

APPROVED BY:
General Meeting of Shareholders
of SISTEMA-HALS Open Joint Stock Company
“ _____ ” _____ 2008.

Minutes No. _____

Presiding Chairman at the session of the General Meeting of Shareholders
of SISTEMA-HALS Open Joint Stock Company

**REGULATIONS
ON
THE BOARD OF DIRECTORS
OF
SISTEMA-HALS
OPEN JOINT STOCK COMPANY**

Moscow, 2008

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1 GENERAL PROVISIONS

- 1.1 These Regulations have been developed in conformity with the existing law of the Russian Federation and the Charter of SISTEMA-HALS Open Joint Stock Company (hereinafter referred to as “the Company”).
- 1.2 These Regulations specify a procedure of generation, status, composition, functions, aims and tasks, authorities of the Board of Directors, its operation and interaction with other management bodies of the Company.
- 1.3 These Regulations shall be approved by a General Meeting of shareholders of the Company and may be amended and cancelled only by a decision of this management body of the Company.
- 1.4 The Board of Directors is a collegial management body of the Company exercising general management of its activities, except solution of issues, delegated to competency of the General Meeting of shareholders of the Company, and shall be governed by the existing law of the Russian Federation, the Charter of the Company, resolutions of General Meetings of shareholders, these Regulations and other internal normative acts of the Company.
- 1.5 Resolutions by General Meetings of shareholders shall be binding upon for execution by the Board of Directors of the Company within its competency.
- 1.6 Resolutions by the Board of Directors shall be binding upon for execution by executive bodies of the Company.

2 TARGETS AND TASKS OF THE BOARD OF DIRECTORS. RIGHTS, DUTIES AND RESPONSIBILITY OF MEMBERS OF THE BOARD OF DIRECTORS. GENERATION OF COMPOSITION OF THE BOARD OF DIRECTORS.

2.1 Aims and tasks of the Board of Directors

2.1.1 Major aims of the Board of Directors shall be:

- 1) development and analysis of general corporate strategy, control over its implementation;
- 2) procurement of control and appraisal of activities exercised by executive bodies and officials of the Company;
- 3) improvement of capitalization of the Company , extension of its positions in the market, achieving and preserving competitive ability of the Company ;
- 4) preservation of sustainable financial standing, increasing proceeds, profitability of the Company ;
- 5) protection of rights and statutory interests of the Company’s shareholders.

2.1.2 To implement the above targets the Board of Directors shall solve the following tasks within its competency:

- 1) Development of strategic and general economic policy of the Company, control over its implementation;
- 2) Exercising permanent control over activities by executive bodies and officials of the Company ;
- 3) Arrangement of execution of resolutions by General Meetings of shareholders, the Board of Directors;
- 4) Specification of advanced and priority directions in the Company’s activities;
- 5) Generation of an efficient organizational structure and management system of the Company;
- 6) Appraisal of political, financial and other risks affecting the Company’s activities;
- 7) Securing sustainable financial standing of the Company;
- 8) Approval of plans and budgets of the Company;
- 9) Specification of policy for implementing investments and participating in other organizations;
- 10) Appraisal of results of activities of the Company and its bodies;
- 11) Specification of terms and conditions for paying dividends;
- 12) Specification of criteria for generating managerial staff;

- 13) Development of incentive systems and methods of promotion of executive bodies and staff;
- 14) Procurement of disclosure of complete and objective data on the Company;
- 15) Procurement of observance by the Company of the existing law of the Russian Federation;
- 16) Procurement of observance of corporate management principles;
- 17) Procurement of efficient internal control system.

2.1.3 Competency of the Board of Directors shall be specified by the Charter of the Company.

2.2 Rights of the Board of Directors and its members

2.2.1 The Board of Directors shall be entitled to:

- 1) hear reports by officials of the Company within its competency;
- 2) demand audit of financial and economic activities of the Company by the Revision Commission;
- 3) establish committees, commissions and other structural divisions under the Board of Directors to solve tasks both out of its members and mobilizing experts of the Company and independent experts;
- 4) propose candidates to be elected to the Board of Directors and Revision Commission if it is not done by shareholders or such number of candidates is insufficient;
- 5) introduce proposals to the General Meeting of shareholders in respect of Auditors of the Company ;
- 6) with a view to procure fulfillment by the Board of Directors of its functions create a Staff of the Board of Directors or a similar structural division;
- 7) mobilize external independent experts to carry out expert examinations;
- 8) perform other actions within its competency.

2.2.2 A member of the Board of Directors shall be entitled to:

- 1) demand from officials and employees of the Company to submit any data (documents and materials) and explanations relating to activities of the Company. A request to submit such data shall be communicated via the Secretary of the Board of Directors addressed to the Chairman of the Board of Directors and should be signed by its initiator, i.e. a member of the Board of Directors;
- 2) be paid remuneration for execution of his/her duties and/or reimbursement for expenses relating to execution of functions of a member of the Board of Directors in a procedure specified by the General Meeting of shareholders and pursuant to Regulations on remunerations and compensations paid to members of the Board of Directors;
- 3) request to introduce his/her own individual opinion in the minutes of a session of the Board of Directors on the agenda issues and resolutions passed;
- 4) in order to improve efficiency of his/her activities in the Board of Directors and Committees of the Board of Directors improve his/her qualification at the cost of funds of the Company's budget. A request shall be communicated via the Secretary of the Board of Directors addressed to the Chairman of the Board of Directors and should be signed by its initiator, i.e. a member of the Board of Directors.

2.3 Duties of Members of the Board of Directors

2.3.1 Activities of a member of the Board of Directors shall be continuous and not be reduced to participation in sessions of the Board of Directors and passing resolutions by the Board of Directors.

2.3.2 A member of the Board of Directors shall be obliged to:

- 1) Be loyal to the Company. A member of the Board of Directors shall not be entitled to operate opportunities of the Company for otherwise specified by the Charter of the Company and these Regulations. The term "Opportunities of the Company" means the Company's property, property rights and intangible assets owned by the Company, insider data relating to plans and intentions of the Company;

- 2) operate within his/her rights and duties and in conformity with targets and tasks of the Board of Directors;
- 3) operate in a wise manner, with due diligence and care in respect to the Company's affairs;
- 4) initiate sessions of the Board of Directors to solve urgent problems;
- 5) participate and take active part in preparation and discussion of issues discussed at sessions of the Board of Directors;
- 6) participate in making decisions by the Board of Directors by voting for agenda issues;
- 7) make reasoned decisions and for the purpose examine all data required (materials), conduct investigations and bring to notice of all members of the Board of Directors every last data relating to making decisions;
- 8) participate in the work of Committees of the Board of Directors a member of which he/she is;
- 9) at least 1 time in 3 months furnish the Company with the following written data: his/her personal data and his/her affiliated persons, as well as other data and documents required for the Company to observe the existing law of the Russian Federation and achieve targets specified in Annex No.1 hereto. In the event of changing the above data a member of the Board of Directors shall be obliged to promptly advise the Company of it;
- 10) bring to notice of the Board of Directors, Revision Commission and Auditors of the Company data on planned transactions in which he/she may be interested, including:
 - on legal entities in which they own individually or jointly with other affiliated persons 20 or higher percentage of voting shares (participatory interest);
 - on legal entities, in management bodies of which they occupy posts;
 - on known or planned transactions in which they may be acknowledged to be interested.
- 11) Advise the Board of Directors of his/her intention to participate in the authorized capital or in the work of management bodies of competitors;
- 12) Disclose data on the Company's securities, as well as on sale and/or purchase of the Company's securities, advise the Chairman of the Board of Directors of his/her intention to close a deal with the Company's securities;
- 13) Be present at General Meetings of shareholders and respond to questions asked by participants of such General Meetings, perform instructions of the Board of Directors of the Company, procure execution of decisions made by the Board of Directors and General Meetings of shareholders of the Company;
- 14) Observe provisions of the Regulations of Insider Data approved by the Company.

2.4 Responsibility of the Board of Directors of the Company

2.4.1 Members of the Board of Directors shall bear responsibility to the Company for damage caused by their guilty activity (inactivity) pursuant to the existing law of the Russian Federation. In so doing members of the Board of Directors who voted against (or who has not participated in voting) making a decision, which caused damage to the Company, shall not bear responsibility for after-effect of such decision.

2.4.2 Members of the Board of Directors shall refrain from actions which lead or may lead to a conflict of their interest and that of the Company and should such conflict arise they shall disclose information on such conflict to the Board of Directors.

2.4.3 A member of the Board of Directors shall not be entitled to be presented gifts or remunerations in other forms by persons interested in making by the Board of Directors a decision providing direct or indirect privileges for such persons.

2.4.4 A member of the Board of Directors shall not be entitled to disclose any data constituting a commercial secret pursuant to provisions of existing internal documents.

2.4.5 The Company or a shareholder (shareholders), possessing in aggregate at least one percent of the Company's ordinary shares shall be entitled to file a case against a member of the Board of Directors of the Company to compensate for damage caused to the Company in cases set forth by the existing law of the Russian Federation.

2.4.6 The Company shall insure property responsibility of members of the Board of Directors arising as a result of actions or claims laid against the Director/Directors by third parties or shareholders of the Company due to business decisions or other actions committed by such Director/Directors when occupying by them a position of a member of the Board of Directors of the Company or its subsidiary companies.

2.5 Composition of the Board of Directors

2.5.1 A quantitative composition of the Board of Directors shall be specified by a decision made by a General Meeting of shareholders.

2.5.2 The Board of Directors of the Company may be composed of non-executive directors- members of the Board of Directors not being members of executive bodies of the Company.

2.5.3 Members of an executive body of the Company may not exceed 25 percent of the strength of the Board of Directors of the Company.

2.5.4 In the event that the number of members of the Board of Directors of the Company becomes less the number constituting quorum to hold sessions of the Board of Directors the Board of Directors shall be obliged to make a decision on holding extraordinary General Meeting of shareholders to elect new members of the Board of Directors of the Company. The remaining members of the Board of Directors of the Company shall be entitled to make a decision only on convocation of such extraordinary General Meeting of shareholders.

2.5.5 Withdrawn members of the Board of Directors mean: demised, untraceable and legally incapable persons.

2.6 Independent Directors

2.6.1 The Board of Directors of the Company may be composed of independent directors. An independent member of the Board of Directors shall be a member complying with the following criteria:

- 1) As at an election date he/she for recent 5 years has not been an employee or official of the Company or a group of parties of which the Company is a member;
- 2) For recent 3 years he/she has had no material business relations with the Company irrespective of the fact whether such relations have been direct, or a respective Director occupied in the post of a partner, shareholder, Director or an official of any company has which maintained appropriate relations with the Company, or such Director has not been a party under liabilities to the Company pursuant to terms and conditions of which he/she may acquire property (monetary funds), the cost of which may amount to or exceed 10 percent of his/her aggregate annual income, save remuneration for participation in activities of the Board of Directors of the Company;
- 3) He/she has not acquired nor acquiring an additional remuneration from the Company except for that for fulfilling functions of a member of the Board of Directors, participates neither in optional projects implemented by the Company nor in projects, remunerations on which are based on results of activities, nor in pension projects;
- 4) He/she has no close family relations and is not a spouse, parent, son or daughter, brother or sister of directors, officials, advisers, manager of the Company or officials of a management organization of the Company;
- 5) He/she is neither an affiliated person of the Company (save membership in the Board of Directors of the Company) and its affiliated persons, nor a manager of a subsidiary or affiliated company, a manager or an official of a management company, or its subsidiary or affiliated company; he/she is not a concurrent member of the Board of Directors of companies closely related to other members of the Board of Directors of the Company or otherwise related to other members of the Board of Directors of the Company via participation in companies or management bodies of respective companies related to other members of the Board of Directors of the Company;
- 6) He/she is not a representative of a large shareholder of the Company or state.

2.6.2 Upon expiry of 5 years performing duties of a member of the Board of Directors of the Company an independent member of the Board of Directors of the Company may not be considered to be independent.

2.7 Election Procedure and Termination of Authorities of Members of the Board of Directors

2.7.1 Members of the Board of Directors of the Company shall be elected at a General Meeting of shareholders in a procedure specified in the Charter of the Company, these Regulations and Regulations of General Meeting of shareholders for a period until a next annual General Meeting of shareholders. In the event that such annual General Meeting of shareholders failed to be held on dates specified in clause 1 of Article 47 of the Federal law “On Joint Stock Companies”, authorities of the Board of Directors of the Company shall be terminated, save authorities on preparation, convocation and holding an annual General Meeting of shareholders. Authorities of all members of the Board of Directors may be terminated ahead of schedule at an extraordinary General Meeting of shareholders.

2.7.2 A member of the Board of Directors may be any individual proposed by a shareholder or other persons or managerial bodies possessing the right to propose candidates to the Board of Directors pursuant to the existing law of the Russian Federation and elected by a General Meeting of shareholders in an established procedure. Persons proposed to be elected members of the Board of Directors shall be lodged requirements specified in Annex No.2 hereto.

2.7.3 Persons elected members of the Board of Directors of the Company may be reelected for unlimited number of times (save independent directors) pursuant to provisions of clause.2.6.2.

2.7.4 A member of the Board of Directors may not be concurrently a member of the Revision Commission of the Company.

2.7.5 Members of the Board of Directors may not be concurrently member of the Counting Board.

2.7.6 Shares of the Company possessed by newly elected members of the Board of Directors may not participate in voting when electing members of the Revision Commission of the Company.

2.7.7 Candidates to the Board of Directors shall be proposed in a procedure specified in the Charter of the Company and Regulations of General Meetings of Shareholders of the Company.

2.7.8 When proposing candidates to the Board of Directors shareholders shall furnish the Company with the following data on such candidates:

- 1) surname, first name, patronymic, passport details, contact data;
- 2) age;
- 3) data on education and scientific degrees;
- 4) data on positions occupied by a candidate during recent 5 years, as well as data on a candidate membership in management bodies of legal entities during recent 5 years;
- 5) data on proposing a candidate to the Board of Directors (and/or committees of the Board of Directors) or to be elected (designated) to a position in other legal entities;
- 6) data on a person who proposed such candidate;
- 7) data on possessing the Company’s shares by a candidate (with specification of their number);
- 8) data on a nature of relations between a candidate and the Company (whether such candidate is currently a member of a management or control body of the Company - a member of the Board of Directors, Executive Board, Revision Commission, President, whether he/she is a member of the Committee of the Board of Directors of the Company, or occupying any other positions in the Company; paid remuneration for participation in management and control bodies of the Company, for participation in the Committee of the Board of Directors, etc.);
- 9) a written consent by a candidate to be elected to the Board of Directors of the Company and consent for personal data processing (in conformity with the form specified in Annex No.3 hereto), signed by such candidate;

2.7.9 Members of the Board of Directors shall be elected at a General Meeting of shareholders by cumulative voting.

2.7.10 Authorities of the Board of Directors shall be terminated as of a date of making a decision by a General Meeting of shareholders to terminate authorities of the Board of Directors.

2.7.11 A decision by a General Meeting of shareholders binds prescheduled termination of authorities concurrently of all members of the Board of Directors of the Company at any time prior to expiry of such authorities.

3 MANAGEMENT OF THE BOARD OF DIRECTORS

3.1 Chairman, Deputy Chairman, Secretary of the Board of Directors

3.1.1 Chairman of the Board of Directors shall be elected by members of the Board of Directors out of the number of such members of the Board of Directors. The Chairman of the Board of Directors shall be elected in open balloting by simple majority of votes of the total number of members of the Board of Directors.

3.1.2 A person exercising functions of a single executive body of the Company may not be concurrently a Chairman of the Board of Directors.

3.1.3 The Board of Directors shall be entitled to reelect the Chairman of the Board of Directors at any time in future.

3.1.4 Members of the Board of Directors shall be entitled to elect a Deputy Chairman of the Board of Directors who will exercise functions of the Chairman of the Board of Directors in absence of such Chairman of the Board of Directors. The Deputy Chairman of the Board of Directors shall be elected in open balloting by simple majority of votes of the total number of members of the Board of Directors.

3.1.5 Members of the Board of Directors shall be entitled to elect a Secretary of the Board of Directors.

3.2 Functions of the Chairman of the Board of Directors

3.2.1 The Chairman of the Board of Directors shall:

- 1) Represent the Board of Directors and act in its name in relations between executive bodies of the Company, shareholders, third parties;
- 2) plan and arrange the work of the Board of Directors;
- 3) convene sessions of the Board of Directors and preside at such sessions;
- 4) specify a form of holding sessions;
- 5) generate agenda of sessions;
- 6) procure keeping minutes of sessions;
- 7) procure furnishing members of the Board of Directors with data on agenda issues to be discussed at a regular session;
- 8) procure public and open discussion of agenda issues, record opinions of all members of the Board of Directors when making decisions, summarize discussions and lay down decisions made;
- 9) announce proposals and opinions of members of the Board of Directors delivered to his/her name in respect of issues within competency of the Board of Directors;
- 10) sign outgoing letters and other documents by the Board of Directors;
- 11) on behalf of the Company sign a contract with the President or a management company;
- 12) preside at General Meetings of shareholders;
- 13) bear personal responsibility to the General Meeting of shareholders for arrangement of activities of the Board of Directors of the Company.

3.2.2 In absence of the Chairman of the Board of Directors of the Company and its Deputy their functions shall be exercised by one of the members of the Board of Directors as decided by the Board of Directors.

3.3 Staff of the Board of Directors and Corporate Secretary

- 3.3.1 Within the framework of the Company a Staff of the Board of Directors shall be established.
- 3.3.2 Such Staff of the Board of Directors shall be an independent structural division of the Company and report directly to the Chairman of the Board of Directors of the Company .
- 3.3.3 Such Staff of the Board of Directors shall be headed by the Head of Staff of the Board of Directors (hereinafter referred to as “the Head of Staff”), who shall be assigned and released by the President of the Company agreed with the Chairman of the Board of Directors of the Company.
- 3.3.4 The Staff of the Board of Directors shall interact with shareholders, members of the Board of Directors, managerial bodies, departments and structural divisions of the Company, as well as with the Company’s subsidiaries, comprised in the business direction “Construction and Real Estate” (hereinafter referred to as “CRE”), jointly securing implementation of decisions made by the Board of Directors.
- 3.3.5 Systematic supervision of activities of the above division shall be exercised by the Head of Staff.
- 3.3.6 The Staff of the Board of Directors may be commissioned within its competency by the Board of Directors, Committees of the Board of Directors, Chairman and Deputy Chairman of the Executive Board of the Company.
- 3.3.7 As advised by the Chairman of the Board of Directors the Board of Directors shall designate a Corporate Secretary of the Company. A decision shall be made by simple majority of votes participating in a session.
- 3.3.8 Such Corporate Secretary shall be an official of the Company.
- 3.3.9 Such Corporate Secretary shall be an employee of the Staff of the Board of Directors and directly report to the Chairman of the Board of Directors of the Company.
- 3.3.10 The President of the Company on behalf of the Company shall sign a labor contract with the Corporate Secretary pursuant to a decision and under terms and conditions set out by the Board of Directors.
- 3.3.11 A Corporate Secretary of the Company may be a person meeting the following requirements:
- 1) higher education;
 - 2) work experience in the field of corporate management at least 3 years;
 - 3) knowledge of norms of the corporate law, securities market law, including rules of disclosure of data to issuers in the securities market and procedure of operation of professional players in the securities market (registrars of the Company, stock exchanges, etc.);
 - 4) knowledge of regulatory documents , reflecting up-to-date domestic and foreign corporate management practice;
 - 5) knowledge of PC;
 - 6) skills in conducting negotiations;
 - 7) personal qualities and skills: independence of assertions, ability to defend his/her own sentiments;
 - 8) absence of previous convictions or disqualification pursuant to the Code of Administrative Violations of the Russian Federation.
- 3.3.12 The Board of Directors shall be entitled to at any time reelect a person exercising functions of the Corporate Secretary.
- 3.3.13 The Staff of the Board of Directors jointly with the Corporate Secretary shall exercise the following functions:
- 1) prepare and procure holding General Meetings of shareholders in conformity with provisions of the Charter and other internal documents of the Company;
 - 2) arrange preparation and holding sessions of the Board of Directors and Committees of the Board of Directors;

- 3) procure observance by the Company's bodies and officials of rules and procedures of corporate conduct, requirements set out by the existing law and internal documents of the Company securing exercising rights and interests of the Company's shareholders;
- 4) arrange interaction between the Company and its shareholders;
- 5) arrange and participate in the development and further updating of the Code of Corporate Conduct, the Charter of the Company, internal documents: regulations of managerial bodies and procedure of implementation of corporate procedures;
- 6) exercise control over observance by structural divisions and officials of the Company of norms and requirements of the existing corporate law of the Russian Federation, the Charter and internal documents of the Company. Promptly report to the Chairman of the Board of Directors of all violations detected;
- 7) analyze corporate management practice existing at the Company, develop proposals on its improvement;
- 8) render assistance to the Chairman of the Board of Directors in arranging the work of the Board of Directors ;
- 9) perform operational planning, organizational and documentation preparation of business trips, programs of stay of the Company's independent directors. Arrangement of meeting and accommodation of independent directors.
- 10) participate in disclosure of data on the Company, including updating the Company's official website in the Internet;
- 11) arrange storage of documents within his/her competency.

3.3.14 The Corporate Secretary of the Company shall perform functions of a Secretary of the Board of Directors until his/her election pursuant to provisions of clause 3.1.5 of these Regulations.

3.3.15 The Staff of the Board of Directors jointly with the Corporate Secretary shall:

- 1) notify members of the Board of Directors and invited persons of pending sessions of the Board of Directors;
- 2) communicate to members of the Board of Directors materials on agenda issues;
- 3) procure availability of additional data on the Company's activities requested by members of the Board of Directors;
- 4) keep records and bring to notice of members of the Board of Directors participating in a session of the Board of Directors data on standing of other members of the Board of Directors in respect to agenda issues;
- 5) keep minutes of sessions of the Board of Directors;
- 6) procure storage of documents of the Board of Directors;
- 7) furnish members of the Board of Directors, shareholders, officials of the Company on their request with minutes of sessions of the Board of Directors, make available copies of such minutes and make available and certify statements of such minutes of sessions of the Board of Directors;
- 8) when holding an absentee session of the Board of Directors - make available voting bulletins, distribute such bulletins and collect received bulletins and capsule voting;
- 9) obtain required documents and data on activities of the Company at the Company's structural divisions and submit them to members of the Board of Directors;
- 10) keep questionnaires of members of the Board of Directors;
- 11) exercise control over execution of decisions made by the Board of Directors;
- 12) render assistance to the Chairman of the Board of Directors in planning the work of the Board of Directors.

3.3.16 Within the framework of his/her duties the Staff of the Board of Directors and the Corporate Secretary of the Company shall be entitled to:

- 1) request and obtain from officials of the Company, managers of its structural divisions data and documents required to perform tasks imposed on them;
- 2) collect data on execution of decisions made by the Board of Directors and General Meeting of shareholders;

- 3) acknowledge receipt of communications, requests and applications by shareholders with specification of dates and time when appropriate documents arrived at the Company.
- 3.3.17 The Head of Staff and the Corporate Secretary of the Company shall be obliged to:
- 1) when performing their tasks strictly observe norms and requirements of the existing law of the Russian Federation;
 - 2) when solving arising judge from presumption of observing interests of shareholders;
 - 3) run messages by the Chairman of the Board of Directors.
- 3.3.18 Responsibility of the Head of Staff and the Corporate Secretary of the Company:
- 1) When exercising their rights and performing their duties the Head of Staff and the Corporate Secretary should act in the interests of the Company and with due diligence.
 - 2) The Head of Staff and the Corporate Secretary of the Company shall not be entitled to disclose any data constituting a commercial secret as specified in the Company's internal documents.
 - 3) The Head of Staff and the Corporate Secretary of the Company shall not be entitled to use for personal purposes and disclose insider data (limited access data) on the Company.
 - 4) The Head of Staff and the Corporate Secretary of the Company shall bear responsibility for damage caused by their guilty activity (inactivity) to the Company unless federal laws require otherwise.

3.4 Generation and Operation of Committees of the Board of Directors

3.4.1 With a view to tentatively prepare and qualitatively consider issues discussed at sessions of the Board of Directors, improve efficiency of interaction between the Company's management when performing assigned tasks and exercising control over execution of decisions made the Board of Directors shall create appropriate Committees of the Board of Directors. A list of such Committees shall be specified by the Board of Directors. In so doing the following Committees shall be compulsory to be created: the Audit Committee, the Compensation and Nomination Committee, the Strategy Committee, the Corporate Governance Committee.

3.4.2 The Audit Committee and the Compensation and Nomination Committee shall be composed only of independent directors, and should it be impracticable due to objective reasons – only of independent and non-executive directors. In so doing the number of independent directors in a respective Committee should be at least 50 percent.

3.4.3 Employees of the Company, representatives of shareholders, other experts may be mobilized to participate in activities of such Committees.

3.4.4 Committees of the Board of Directors shall operate on the basis of Regulations approved by the Board of Directors and plans of work approved by such Committees.

3.4.5 Issues within the competency of a respective Committee should be tentatively considered by such Committee prior to their discussion by the Board of Directors of the Company. In the event that a respective decision by such Committee is missing and issue may withdrawn from discussion by the Board of Directors as decided by the Chairman of the Board of Directors of the Company. Decisions made by such Committees shall be voluntary since such Committees are not managerial bodies of the Company.

4 SESSIONS OF THE BOARD OF DIRECTORS AND MAKING DECISIONS BY THE BOARD OF DIRECTORS

5.1 Procedure of Convocation of the Board of Directors of the Company

4.1.1 Sessions of the Board of Directors shall be held on a planned basis. A plan of work shall be drawn up on a yearly basis and cover a period between annual General Meetings of shareholders. As may be necessary, but at least once every six months such plan of work of the Board of Directors may be updated.

Such plan of work of the Board of Directors shall stipulate discussion of all key issues of the development of the Company, approval the Company's financial and economic plan and budget. Such

plan of work shall be drawn up in the context of requirements of the existing law, proposals introduced by members of the Board of Directors and recommendations by executive bodies.

4.1.2 Scheduled periodicity of holding sessions of the Board of Directors shall be specified by the Chairman of the Board of Directors. Sessions of the Board of Directors shall be held at least once every six weeks.

4.1.3 A session of the Board of Directors shall be convened by the Chairman of the Board of Directors on his/her own initiative, on request by a member of the Board of Directors, Revision Commission of the Company, President of the Company, as well as of other persons set out by the existing federal law «On Joint Stock Companies» and the Charter of the Company.

4.1.4 Agenda of scheduled sessions of the Board of Directors may include both issues stipulated by the plan of work of the Board of Directors and additional issues proposed for discussion by the Chairman and members of the Board of Directors, executive bodies, the Chairman of the Revision Commission, Auditors of the Company, shareholders.

Shareholders shall be entitled to propose to include the following issues in the agenda of a regular session of the Board of Directors: on holding an extraordinary General Meeting of shareholders; on approval of a large transaction and transaction with interest.

Additional issues shall be included in the agenda on the basis of written or oral requests by persons specified above.

4.1.5 Such written request to convene a session of the Board of Directors or include an additional issue in the agenda should contain the following:

- 1) an initiator of holding an extraordinary session or introduction of an issue in the agenda of a regular session;
- 2) wording of issues and draft decision on them;
- 3) substantiation of a necessity to hold a session or discuss an additional issue;
- 4) accompanying documents prepared pursuant to provisions of clause 4.2 of these Regulations.

Such written request should be signed by an initiator of holding an extraordinary session of the Board of Directors or introduction of an additional issue in the agenda of a regular session.

4.1.6 Such extraordinary session shall be held within 15 days following delivery of a request to hold such session. A date of holding such extraordinary session shall be fixed by the Chairman of the Board of Directors.

4.1.7 The agenda containing issues of approval of large transactions and transactions with interest should be initialed by the Head of the Department of corporate property management prior to its signature by the Chairman of the Board of Directors.

4.1.8 Prior to approval of the agenda of the Board of Directors the Chairman of the Board of Directors shall be entitled to independently withdraw an issue from the agenda on the basis of a written request by a member of the Board of Directors, executive body, the Chairman of the Revision Commission, Auditors of the Company, shareholders.

4.1.9 Amendments in the approved agenda upon distribution of a Notification of a pending session of the Board of Directors may be introduced exclusively as decided by the Chairman of the Board of Directors subject to withdrawal of certain issues from discussion.

4.1.10 Such Notification on holding a session along with documents attached thereto shall be communicated by the Corporate Secretary to each member of the Board of Directors at least 7 business days prior to holding such session. Such Notification should contain: session agenda, date, time, venue. Such documents should include a draft decision and explanatory memorandum on each issue of the agenda.

4.1.11 In the event of absentee voting a voting bulletin should be attached to such Notification of holding a session and documents (Annex No.4)

4.1.12 The first session of the Board of Directors shall be held on a day when a General Meeting of shareholders of the Company, at which the Board of Directors has been elected, is held. In the event

that such session is failed to be held on a day when a General Meeting of shareholders of the Company is held, the first session of the Board of Directors shall be held on the initiative of the ranking member of the Board of Directors who should convene such session within at least one month following a General Meeting of shareholders of the Company, at which the Board of Directors has been elected.

4.1.13 The following issues shall be compulsory for discussion at the first session of the Board of Directors: on election of the Chairman of the Board of Directors, on establishing Committees of the Board of Directors, on election of Chairmen of such Committees.

5.2 Procedure of Preparation and Submission of Documents to a Session of the Board of Directors

4.2.1 Documents relating to issues of the agenda of sessions of the Board of Directors shall be submitted electronically to the Secretary of the Board of Directors in charge of preparation of such issues within at least 14 calendar days prior to a session date.

4.2.2 Such documents should contain:

- 1) a draft decision and explanatory memorandum on an issue concerned (normally up to 3 sheets). Such explanatory memorandum should contain a substantiation of such draft decision proposed for adoption by the Board of Directors and subjoined to minutes of a session of the Board of Directors. Such draft decision and explanatory memorandum shall be executed pursuant to provisions of Annex No.5 hereto;
- 2) presentation with a consensus building list (title page). (normally up to 15 sheets).

4.2.3 Such documents may include:

- Brief personal data of a rapporteur (provided such rapporteur is not a permanent participant to sessions of the Board of Directors);
- Additional documents as annexes to such presentation.

4.2.4 Sufficiency of submitted documents shall be determined by the Secretary of the Board of Directors of the Company.

5.3 Procedure of holding Sessions of the Board of Directors

4.3.1 On decision by the Chairman of the Board of Directors sessions may be held both in face-to-face and remote forms.

Face-to-face session of the Board of Directors shall be eligible provided at least a half of elected members of the Board of Directors are present at it (save cases when the existing law, the Charter of the Company requires a higher quorum). The Chairman of the Board of Directors shall fix a new date to hold a session of the Board of Directors.

4.3.2 Prior to each session the Secretary of the Board of Directors shall register members of the Board of Directors who came to participate in such session. At a face-to-face session of the Board of Directors a member of the Board of Directors may be present personally or such session may be held by means of electronic (telephone) communication. In the latter case the Secretary of the Board of Directors shall compulsory procure magnetic (including digital one) recording of such session.

4.3.3 Issues included in the agenda shall be at sessions of the Board of Directors.

4.3.4 Invited persons shall be allowed to be present at a session of the Board of Directors in agreement with the Chairman of the Board of Directors.

4.3.5 A remote session of the Board of Directors shall be eligible provided at least a half of elected members of the Board of Directors are present at it (save cases when the existing law or the Charter of the Company requires a higher quorum). Prior to each session the Secretary of the Board of Directors shall record bulletins delivered to the Company.

4.3.6 The Board of Directors shall refrain from making the following decisions by absentee voting:

- 1) specification of priority directions in the Company's activities;
- 2) convocation of an annual General Meeting of shareholders;

- 3) enhancement of the Company's authorized capital;
- 4) tentative approval of the Company's annual report;
- 5) designation of the President of the Company and approval of provisions of a contract with such President of the Company.

5.4 Procedure of Making Decisions by the Board of Directors

4.4.1 A decision shall be deemed adopted if voted affirmatively by over a half of members of the Board of Directors present at a session (unless a greater number is required by the existing law, the Charter of the Company). Transfer of a vote by one member of the Board of Directors to another member of the Board of Directors or a third party shall not be allowed.

4.4.2 In the event of equality of votes of members of the Board of Directors when making decisions a vote of the Chairman of the Board of Directors shall prevail.

4.4.3 When determining quorum and results of voting on agenda issues at remote session of the Board of Directors a written opinion of a member of the Board of Directors of the Company who is absent at such session of the Board of Directors shall be accounted. Such written opinion should be signed by such member of the Board of Directors and his/her signature should be deciphered.

4.4.4 Such written opinion of a member of the Board of Directors may contain his/her voting both on all agenda issues and on certain ones. Such written opinion should unambiguously express position of such member of the Board of Directors on agenda issues (pro, con, abstainer). Such written opinion of a member of the Board of Directors shall be accounted only when determining quorum and results of voting on agenda issues on which it contains voting of such member of the Board of Directors.

4.4.5 If a copy of such written opinion of a member of the Board of Directors is not included in data (documents), submitted to members of the Board of Directors for a session, a member presiding at a session of the Board of Directors shall be obliged to announce such written opinion of a member of the Board of Directors absent at such session prior to voting an agenda issue in respect of which such written opinion has been submitted.

4.4.6 In the event that at a session of the Board of Directors material controversies have arisen in respect to a draft decision, the Board of Directors shall be entitled to create a Conciliatory Commission to update such draft decision. In such case such decision should be adopted at a next session of the Board of Directors.

4.4.7 A decision by the Board of Directors shall be effective as of a day of signature of minutes of a session of the Board of Directors.

5.5 Minutes of Sessions of the Board of Directors

4.5.1 At a session of the Board of Directors minutes shall be drawn up. Such minutes of sessions of the Board of Directors shall be drawn up by the Secretary of the Board of Directors within at least three business days following holding a session.

4.5.2 Such minutes shall contain:

- 1) time and venue;
- 2) persons present at a session;
- 3) agenda;
- 4) voting issues and voting results;
- 5) adopted decisions.

4.5.3 Such minutes of a session of the Board of Directors shall be signed by a member presiding at such session who bear responsibility for regularity of such minutes.

4.5.4 On a written request by shareholders, request by members of the Board of Directors and officials of the Company the Secretary of the Board of Directors shall make available and submit certified copies of such minutes and statements of minutes of sessions of the Board of Directors. The

Secretary of the Board of Directors shall keep records of such requests and statements of minutes of sessions of the Board of Directors in a special log-book.

4.5.5 Each member of the Board of Directors of the Company shall be entitled to attach his/her own individual opinion to certain decisions by the Board of Directors and minutes in general. Such individual opinion shall not be a part of minutes, should not be filed in records of the Board of Directors and be accessible for members of the Board of Directors for their familiarization.

4.5.6 Original copies of minutes of sessions of the Board of Directors shall be kept with the Secretary of the Board of Directors. Such minutes shall be attached documents communicated (submitted) to members of the Board of Directors when discussing respective agenda issues, as well as presentation papers. Voting bulletins arrived in the Board of Directors shall be also attached to such minutes.

5 EFFICIENCY APPRAISAL AND REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

5.1 The size and procedure of paying remunerations and compensations shall be determined by a decision made at pursuant to the Regulations of remunerations and compensations paid to members of the Board of Directors.

Data on Relations between a Member of the Board of Directors and Affiliated and Large Counteragents of the Company

1. Availability of kin relations with members of the acting Board of Directors, members of the Management Board, members of the Auditing Commission, with the General Director of the Company
2. Relations with legal entities , in which the Company is a shareholder (participant) and has the right to administer over 20 % of the total number of voting shares (participatory interest)
3. Relations with persons who are entitled to administer over 20% of the total number of votes falling within voting shares of the Company
4. Relations of a member of the Board of Directors with persons who are among that group of persons which the Company is among.
5. Relations of a member of the Board of Directors with large counteragents of the Company

Member of the Board of Directors of SISTEMA-HALS Open Joint Stock Company

“ _____ ” _____ 2008.

Requirements to Candidates to Members of the Board of Directors of SISTEMA-HALS Open Joint Stock Company

1. Age: at least 25 years.
2. Work experience: at least 3 years.
3. Absence of a prohibition to occupy executive positions.
4. A candidate should neither be a member of managerial and controlling bodies of companies rendering_____services, nor be an affiliated person of such companies.

To: The Board of Directors of SISTEMA-HALS
Open Joint Stock Company

from _____

CONSENT

I, _____, hereby give my consent for my nomination to be a member of the Board of Directors of SISTEMA-HALS Open Joint Stock Company, and if I am elected a member of the Board of Directors of SISTEMA-HALS Open Joint Stock Company I undertake to perform functions of a member of the Board of Directors of SISTEMA-HALS Open Joint Stock Company

Please be advised of my personal data:

1. **Identity document data:**

2. **Date of birth:**

3. **Education:**

4. **Place of work and positions occupied during recent 5 years:**

Period:

Organization:

Position:

5. **Positions occupied at managerial bodies of other legal entities during recent 5 years:**

Period:

Organization:

Position:

6. **Postal address for communications:**

I am possessing/ not possessing shares of SISTEMA-HALS Open Joint Stock Company

I hereby give my consent for processing and further publication of my personal data in annual and quarterly reports of SISTEMA-HALS Open Joint Stock Company, as well as for disclosure of data on candidates to the Board of Directors to persons entitled to participate in General Meetings of shareholders of SISTEMA-HALS Open Joint Stock Company.

(signature)

“ _____ ” _____ 2008.

BOARD OF DIRECTORS
of
SISTEMA-HALS Open Joint Stock Company

QUESTIONNAIRE

For absentee voting on agenda issues discussed at a session of the Board of Directors of SISTEMA-HALS Open Joint Stock Company

Agenda issue:

Draft decision text:

Voting results:

PRO

CON

ABSTAINERS

(leave appropriate undeleted)

The completed and signed Questionnaire should be delivered by hand, by facsimile communication or E-mail message - _____ within dates at least _____ (____ - ____).

Original copy of the Questionnaire should be communicated to the following address:

_____, to the Corporate Secretary of the Board of Directors of SISTEMA-HALS Open Joint Stock Company
(tel. _____).

A Questionnaire delivered to the Company upon expiry of the above date shall not be accounted when counting votes and totaling voting results.

Member of the Board of Directors
of SISTEMA-HALS Open Joint Stock Company

_____/_____.
(signature) (Surname, Name, Patronymic)

Corporate Secretary of the Board of Directors
of SISTEMA-HALS Open Joint Stock Company

_____/_____.
(signature) (Surname, Name, Patronymic)

IN ABSENCE OF SIGNATURES BY THE CORPORATE SECRETARY (SECRETARY OF THE BOARD OF DIRECTORS) AND MEMBER OF THE BOARD OF DIRECTORS THIS QUESTIONNAIRE SHALL BE NULL AND VOID

SISTEMA-HALS OPEN JOINT STOCK COMPANY
DRAFT DECISION AND EXPLANATORY MEMORANDUM
FOR ISSUES OF A SESSION OF THE BOARD OF DIRECTORS
(date)

Issue No. __:	Wording of an issue proposed to be discussed at a session of the Board of Directors .
On a necessity to include issue:	
Proposed draft decision:	
List of attached documents:	Annex: (Description) in ___ sheets ___ counterparts.

AGREED WITH:

President “ ___ ” _____ 200_	<i>(signature)</i>	(Surname, First name, Patronymic)
Official of the Company in charge of issue preparation (Vice President) “ ___ ” _____ 200_	<i>(signature)</i>	(Surname, First name, Patronymic)
Official of the Company in charge of issue preparation (Structural Division Manager) “ ___ ” _____ 200_	<i>(signature)</i>	(Surname, First name, Patronymic)
Chief Executive of the Department of Corporate Property Management (Corporate Legal Agent) “ ___ ” _____ 200_	<i>(signature)</i>	(Surname, First name, Patronymic)
Office Manager of the Board of Directors “ ___ ” _____ 200_	<i>(signature)</i>	(Surname, First name, Patronymic)
Corporate Secretary “ ___ ” _____ 200_	<i>(signature)</i>	(Surname, First name, Patronymic)