

**IDGC of
the South**

**OPEN JOINT STOCK COMPANY
"Interregional Distribution Grid Company of the South"**

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Minutes of the Board of Directors meeting No.40/2010

Of the Open Joint Stock Company "Interregional Distribution Grid Company of the South" dated February 19, 2010.

Date of holding: 19.02.2010
Form of holding: Absentee voting (through questionnaires)
Place of voting results summarizing: (postal address of "IDGC of South", JSC)
327 Severnaya str., Krasnodar
Time of voting results summarizing: 19.02.2010, 05 p.m.
Date of the minutes drawing: 19.02.2010

Members of the Board of Directors: 11 persons.

Questionnaires have been submitted by: Okley P.I. (Chairman of Board of Directors), Vasilyev S.V., Gavrilov A.I., Ivanov M.S., Ilyenko V.V., Maslov A.V., Mikhailov S.A., Perepelkin A.Y., Popovskiy S.N., Ptitsyn I.V.

Questionnaires have not been submitted by: Shogenov V.M.

Quorum is present.

Agenda on the Board of Directors meeting:

1. On approval of programme for injuries risk reduction activities of "IDGC of the South", JSC for 2010.
2. On approval of new revision of Corporate Management Code of "IDGC of the South", JSC.
3. On consideration of report of the Company's CEO on observance of Corporate Management Code of "IDGC of the South", JSC for II half of 2009.
4. On early termination of powers of a member of Committee for Strategy, Development, Investments and Reform attached to Board of Directors of "IDGC of the South", JSC; on election of a member of Committee for Strategy, Development, Investments and Reform attached to Board of Directors of the Company; on election of

Chairman of Committee for Strategy, Development, Investments and Reform attached to Board of Directors.

5. On appointment of a person authorized to perform functions of employer in relation to members of Management Board.
6. On approval of contract for lease of immovable property concluded between "IDGC of the South", JSC and "Kubanenergo", JSC as a transaction the conclusion of which reveals vested interest.
7. On approval of contract for rendering telephone services concluded between "IDGC of the South", JSC and "FGC UES", JSC as a transaction the conclusion of which reveals vested interest.
8. On termination of participation of "IDGC of the South", JSC in the Non-profit partnership "Council of Electric Power Industry Veterans" (NP "Council of Electric Power Industry Veterans").
9. On obtaining of credit reserves for needs of "IDGC of the South", JSC.
10. On agreement upon candidacies for the positions proposed by Board of Directors of the Company.

1. On approval of programme for injuries risk reduction activities of "IDGC of the South", JSC for 2010.

It is suggested to adopt the following decision:

To approve programme for injuries risk reduction activities of "IDGC of the South", JSC for 2010 according to Appendix No.1 hereto.

Voting results:

Okley P.I.	-	"FOR"	Maslov A.V.	-	"FOR"
Vasyliiev S.V.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Gavrilov A.I.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"

Thus, the suggested decision on the first issue **has been unanimously adopted** by the Board of Directors members.

2. On approval of new revision of Corporate Management Code of "IDGC of the South", JSC.

It is suggested to adopt the following decision:

To postpone the consideration of the issue to a later date.

Voting results:

Okley P.I.	-	"FOR"	Maslov A.V.	-	"FOR"
Vasyliiev S.V.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Gavrilov A.I.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"

Thus, the suggested decision on the second issue **has been unanimously adopted** by the Board of Directors members.

3. On consideration of report of the Company's CEO on observance of Corporate Management Code of "IDGC of the South", JSC for II half of 2009.

It is suggested to adopt the following decision:

1. To approve report of the Company's CEO on observance of Corporate Management Code of "IDGC of the South", JSC for II half of 2009 according to Appendix No.2 hereto.
2. To charge CEO of the Company with placing the above mentioned report on the Internet website of the Company within 15 days from the date of approval of the present decision.

Voting results:

Okley P.I.	-	"FOR"	Maslov A.V.	-	"FOR"
Vasyliiev S.V.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Gavrilov A.I.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"

Thus, the suggested decision on the third issue **has been unanimously adopted** by the Board of Directors members.

4. On early termination of powers of a member of Committee for Strategy, Development, Investments and Reform attached to Board of Directors of "IDGC of the South", JSC; on election of a member of Committee for Strategy, Development, Investments and Reform attached to Board of Directors of the Company; on election of Chairman of Committee for Strategy, Development, Investments and Reform attached to Board of Directors.

It is suggested to adopt the following decision:

1. To terminate early the powers of the member of Committee for Strategy, Development, Investments and Reform attached to Board of Directors of "IDGC of the South", JSC, Chairman of the Committee – Ayrapetyan Arman Mushegovich.
2. To elect Kuznetsov Vladimir Vasilyevich, Chief of Strategy and Development Centre of "IDGC Holding", JSC, as Chairman of Committee for Strategy, Development, Investments and Reform attached to Board of Directors of "IDGC of the South", JSC.

Voting results:

Okley P.I.	-	"FOR"	Maslov A.V.	-	"FOR"
Vasyliiev S.V.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Gavrilov A.I.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"

Thus, the suggested decision on the fourth issue **has been unanimously adopted** by the Board of Directors members.

5. On appointment of a person authorized to perform functions of employer in relation to members of Management Board.

It is suggested to adopt the following decision:

1. To authorize CEO – Chairman of Management Board of the Company to perform rights and obligations of employer in the name of the Company in relation to Management Board members, including specifying labour contract terms and signing of labour contracts and additional agreements with Management Board members.
2. To recognize as expired the decision of Board of Directors dated May 19, 2008 (Minutes No.13/2008 dated May 22, 2008) on appointment of a person authorized to perform functions of employer in relation to members of Management Board.

Voting results:

Okley P.I.	-	"FOR"	Maslov A.V.	-	"FOR"
Vasyliiev S.V.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Gavrilov A.I.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"

Thus, the suggested decision on the fifth issue **has been unanimously adopted** by the Board of Directors members.

6. On approval of contract for lease of immovable property concluded between "IDGC of the South", JSC and "Kubanenergo", JSC as a transaction the conclusion of which reveals vested interest.

According to item 3 article 83 FL "On Joint Stock Companies" the decision on this issue is adopted by a majority vote of independent directors not interested in the transaction settlement.

Gavrilov A.I., the member of Board of Directors of "IDGC of the South", JSC holding the post of CEO of "IDGC of the South", JSC shall not participate in voting on this item and shall not be recognized as an independent director according to item 3 article 83 FL "On Joint Stock Companies".

It is suggested to adopt the following decision:

1. To set the price of contract for lease of immovable property concluded between "IDGC of the South", JSC and "Kubanenergo", JSC, a transaction the conclusion of which reveals vested interest, in the form of monthly lease payment at the amount of **29 394 (twenty nine thousand three hundred ninety four) rubles 20 kopecks**, including 18% VAT – **4 483 (four thousand four hundred eighty three) rubles 83 kopecks**.

2. To approve contract for lease of immovable property concluded between "IDGC of the South", JSC and "Kubanenergo", JSC as a transaction the conclusion of which reveals vested interest on the following essential terms:

Contracting Parties:

Lessor - "Kubanenergo", JSC;

Leaseholder - "IDGC of the South", JSC.

Subject of Contract:

The Lessor undertakes to let the Leaseholder temporarily use and own the following nonresidential premises:

- office No.26 with gross leasable area of 15.5 sq. m., on the second floor of office building, situated at: 49A Stroitel'naya str., Slavyansk-on-Kuban;
- office No.105 with gross leasable area of 17.1 sq. m., on the third floor of office building, situated at: 54A Vorovskiy str., Armavir ;
- office No.118 with gross leasable area of 11.1 sq. m., on the fifth floor of district dispatching office, situated at: 42A Constitution of the USSR str., Sochi

hereinafter referred to as "Objects".

Copies of floor plans of the buildings are integral part of the Contract (Appendix No.1).

Price of Contract:

The amount of monthly lease payments for the Objects is **29 394 (twenty nine thousand three hundred ninety four) rubles 20 kopecks**, including 18% VAT – **4 483 (four thousand four hundred eighty three) rubles, 86 kopecks** (Appendix No.3).

Liability of Parties:

The Parties bear responsibility for failure to perform obligations or for improper performance of the obligations hereunder in conformity with the current legislation of the Russian Federation.

Each Party causing damages to the other Party by failure to perform obligations or for improper performance of the obligations hereunder is liable to fully pay for damages caused to the other Party.

Application of sanctions stipulated by Contract shall not exempt the Leaseholder from fulfillment of Contract obligations.

In case the Objects of lease come to emergency condition as a result of the Leaseholder's actions or his failure to perform necessary and timely measures, the Leaseholder is liable to pay the Lessor for the damages caused by such deterioration. Extent of damage is determined by an independent expert. Payment for independent expert services is implemented by the Party engaging the expert.

The Lessor shall not be liable for the shortcomings of leased property of which the Leaseholder has been informed when concluding the Contract. The Leaseholder shall be rendered informed of the property technical condition from the moment of signature of reports on technical condition of leased nonresidential premises by the Parties.

Contract term:

The Contract shall be effective upon signature hereof, shall be applied to the Parties' relations from November 1, 2009 and shall be valid till October 30, 2010.

Settlement of disputes:

All disputes and differences originating from the Contract shall be settled by the Parties through negotiations.

In case of dispute non-settlement through negotiations, they are subject to further review by Arbitration Court of Krasnodar region in compliance with the procedure stipulated by current legislation.

Voting results:

Okley P.I.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Vasyliov S.V.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"
Maslov A.V.	-	"FOR"			

Thus, the suggested decision on the sixth issue **has been unanimously adopted** by the Board of Directors members participating in voting.

7. On approval of contract for rendering telephone services concluded between "IDGC of the South", JSC and "FGC UES", JSC as a transaction the conclusion of which reveals vested interest.

According to item 3 article 83 FL "On Joint Stock Companies" the decision on this issue is adopted by a majority vote of independent directors not interested in the transaction settlement.

Maslov A.V., a member of Board of Directors of "IDGC of the South", JSC holding the post in management authorities of the legal entity being a Party to the Contract – a member of Management Board of "FGC UES", JSC is recognized as a party interested in the transaction settlement.

Besides the member of Board of Directors Maslov A.V., recognized as a party interested in the transaction settlement, Gavrilov A.I., a member of Board of Directors of "IDGC of the South", JSC holding the post of CEO of "IDGC of the South", JSC shall not participate in voting on this item and shall not be recognized as an independent director according to item 3 article 83 FL "On Joint Stock Companies".

It is suggested to adopt the following decision:

1. To specify that the price of contract for rendering telephone services concluded between "IDGC of the South", JSC and "FGC UES", JSC as a transaction the conclusion of which reveals vested interest shall not amount to 2% or more of book value of assets of "IDGC of the South", JSC according to the last reported date.

2. To approve the contract for rendering telephone services concluded between "IDGC of the South", JSC and "FGC UES", JSC as a transaction the conclusion of which reveals vested interest on the following essential terms:

Contracting Parties:

Contractor - "IDGC of the South", JSC;

Customer - "FGC UES", JSC.

Subject of Contract:

The Contractor undertakes to provide access to telephone network and possibility to use telephone communication, as well as to render the following telephone communication services:

Automatic local telephone circuit with access to public telephone network.

The Customer undertakes to pay for these services.

Service Payments:

Payment for services of local telephone circuit shall be implemented according to user payment system.

Telephone communication tariffs shall be fixed by the Contractor independently (apart from the cases stipulated by the Russian Federation legislation) and can be changed by the Contractor unilaterally.

Information on tariff change shall be brought to the Customer's notice no later than ten days prior to their application.

The Customer is informed of tariffs current on the day of the contract conclusion.

Payments for services stipulated by Contract shall be implemented through funds transfer to the Contractor's settlement account on the basis of invoices submitted by the Contractor. Invoice shall be submitted to the Customer by post. The Customer shall pay for the rendered services according to "Cost Estimate for Telecommunication Services

Rendered by Departmental ATO (Automatic Telephone Office) of "Volgogradenergo" branch of "IDGC of the South", JSC" (Appendix No.3)

The Customer shall make payments within 15 (fifteen) banking days from the moment of invoice reception.

In case of violation of payment term for 30 (thirty) or more days the Contractor shall have the right to suspend rendering of services up to Customer's acquittance, including fine payment and payments for disconnection and connection of technological equipment. The Contractor shall make cost recalculation of telecommunication services rendered by departmental ATO of "Volgogradenergo" branch of "IDGC of the South", JSC when introducing changes into "Scheduled Calculation of Telecommunication Services Rendered by Departmental ATO of "Volgogradenergo" branch of "IDGC of the South", JSC with No Access to "UES of Russia" Communication Network".

Altered "Cost Estimate for Telecommunication Services Rendered by Departmental ATO of "Volgogradenergo" branch of "IDGC of the South", JSC" shall be submitted to the Customer by the Contractor for harmonization. In case of non-harmonization of the above mentioned cost estimate by the Customer within 10 days, the Contractor shall have the right to deny rendering services stipulated by section 1 Contract. Service rendering shall be recommenced after Customer's acquittance (including fine payment) and payments for disconnection and connection of technological equipment.

Liability of Parties:

The Parties bear responsibility for failure to perform obligations or for improper performance of the obligations hereunder in conformity with the current legislation of the Russian Federation.

The Contractor shall be exempted from responsibility for failure to perform obligations or for improper performance of the obligations according to the Contract, proving that failure to perform obligations or improper performance of obligations are caused by force majeure circumstances or by the other Party.

The Parties undertake mutual obligations to keep confidential any information and documentation, provided by a Party to the other Party directly or indirectly in connection with the Contract, regardless of the time the information was provided: before, during, or after the Contract term.

Obligations of confidentiality observance shall not apply to information of general use, as well as information that will be known to third parties through no fault of both Contracting Parties.

Contract term:

The Contract shall be effective upon signature hereof by both Parties and shall be valid till December 31, 2010. The Contract terms shall be applied to the Parties' relations from January 1, 2010.

Settlement of disputes:

Disputes and differences of Contracting Parties shall be settled by negotiations, and in case of non-settlement through claimant procedure.

The Customer's claim shall be considered by the Contractor within 60 days from the moment of claim registration.

All disputes and differences originating from the Contract or in connection with it, including disputes on contract execution, violation, termination and validity are subject to further review by Arbitration Court of Volgograd region.

Voting results:

Okley P.I.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Vasyliov S.V.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"
Maslov A.V.	-	"FOR"			

Thus, the suggested decision on the seventh issue **has been unanimously adopted** by the Board of Directors members participating in voting.

8. On termination of participation of "IDGC of the South", JSC in the Non-profit partnership "Council of Electric Power Industry Veterans" (NP "Council of Electric Power Industry Veterans").

It is suggested to adopt the following decision:

To approve termination of participation of "IDGC of the South", JSC in the Non-profit partnership "Council of Electric Power Industry Veterans".

Voting results:

Okley P.I.	-	"FOR"	Maslov A.V.	-	"FOR"
Vasyliov S.V.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Gavrilov A.I.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"

Thus, the suggested decision on the eighth issue **has been unanimously adopted** by the Board of Directors members.

9. On obtaining of credit reserves for needs of "IDGC of the South", JSC.

It is suggested to adopt the following decision:

To approve the obtaining of borrowed funds in II quarter of 2010 for the purpose of restitution of loan indebtedness volume at the amount not exceeding the volume of borrowed funds, obtained previously.

Voting results:

Okley P.I.	-	"FOR"	Maslov A.V.	-	"FOR"
Vasyliiev S.V.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Gavrilov A.I.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"FOR"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"

Thus, the suggested decision on the ninth issue **has been unanimously adopted** by the Board of Directors members.

10. On agreement upon candidacies for the positions proposed by Board of Directors of the Company.

It is suggested to adopt the following decision:

To agree upon the candidacy of Goncharov Pavel Viktorovich for the position of Deputy CEO – Director of "Astrakhanenergo" branch of "IDGC of the South", JSC.

Voting results:

Okley P.I.	-	"FOR"	Maslov A.V.	-	"FOR"
Vasyliiev S.V.	-	"FOR"	Mikhailov S.A.	-	"FOR"
Gavrilov A.I.	-	"FOR"	Perepelkin A.Yu.	-	"FOR"
Ivanov M.S.	-	"FOR"	Popovskiy S.N.	-	"ABSTAINED"
Ilyenko V.V.	-	"FOR"	Ptitsyn I.V.	-	"FOR"

Thus, the suggested decision on the tenth issue **has been adopted** by a majority vote of the Board of Directors members.

Chairman of the Board of Directors

Okley P. I.

Corporate Secretary

Kantsurov A. A.