

Appendix № 2

Approved:
by the Resolution of the Board of Directors
of IDGC of Centre and North Caucasus, JSC
Minutes No. 011/06
dated 30 November, 2006.
Secretary of the Board of Directors
_____ **N.Yu. Kashtanova**

REGULATION

ON OPTION PROGRAM
OF IDGC OF CENTRE AND NORTH CAUCASUS

Tver, 2006

Terms and definitions.

Company's shares	Company's registered ordinary shares
Contract	Company's registered ordinary shares purchase contract with fulfillment of liabilities on their transfer and payment in 3 years from the date of the contract conclusion.
Officers of RAO "UES of Russia", JSC	Chairman of the Board of Directors, members of the Board of Directors of RAO "UES of Russia", JSC
Company operator –	Legal entity unaffiliated in respect to the Company, acting in the interests of the Company within the framework of the Option program.
Company	IDGC of Centre and North Caucasus, JSC.
Trading site	Legal entity having license of professional participant of the securities market to carry out activities on organization of trade and (or) stock exchange operating license.
Participants	Members of the Board of Directors who are not the officers of RAO "UES of Russia", JSC, as well as the General Director, top-managers ¹ and other employees of the Company, with whom the contract was concluded.

1. General provisions

- 1.1. This Regulation on the Option program of the Company (hereinafter referred to as – “the Regulation”), is developed according to the requirements of the Law of the Russian Federation, the Company's Articles of Association, other Company's local regulatory documents, according to the requirements of general provisions of the Option program approved by the Board of Directors of RAO “UES of Russia”, JSC dated 28.07.2006 No. 225.
- 1.2. The Option program is implemented for the purpose of motivation system development for the members of the Board of Directors, and for the General Director, top-managers and other Company's employees as well, intended for increase of shares market value and shareholder value of the Company.

¹ The Board of Directors of the Company approves the list of positions included into the category of top-managers.

- 1.3. The Option program determines the procedure of gaining the right and enforcement by the Participants to purchase Company's shares at earlier fixed price with shares transfer and payment moratorium.
- 1.4. Within the framework of the Option program the Company's shares purchase contract with fulfillment of liabilities on their transfer and payment in 3 years from the date of the contract conclusion is concluded between the Company and Participant. The Conclusion of the Contracts can be carried out at most once a year following the results of the previous year.
- 1.5. The Option program is unlimited and meant for the whole period of carrying out of its activities by the Company.
- 1.6. Summary number of Company's shares in current Contracts at any time should equal not more than 2% of total number of placed Company's shares.
- 1.7. The Participants, who has purchased the Company's shares as a result of realization of the Option program, are entitled to dispose of them as they see fit.
- 1.8. The Board of Directors of the Company approves the current number of Company's shares distributed within the framework of the Option program every year on the proposal of the General Director taking into account the general limits specified by the clause 1.6. of this Regulation.
- 1.9. The Company's shares sale and purchase price is determined in the Contract as follows:
 - as of the date of the Contract conclusion, as weighted average price of the Company's shares for the 365 day period till the date of conclusion of the contract with the Participant according to Trading site data determined by the Board of Directors of the Company;
 - in case if trading lasts less than a year, as weighted average price of ordinary shares for the period from the start of the trading till the date of the conclusion of the Contract with the Participant.
 - In case if trading lasts less than 182 days the Contract can't be concluded with the Participant.

2. Procedure of participation in the Option program

- 2.1. Members of the Board of Directors, as well as the General Director, top-managers and other Company's employees become the participants of the Option program from the date of the Contract conclusion.
- 2.2. Participation of the Chairman of the Board of Directors, members of the Board of Directors in the Option program and number of shares in their Contracts are determined by the resolution of the Board of Directors of the Company on the proposal of the Personnel and Remuneration Committee of the Board of Directors of the Company at the condition of compliance with the requirements of the existing Law of the Russian Federation to interested-party transactions settlement.
- 2.3. Information on participation and number of shares purchased under the Contract of each member of the Board of Directors of the Company is enclosed in materials to the annual meeting of the Company's shareholders.

- 2.4. The Board of Directors of the Company approves the total number of shares intended for the Contract conclusion with employees including top-managers and the General Director of the Company upon recommendation of the General Director.
- 2.5. The General Director of the Company determines nominal list and number of shares intended for the Contract conclusion with employees including top-managers and the General Director of the Company independently.
- 2.6. Total number of shares intended for the Contract conclusion with employees including top-managers and the General Director of the Company cannot exceed a half of the level limit specified by the clause 1.6. of this Regulation.
- 2.7. For participation in the Option program the Participant should sign the Contract and within 30 days from the date of the Contract conclusion pay from his own resources 1% of summary value of the Company's shares which the Participant has a right to purchase.
- 2.8. The following conditions of transaction are specified in the Contract: fixed price for the Company's shares, which will be purchased in case of implementation of the Option program; number, class and type of shares; the Option program implementation period; terms of payment of full value of the Company's purchased shares by the Participant, tasks and/or results, which the Participant should accomplish or obtain within the term fixed by the Contract.
- 2.9. The Contract with the members of the Board of Directors, the General Director of the Company is signed by the Chairman of the Board of Directors of the Company or by the person authorized by the Board of Directors of the Company, and with the Chairman of the Board of Directors of the Company is signed by the Deputy Chairman of the Board of Directors of the Company or by the person authorized by the Board of Directors of the Company (the Contract with mentioned persons in the name of Company-operator or affiliate is signed by sole executive body of Company-operator or affiliate).
- 2.10. The Contract with the top-managers and other employees of the Company in the name of the Company is signed by the General Director of the Company (the Contract with mentioned persons in the name of Company-operator or affiliate is signed by sole executive body of Company-operator or affiliate).
- 2.11. The following maximum number of Company's shares (in percentage of total number of placed shares of the Company) distributed within the framework of the Option program is fixed for each Member:
 - the Chairman of the board of Directors – 0,15%;
 - member of the Board of Directors – 0,10%;
 - the General Director – 0,3%;
 - a top-manager – 0,15%;
 - an employee – 0,05%.

- 2.12. Within the framework of the annual distribution of shares of the Option program the Participants conclude new Contract. Whereby overall number of shares under all current contracts of one participant of the Option Program should not exceed the maximum amount of participation in the Option program provided by the clause 2.11. of this Regulation, and total number of shares under all Contracts valid at any time should not exceed the amount specified in the clause 1.6 of this Regulation.
- 2.13. The Option program comes into force provided that the following conditions are fulfilled simultaneously:
- Not earlier than in 6 months from the start of Company's shares trading in the organized securities market;
 - For the period from the start of trading till the date of the start of the program summarily over all trading sites where the Company's shares are quoted the following conditions are fulfilled:
 - 1) joint trade turnover (units) equals not less than 2% (two percent) of total number of placed Company's shares;
 - 2) overall number of transactions with Company's shares is not less than 150 (one hundred and fifty);
 - 3) number of trading days, during which there were no transactions with the Company's shares, does not exceed a half of total number of trading days in the period;
 - 4) length of uninterrupted period of time, during which there were no transactions with the Company's shares, does not exceed 5 trading days.

3. Procedure of implementation of the Option program

- 3.1. Procedure and mechanism of purchase of the Company's shares for implementation² of the Option program are determined by the resolution of the Board of Directors of the Company.
- 3.2. It is recommended the Company to have reserve in the amount of 2% of declared but not placed Company's shares for implementation of the Option program.
- 3.3. At introduction of item on procedure and mechanism of purchase of the Company's shares for implementation of the Option program at the meeting of the Board of Directors of the Company the General Director has to inform the Board of Directors on possible mechanisms of realization of the Option program and to present Company's shares purchase draft Contracts for consideration.
- 3.4. The Company may use the following realization mechanisms for realization of the Option program:
- purchase of own placed shares of the Company;
 - purchase of the Company's shares by affiliate;

² The Period of implementation of the Option program is a calendar month upon expiration of three year period form the date the Contract is valid.

- placement of additional shares of the Company;
 - Company-operator involving.
- 3.5. If the Participant took the decision to purchase the Company's share he (according to the Contract) has:
- to put in an application for a number of the Company's shares due to him under the Contract to be registered as his property;
 - to pay the value of the block of shares purchased by him after deduction of made prepayment amount.
- 3.6. In case if the Participant refuses to purchase the shares while the Contract is valid, he is deforced of the right for refund of prepayment amounts.

4. Reasons of forfeiture/change of rights of the Option program Participant

- 4.1. In case if powers of member of the Board of Directors were terminated from the date of the Contract conclusion till the date of fulfillment of liabilities on the Option program, the former member of the Board of Directors can reserve the right to purchase the Company's shares under the Option program in full by the decision of the Board of Directors of the Company.
- 4.2. In case of termination of labour relations and labour contract of the General Director, top-manager with the Company, of transfer or voluntary discharge he can reserve the right to purchase the Company's shares under the Option program in full by the decision of the Board of Directors of the Company.
- 4.3. If employee of the Company is transferred to the position at a lower level then the maximum number of the Company's shares is calculated according to the previous position. If employee is promoted and this fact results in transfer into another category, then the conclusion of new contract with employee is performed according to the clause 2.5. of this Regulation within the framework of the annual Option program.
- 4.4. The Participant of the Option program, who concluded the contract, forfeits the right to purchase shares fully in case of dismissal from the Company within the period of the Program validity on the grounds, provided by the clauses 3b, 5, 6a, 6b, 6v, 6g, 6d (regarding violation of labour protection requirements by employee, if this violation entailed heavy consequences (industrial accident, emergency, disaster)), 7, 9, 11 of the Article 81 of the Labour Code of the Russian Federation³.

³ 1) inconsistent of employee with job or work to be performed as a result of insufficient qualification proved by the results of attestation:

2) repeated non-performance of employment duties by employee without valid reasons, if he has disciplinary punishment;

3) single gross violation of employment duties by employee:

- absence (absence from the work without valid reasons more than four hours in succession during working day);
- showing up for work intoxicated with alcohol, narcotics or other toxic substances;

- 4.5. In case of forfeiture of the right to purchase shares according to the clause 4.4 of this Regulation the sum of prepayment made by the Participant of the Option program is refunded in full.
- 4.6. In case of employee's dismissal till the expiration of the Option program implementation on the grounds, provided by the Article 77 (except for the clause 4, regarding provisions provided by the clause 5.1 of this Regulation) of the Labour Code of the Russian Federation (as well as in case of death of employee happened within the period beginning from the date of the contract conclusion till the expiration of the Option program implementation), employee (heirs determined according to Articles 1142-1145 of the section V of the chapter 3 of the Civil Code of the Russian Federation) reserves the right to purchase shares in number which is proportional to the worked out time beginning from the date of the Contract conclusion. In this case the amount of prepayment made by employee is reduced in proportion to the worked out time beginning from the date of the Contract conclusion. The difference between the amount of made prepayment and prepayment calculated in proportion to the worked out time is refunded to employee (heir).
- 4.7. In case of employee's dismissal on the grounds provided by the Article 77 of the Labour Code of the Russian Federation⁴ (as well as in case of death of employee happened within the period beginning from the date of the contract conclusion till the expiration of the Option program implementation), employee (heirs determined according to Articles 1142-

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- divulcation of legally protected secret (state, commercial, service and other), which employ became aware of due to his performance of employment duties;
 - commitment at place of work of stealing (including petty stealing) of another's property, of embezzlement, of intentional destruction or damage to it, found by sentence that has entered into legal force or by regulation of body authorized to apply administrative penalties;
 - violation of labour protection requirements by employee, if this violation has entailed heavy consequences (industrial accident, emergency, disaster);

4) commitment of faulty actions by employee servicing monetary or other valuables directly, if these actions afford ground for loss of trust to him from the part of employer;

5) taking of ungrounded decision by the head of organization (branch, representative office), his deputies and chief accountant entailing violation of safekeeping of property, misuse of it or other damage of property of organization;

6) submission of false documents or information which was known to be false by employee to employer at conclusion of labour contract.

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- 1) agreement of parties;
 - 2) expiration of labour contract except for cases when labour relations continue actually and none of the parties demanded its termination;
 - 3) termination of labour contract on the initiative of the employee;
 - 4) dismissal;
 - 5) transfer of employee on his request or upon his consent to the work to another employer or transfer to elective work (post);
 - 6) refusal of employee to continue working due to change of owner of property of organization, change of jurisdictional (subordination) organization or its reorganization;
 - 7) refusal of employee to continue working due to change of essential conditions of labour contract;
 - 8) refusal of employee from transfer to another work due to state of health according to medical report;
 - 9) refusal of employee from transfer due to moving of employer in another locality;
 - 10) circumstances beyond the control of the parties;
 - 11) violation of rules of labour contract conclusion established by the Labour Code of the Russian Federation or another Federal law, if this violation eliminates the possibility of work continuation.

1145 of the section V of the chapter 3 of the Civil Code of the Russian Federation) can reserve the right to purchase the Company's shares in full without proportional consideration of the worked out time by the decision of the General Director.

5. Final provisions

- 5.1. The Regulation is approved, amended and added by the resolution of the Board of Directors of the Company by a majority of vote of members of the Board of Directors participating in appropriate meeting and is valid until the decision on its abolition is taken but not earlier than the parties has fulfilled their liabilities under concluded Contracts in full. Herewith it is prohibited to conclude new contracts within the period beginning from the date of taking the decision on abolition of the Regulation until the latest liability under the concluded earlier Contracts is fulfilled.
- 5.2. If as a result of amendment of legislative and other regulatory acts of the Russian Federation certain Articles of this Regulation contradict them, these Articles become invalid and the Company is governed by the requirements of legislative and regulatory legal acts of the Russian Federation until the change of the Regulation.
- 5.3. Information on Company's activity concerning realization of the Option program is enclosed in accordance with requirements of the Law of the Russian Federation.