and their custody. The Bank performs buying and selling transactions either as an execution only or no-advice transaction, or in the context of investment advice or asset management (also called «portfolio management»).

4.2.1 Execution only

We perform buying and selling transactions that are executed at your request and that concern «non-complex» financial instruments³ «execution only», i.e. as a pure execution transaction. In such cases – irrespective of your client classification – we do not verify whether the financial instrument in question is appropriate to your experience and knowledge. Buying and selling of the financial instrument is at your own risk in such cases.

4.2.2 Investment advice and asset management

At your request, we perform investment advice or asset management services. We consider «investment advice» to mean giving a personal recommendation to the client that relates to one or more financial instruments. The buying or selling decision remains with the client. We consider «asset management» to mean the management of a client's individual financial instruments or portfolios on a client-by-client basis and in accordance with the investment strategy agreed between the client and the Bank. In the case of asset management, the client delegates the decision on the individual investment to be made to the Bank. We only accept an asset management assignment on the basis of a separate asset management agreement in writing.

In the case of both investment advice and asset management, we must by law obtain various information in advance, if such information is not already available. Where relevant, this includes information on:

1. your knowledge and experience in the investment business, including:
information on the type of services, transactions, and financial instruments with which you are familiar and the type, scope, and frequency of the transactions with financial instruments you carry out, educational experience and profession or previous professional activities.
2. your investment goals, including:
information on the planned investment purpose, the investment time horizon, your risk appetite, and the risk profile.
3. your financial situation, including:
information on the origin and amount of regular income and regular liabilities, and on your total assets including liquid assets and real estate.

² A detailed catalogue of investment services and ancillary services can be found in Annex 2 Sections A and B of the Banking Act

³ on the term «non-complex financial instrument», see Annex 2 Section B of the Liechtenstein Banking Ordinance

Only by obtaining this information are we able to recommend suitable transactions with financial instruments or to perform such transactions in the context of asset management. We only consider services and financial instruments to be suitable if they are compatible with:

- your investment goals
- the investment risks which you can bear financially
- the risks which you are able to understand on the basis of your knowledge and experience (suitability test)

If you have been classified as a «professional client», we assume that you have the requisite knowledge and experience and that you can financially bear any risks associated with the transaction.

To assess the experience and knowledge of legal persons, we look at the natural persons acting on behalf of the legal person vis-à-vis the Bank. For this purpose, we compile a uniform profile of the experience and knowledge applicable to the entire legal person, in consultation with these natural persons.

If a power of attorney exists, we look at the experience and knowledge of the persons who act vis-à-vis the Bank. For your protection, in cases of doubt we look at the person who has the lesser knowledge and experience with respect to the risks associated with the transaction in question.

In our assessment, we rely on the information you provide and assume that such information is accurate. Should you fail to provide us with the information we request or if such information is insufficient, we are prohibited by law from giving you recommendations. It is therefore in your own interest to provide us with the required information.

4.2.3 No-advice transaction

Buying or selling transactions that are executed neither in the context of investment advice nor asset management nor as an execution only transaction are executed as no-advice transactions. In this case, we must again by law obtain the abovementioned information on your knowledge and experience in the investment field, in order to assess whether, on the basis of your experience and knowledge, you are able to understand the risks associated with the service or financial instrument (appropriateness test). However, your ability to financially bear the investment risks associated with the service or financial instrument is not verified. Similarly, no investment goal is defined.

If you have been classified as a «professional client» or even as an «eligible counterparty», we assume that you have the requisite knowledge and experience to understand the associated risks.

In the case of legal persons or if a power of attorney exists, the comments set out in point 4.2.2 apply.

If, upon assessing appropriateness, we conclude that the service or financial instrument is not appropriate for you, or if we do not have all necessary information available to assess appropriateness, we will warn you accordingly. If we are unable to reach you for purposes of such a warning, whether because you have requested that we do not contact you or because we cannot reach you on short notice, we reserve the right to refrain from executing the order, for your protection⁴.

⁴ See also the General Business Conditions of the Bank

5. Principles of executing orders

We perform all investment services and ancillary services in an honest, fair, and professional manner and in the best interest of our clients. We take all measures that appear necessary in our estimation to achieve the best execution of client orders. In this regard, we take adequate account of the various types of clients. We have summarized the principles according to which we execute the orders of our clients in the document «Principles for Executing Orders in Financial Instruments».

6. Costs and associated charges in connection with investment services and ancillary services

Our costs and associated charges in connection with investment services and ancillary services provided by the Bank are determined in accordance with our general fee schedule.

7. Principles for dealing with conflicts of interest

We have taken a range of measures to avoid potential conflicts in advance between your interests and the interests of the Bank, our employees, or other clients. We have summarized these measures for you in the document «Information on Dealing with Potential Conflicts of Interest».

8. Client statement / Reporting

Immediately upon executing a securities transaction on your behalf, we will send you a corresponding statement (transaction statement). Prior to execution of your order, we will only inform you of the status of execution upon your express wish or if any difficulties arise with respect to execution of the order. On a periodic basis, as a rule as of the end of the year, we will send you an itemization of the financial instruments held on your behalf (safe custody statement), unless such an itemization has already been transmitted in another periodic statement. Upon special request, we will issue additional statements to you. These provisions are subject to other special agreements concluded.

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