DIVISION RESOLUTION

This Division Resolution ("**Division Resolution**") has been drawn up on April 30th 2008 by a public limited company MERKO EHITUS, registry code 10068022, seated at Järvevana tee 9G, Tallinn, 11314 ("**Company Being Divided**").

1. THE PURPOSE OF THE DIVISION RESOLUTION

As provided by the Commercial Code ("CC"), the division resolution is a written report in which the division and division agreement ("**Division Agreement**") shall be explained and justified legally and economically (CC § 436).

2. ECONOMIC ASPECTS OF THE DIVISION AND DIVISION AGREEMENT

2.1. The purpose of the division is the re-structuration of the company and separating the economic activities and criminal proceedings no. 05913000055 on exchange of land to assure the sustainable development of the company and to protect the interests of the shareholders and employees under the conditions of long-term hearing of the criminal proceedings on exchange of land.

2.2. According to the Division Agreement, the Company Being Divided will be the owner of registered immovable for the value of 100,000,000 (one hundred million) Estonian kroons, an unsecured, interest-bearing claim with the value of 125,000,000 (one hundred and twenty five million) Estonian kroons against the Recipient company and 25,000,000 (twenty five million) Estonian kroons in cash on bank accounts. The Recipient company and the Company Being Divided will also have the option rights regarding the registered immovable, specified in Annex no. 3 to the Division Agreements ("**Registered Immovable"**), and unsecured loan with the principal amount of 7,989,000 (seven million nine hundred eighty nine thousand) euros, stating that the Company Being Divided may, at any time, sell the Recipient company all or some or the Registered Immovable and/or demand the repayment of the principal loan amount or its multiple accumulated interest in the amount of 500,000 (five hundred thousand) euros, at thirty day notice, in both cases. According to the opinion of the Management, the suggested scheme is complying with the economic interests of both companies in the best possible way, securing their reliability for the possible creditors and partners.

2.3. According to the plans of the major shareholders and Management of the Company Being Divided, the Recipient company intends to request the listing of its shares at the Baltic Market Stock Exchange in Tallinn at the first possible opportunity after the company has been entered into Commercial Register, following the division. After the completion of the planned process, two different companies should be listed at the Baltic Market Stock Exchange in Tallinn – Recipient company, involved in building and development activities, bearing the name of a public limited company MERKO EHITUS and the company carrying on with the criminal proceedings on the matters related to the exchange of land, public limited company Järvevana (formerly known as a public limited company MERKO EHITUS).

2.4. All the subsidiaries and related parties of the Company Being Divided will be transferred to the Recipient company in the division process.

3. THE PROCESS OF DIVISION AND LEGAL ASPECTS OF THE DIVISION AGREEMENT

3.1. The division process shall involve a procedure of the Company Being Divided transferring part of its assets to a new company to be established ("**Recipient company**") (CC § 434 (4), (5)).

3.2. The Division Agreements was signed on April 30th 2008 (CC §§ 435, 449 (4), 471) and will enter into force upon approval by the general meeting of shareholders of the Company Being Divided (CC § 440 (1)). A division resolution shall be adopted if at least two-thirds of the votes represented at the general meeting are in favour (CC § 465 (1)).

3.3. The Company Being Divided submitted a Division Agreement to the registrar of the Commercial Register on April 30th 2008 and published a notice concerning entry into the Division Agreement in the official publication *Ametlikud Teadaanded* on April 30th 2008 (CC § 463 (4)).

3.4. The Division Agreement has been inspected by a public limited company PricewaterhouseCoopers, which also drafted a written report on April 30th 2008 ("**Auditor's Report**"), stating that the share exchange ration represents an appropriate consideration for the shareholders of Company Being Divided and that division shall not result in damaging the interests of the creditors of the Company Being Divided (CC §§ 437, 439, 462).

3.5. A notice for convening the general meeting shall be published in a national daily paper Postimees on May 2nd 2008, convening the general meeting on June 3rd 2008. The division agreement, the division report, the Auditor's Report and the three preceding annual reports and activity reports of the companies participating in division will be made available to all the shareholders at least one month before the general meeting to decide on a division (CC § 463 (1)).

3.6. In relation to the establishment of the Recipient company, the Management of the Recipient company shall assess and report in writing whether the assets transferred by the Company Being Divided are sufficient for the share capital of the Recipient company being founded (CC §§ 249, 468).

3.7. According to the Estonian Central Register of Securities Act ("**ECRSA**") the Company Being Divided shall notify the Estonian Central Register of Securities of being divided (ECRSA § 21 (2) 3)), whereas the notice to the CRS shall be submitted before the submission of petition for entry of the division in the commercial register (CC § 442 (1) 9)).

3.8. The petition for entry of the division in the commercial register of the seat of the company not earlier than one month after approval of the division contract (CC § 443 (1)). First, entry will be made on the establishment of the Recipient company and then in the division of the Company Being Divided. All assets of a Company Being Divided or, upon separation, the separated assets, shall transfer to the recipient companies pursuant to the distribution prescribed in the Division Agreement as of entry of the division in the commercial register of the seat of the Company Being Divided and the shareholders of the company being divided shall become partners or shareholders of the recipient companies pursuant to the Division Agreement on a date disclosed previously (CC §§ 445, 446).

3.9. Immediately after a division has been entered in the commercial register of the seat of the Company Being Divided, the company participating in the division shall publish a division notice in the publication *Ametlikud Teadaanded* (CC § 447 (2^1)).

4. THE EFFECT OF DIVISION ON SHAREHOLDERS, CREDITORS AND EMPLOYEES

The Effect on Shareholders

4.1. The shareholders of the Company Being Divided shall become shareholders of the recipient companies upon the entry of the division in the commercial register of the seat of the Company Being Divided they shall be entitled to all the rights of shareholders in the recipient companies, as prescribed in the Articles of Association of the recipient company, constituting an Annex to the Division Agreement.

4.2. The Company Being Divided shall undertake to transfer all the chares of the recipient companies, to the entitled shareholders of the Company Being Divided within ten (10) days as of the entry of the division in the commercial register of the seat of the Company Being Divided, as latest.

4.3. The shares in the recipient company shall entitle the holders to the profit made by the recipient company as of the entry of the division in the commercial register of the seat of the Company Being Divided.

The Effect on Creditors

4.4. In the process of division, the recipient company shall take over the business of the Company Being Divided, including the liabilities of the Company Being Divided, with the exception of liabilities arising from the criminal proceedings no. 05913000055, including the damages, fines, penalty payment and other possible claims and expenditures related to legal assistance.

The Effect on Employees

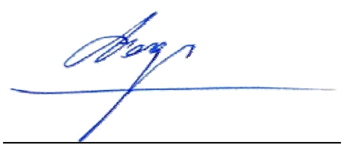
4.5. According to the Employment Contracts Act ("**ECA**") the contracts of employment of the Company Being Divided will be assigned to the recipient company and the current working conditions will be maintained (ECA § 6 (1)). The Company Being Divided shall notify the employees of the divisions, as prescribed by the Employment Contracts Act and the requirements provided by the Employees Representatives Act.

5. REPLACEMENT OF SHARES

5.1. In the process of divisions, the shareholders of Company Being Divided shall become shareholders in the recipient company, becoming the owners of 17,700,000 (seventeen million seven hundred thousand) shares of the recipient company with the nominal value of 10 (ten) Estonian kroons, totalling to 100 (one hundred) per cent of the share capital of the recipient company. The share replacement ratio will be 1:1 (one for one), that is, every shareholder of the Company Being Divided shall get one share of the recipient company for every share of the Company Being Divided.

5.2. Additional payment will not be made upon division.

5.3. According to the Auditor's Report, there were no difficulties with determining the share replacement ratio (CC § 436 (1)).



Alar Lagus
Member of the Management Board