

PROJECT

APPROVED  
by General Meeting of  
shareholders of open joint-stock  
company “Far East  
Telecommunications Company”

(protocol № \_\_ of «\_\_» \_\_\_\_\_)

**P R O V I S I O N S**  
**on Inspection Committee**  
**for Closed Joint-Stock Company**  
**«Cellular Communications of Northern Regions»**

Petropavlovsk-Kamchatskiy city  
2008

## **1. GENERAL PROVISIONS.**

1.1. These provisions have been made up in compliance with the Federal Law “On Joint-Stock Companies” and Company’s Articles of Association.

1.2. These provisions shall establish the procedures of the Inspection committee, including the procedures for Inspection committee’s meetings, procedures for inspections, authority of Inspection committee members, cooperation with Company’s management bodies.

1.3. The Inspection committee shall be elected by Company’s Sole Shareholder as provided for by the current legislation and Company’s Articles of Association.

1.4. Powers of the Inspection committee or some of its members may be terminated as provided for by the current legislation, Company’s Articles of Association and these Provisions.

## **2. INSPECTION COMMITTEE’S AUTHORITY.**

2.1. The Inspection committee shall exercise control over Company’s financial and business activities, including its branches and representative offices.

2.2. Within its authority, the Inspection committee shall exercise control over Company’s activities in the following areas:

- inspection of Company’s financial and business documents, including, if required, the initial accounting data;
- inspection of validity of decisions and acts of Company’s executive bodies, including contracts concluded and transaction entered into;
- checking for compliance of the terms and conditions of Company’s transactions with those in comparable situations;
- analysis of accounting and statistical reports and statements compliance with the current normative documents;
- analysis of Company’s financial situation and finding reserve funds to improve Company’s economic situation;
- analysis of timeliness and correctness of settlements with contractors, various level budgets, shareholders and other creditors of the Company;
- analysis of settlements with Company’s debtors including timeliness and comprehensiveness of actions undertaken by executive bodies;
- other areas of Company’s activities within the authority of the Inspection committee.

### **3. RIGHTS OF COMPANY'S INSPECTION COMMITTEE MEMBERS.**

3.1. In the course of exercising its activities, the Inspection committee shall be entitled to request, and persons occupying positions in Company's management bodies shall submit any documents about Company's financial and business activities including confidential documents as follows:

3.1.1. request to submit documents about Company's financial and business activities may be made both orally and in writing, and persons occupying positions in Company's management bodies shall be entitled to demand confirmation of the said request in writing;

3.1.2. documents about Company's financial and business activities shall be entitled to submitted by Inspection committee's request immediately, and in case if, due to the influence of objective factors, immediate submission of the documents thereof is not possible, not later than the next working day following the date of the said request;

3.1.3. Inspection committee members shall have access to Company's documents including confidential ones at any time during the business hours set in the Company and, if required by request in writing, after the end of business hours;

3.1.4. for the purpose of recording the results of inspections (checks) of Company, Inspection committee shall be entitled to attach to the inspection materials copies of Company's financial and business documents duly certified;

3.1.5. in case of submission of unreliable documents, refuse of submittal, breaking the timeliness provided for by clause 3.1.2. of these Provisions, or creating any barriers, the Inspection committee may demand from Company's executive bodies to take measures against the persons guilty in the said violation and immediate submission of the required documents;

3.1.6. cases when the requirements of clause 3.1.5. of these Provisions were violated by Company's executive bodies including measures taken for the guilty persons shall be advised to Company's Executive Committee and included in Inspection committee's report;

3.1.7. the procedure of access to Company's financial and business documents which contain secrets of state shall be established by the current legislation;

3.2. In case when revealed violations in Company's actions threaten its interests, The Inspection Committee shall be entitled to:

3.2.1. demand summoning meetings of the Executive Committee, taking decisions by Company's Sole Shareholder to settle the matters within the authority of the said Company's bodies;

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3.2.2. The Inspection Committee shall be entitled to demand decision taking by Company's Sole Shareholder in relation to other matters provided by the legislation, Company's Articles and these Provisions;

3.2.3. The procedure of summoning of the Executive Committee by demand of the Inspection committee shall be provided for by the current legislation, Company's Articles and the Provisions on Company's Executive Committee. Should that procedure be undetermined, such meeting shall be held within a reasonable period since the moment of submitting demand.

3.3. The Inspection committee shall be entitled to request personal explanation from Company's officers on the matters within Inspection committee's authority. The Inspection committee shall attach the explanations thereof to the results of inspection.

3.4. Inspection committee shall also be entitled to request from Company's officers whose authority covers certain matters of Company's financial, business and legal activities the submission of reports in writing on the matters within its authority.

3.5. Explanations and reports made by demand of the Inspection committee shall be submitted not later than the working day following the day of the said demand. In case of failure to submit explanations (reports) or submission of deliberate misleading explanations (reports), the Inspection committee shall act in compliance with the procedures similar to those prescribed by clauses 3.1.5. and 3.1.6. of these Provisions.

3.6. The Inspection committee shall be entitled to invite outsourced professionals (legal entities and individuals) to resolve the most complicated matters.

3.7. The Inspection committee, when finding out any facts of violations within its authority shall be entitled to put forward to Company's executive bodies the offer to holding liable Company's employee (officer) whose acts or omissions caused the said violation.

3.8. Company's management bodies shall advise the Inspection committee on the measures undertaken upon its application.

## **4. DUTIES OF INSPECTION COMMITTEE MEMBERS. LIABILITY OF INSPECTION COMMITTEE MEMBERS.**

4.1. The Inspection committee members shall:

4.1.1. Not disclose confidential information (keep commercial secrets) which became known to the Inspection committee members in the course of exercising their powers by them.

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4.1.2. Make their reports upon the results of the inspection of the Company as provided for by the Articles of Association and these Provisions.

4.1.3. Make unscheduled inspection of the Company not later than 30 days since the moment of making the decision thereon as provided for by clause 5.3. of these Provisions.

4.1.4. Make mandatory inspection of Company's financial and business activities based on its annual business results and submit report to the Executive Committee not later than two weeks before the date of preliminary approval of Company's annual report by the Executive Committee.

4.2. Inspection committee members shall be liable for the violations made in the course of exercising their duties in compliance with the current legislation of the Russian Federation.

### **5. INSPECTION COMMITTEE'S PROCEDURES**

5.1. Electing Chairman and Secretary of the Inspection committee and their authority.

5.1.1. The work of the Inspection committee shall be supervised by a Chairman elected by a majority of votes of the Inspection committee members taking part in the voting at the first meeting of Inspection committee. The Chairman of the Inspection committee may be re-elected at any time by decision of a majority of the Inspection committee members.

5.1.2. Candidature of a Chairman of the Inspection committee may be suggested by any member of the Inspection committee. Any member of the Inspection committee may move his or her own candidature.

5.1.3. All members of the Inspection committee take part in election of its Chairmen including a person who has moved his or her candidature for election.

5.1.4. The Chairman of the Inspection committee shall make up a plan of Inspection committee work, distribute obligations for its members and supervise their job.

Chairman's advices on organizational matters (including on the necessity and terms of Company's financial and economic activity inspection) are obligatory for execution by the Inspection committee members.

The Chairman shall not be entitled to influence on the Inspection committee member conclusions that are made as the result of conducted inspection.

5.1.5. A Secretary of the Inspection committee elected at the first meeting of Inspection committee shall organize Inspection committee's work. Procedures for electing a Secretary of the Inspection committee shall be similar to those provided for electing the Chairman of the Inspection committee.

5.1.6. The Secretary of the Inspection committee shall immediately after being elected advise Company of the ways to convey him or her any documents

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received to Inspection committee's address in compliance with clause 6.1. of these Provisions.

5.1.7. The Secretary of the Inspection committee shall keep minutes, ensure safekeeping of documents related to the activities of the Inspection committee in compliance with section 6 of these provisions.

### **5.2. Meetings of Inspection committee:**

5.2.1. All the matters of Inspection committee's activities not related to the authority of the Chairman of the Inspection committee by these provisions shall be settled at Inspection committee meetings. Inspection committee meetings shall take place when required but at least quarterly.

5.2.2. The first Inspection committee meeting shall be held not later than 15 days since the date of electing the Inspection committee.

5.2.3. Inspection committee meetings shall be held by the Chairman of the Inspection committee.

5.2.4. Minutes shall be kept at Inspection committee meetings. Minutes shall be signed by the person chairing at that meeting.

5.2.5. Inspection committee meetings shall be mandatory held before doing Company's inspection and after that.

5.2.6. Inspection committee meetings may be held both *in praesentia* and *in absentia*.

5.2.7. When meetings are held *in absentia*, Inspection committee members shall be sent documents with the agenda and the voting ballot form ensuring exact statement of opinion on the agenda matters.

Preparation and sending of documents for any meeting held *in absentia* shall be arranged by the Secretary of the Inspection committee by request of the Chairman of the Inspection committee. The Chairman of the Inspection committee shall set the period within which the Inspection committee members shall express their opinions on the agenda matters.

5.2.8. Any Inspection committee meeting shall be considered valid if it is attended by all members of the Inspection committee.

5.2.9. Inspection committee decisions shall be made unanimously by the Inspection committee members attending that meeting (taking part in voting in case of *in absentia* meeting).

### **5.3. Inspections by Inspection committee:**

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5.3.1. Inspection committee shall make an inspection of Company's financial and business activities based on the annual business results.

5.3.2. Inspection committee shall be entitled to, besides the inspection specified in clause 5.3.1. of these Provisions, in any time make unscheduled inspections in compliance with these Provisions.

5.3.3. Unscheduled inspection shall be mandatory if it is initiated by:

- Company's Sole Shareholder;
- Company's Executive Committee;
- Company's Inspection Committee itself.

5.3.4. The reason for making an inspection by the initiative of Company's Sole Shareholder or the Executive Committee shall be the relevant decision of Company's management body.

The Chairman of the Inspection committee shall arrange an unscheduled inspection not later than 30 days since the date of making the decision thereon by the Sole Shareholder or the Executive Committee.

5.3.5. The reason for making an inspection by the initiative of a shareholder shall be the relevant request in writing received by the Inspection committee.

The Chairman of the Inspection committee shall arrange an unscheduled inspection not later than 30 days since the date of receipt of the said request.

5.3.6. If any Inspection committee member considers necessary to make an unscheduled inspection of Company's activities he or she shall apply to the Chairman of the Inspection committee with such request. The Chairman of the Inspection committee shall summon a meeting of the Inspection committee to discuss the matter of necessity and period for such unscheduled inspection. Unscheduled inspection by Inspection committee's initiative shall be made if even one member of the Inspection committee vote for it.

5.3.7. Prior to the beginning of inspection, the Chairman of the Inspection committee shall notify Company's Executive Committee and CEO (his or her deputy) in writing of the matters subject to inspection, inspection initiator, suggested inspection periods, need to invite outsourced professionals for inspection and other material terms and conditions of inspection.

5.3.8. To support the activities of the Inspection committee, Company's CEO (his or her deputy) shall appoint a group of Company's employees to be in charge for cooperation with the Inspection committee.

### **5.4. Procedure for employing outsourced professionals for certain inspections done by the Inspection committee:**

5.4.1. The Executive Committee and any member of the Inspection committee shall be entitled to at any time to apply to the Chairman of the Inspection committee offering to employ outsourced professionals for inspection.

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Decision on the necessity to employ outsourced professionals shall be made at Inspection committee meeting.

5.4.2. Should employment of outsourced professionals be possible only for value received, it shall be agreed upon with Company's Executive Committee. The Executive Committee shall in its decision set forth the payment procedure and other material terms and conditions for employing outsourced professionals for any inspection done by the Inspection committee.

### **5.5. Reporting about the results of inspection done by Inspection committee:**

5.5.1. Inspection Act shall be made up based on the inspection results which shall contain systematic report of documentarily acknowledged facts of violations in Company's financial and business activities found out in the course of inspection, or notification of absence of such as well as conclusions and offers of the Inspection committee to recover the violations found.

5.5.2. Based on the inspection Act, Inspection committee shall make up a report stating its opinion including that on the matters of reliability of data containing in reports and other Company's financial documents.

5.5.3. Report shall contain the following information:

- brief profile of Company inspected;
- information about the structure of the Inspection committee;
- inspected period;
- inspection method;
- Inspection committee's conclusions on the reliability of accounting statements in general, in part, or of its unreliability.

5.5.4. Report shall be signed by the Chairman of the Inspection committee and its members taking part in the inspection. All disputes arising in connection with the report shall be settled by a majority of votes. Any Inspection committee member who argues the conclusions of the report shall be entitled to express its position in writing.

5.5.5. The report shall be made in triplicate to be sent for:

- Company's Executive CommitteeПравлению Общества;
- Company's CEO;
- One copy to be kept in archive of the Inspection committee.

5.5.6. If a shareholder or group of shareholders has initiated the inspection, the report shall be made in four copies, one of which is to be sent for him/her or them. In other cases interested persons shall get acquainted with the report content according to the procedure provided by the article 91 of the Law "On Joint-Stock Companies".

5.5.7. Report shall be made up not later than 10 days since the end of inspection and is to be regarded as an official point of view of the Inspection committee on



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inspected matters. The report shall be made known to interested parties within 5 days since its making.

### **6. SAFEKEEPING OF INSPECTION COMMITTEE'S DOCUMENTS AND THEIR SUBMISSION TO THE PARTIES CONCERNED.**

6.1. All the documents to the address of the Inspection committee (in particular, applications for making inspections) shall be sent to Company's address by registered mail with advice of delivery or delivered to Company's secretariat (office). Company's executive bodies shall ensure the delivery of the documents received to the Chairman of the Inspection committee or the Secretary of the Inspection committee.

6.2. Inspection committee reports shall be stored at the place of executive body's location or any other place known and open for shareholders and other interested persons access.

6.3. Inspection committee reports shall be submitted to the persons entitled to access to these documents in compliance with the current laws and as provided for by the current legislation and according to the procedure provided by the existing legislation and Company's Articles of Association.

6.4. Inspection committee minutes and other documents related to Inspection committee's activities (except for reports) shall be kept by the Secretary of the Inspection committee. When Secretary of Inspection committee is re-elected, he or she shall convey the said documents to a new Secretary of the Inspection committee.

### **7. MATERIAL SECURITY OF INSPECTION COMMITTEE'S ACTIVITIES. AWARDS AND COMPENSATIONS TO INSPECTION COMMITTEE MEMBERS**

7.1. To support the work of the Inspection committee (including meetings of Inspection committee and inspections in process), the Company shall allocate facilities equipped with office appliances (telephones, faxes, computers, printers and other devices upon reasonable request from the Chairman of the Inspection committee). Those facilities shall be located in such way that does not discomfort Inspection committee's work.

7.2. Inspection committee shall be supplied with office stationery and other disposable materials at Company's expense to the extent required for Inspection committee's work.

7.3. The Inspection committee members shall be compensated all confirmed expenses in connection with the execution of their duties of the Inspection committee members.

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7.4. Inspection committee members shall be paid quarterly awards during the execution of their duties at the amount of 3,000 rubles each. The Chairman of Inspection committee shall receive quarterly award with 1.2 coefficient. For the quarter of re-election of the Inspection committee award for any Inspection committee members shall be paid in proportion to the time of actual work in that quarter.

### **8. TERMINATION OF POWERS IN ADVANCE.**

8.1. Powers of some members of the whole Inspection committee may be terminated before term by decision of Company's Sole Shareholder.

8.2. If the actual number of Inspection committee members is less than half the number set forth by Company's Articles of Association or these Provisions, the Chairman of the Inspection committee shall within 10 days since the date of the said event apply to Company's Sole Shareholder with request to elect (partially elect) the Inspection committee members.

### **9. FINAL PROVISIONS.**

9.1. These Provisions shall be approved by Company's Sole Shareholder.

9.2. Suggestion on making of any amendments and changes hereto shall be made at the address of Company's Sole Shareholder by the CEO or the Executive Committee. Suggestion on making of any amendments and changes in the section "Awards and compensation of Inspection committee members" of these Provisions can be made only by Company's Executive Committee.

9.3. Decisions on any amendments and changes hereto shall be made by Company's Sole Shareholder.

9.4. Should, as a result of changes in the current laws of the Russian Federation or Company's Articles of Association, any articles of these Provisions contradict with them, those articles shall be null and void and till the moment of making amendments hereto, the Inspection committee members shall be governed by the current legislation.