

**APPROVED by the
Resolution of the General Meeting of Shareholders of
PSC “VSMPO-AVISMA Corporation”
dated _____, 2007
Minutes No.____ dated _____2007**

Chairman of the General Meeting of Shareholders

REGULATIONS

FOR THE DIRECTOR GENERAL

OF THE PUBLIC STOCK COMPANY

“VSMPO – AVISMA CORPORATION”

(new revision)

Verkhnyaya Salda

2007

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1. GENERAL PROVISIONS

1.1. The present Regulations are accepted and have effect in accordance with the current legislation of the Russian Federation, including RF Civil Code, the Federal Law on Joint Stock Companies, and Bylaws of PSC “VSMPO-AVISMA Corporation” (hereinafter “Company”).

The present Regulations establish the status, rights and authorities of the Sole Executive Officer (hereinafter “Director General”) of the Company, procedures for election, early termination of office and interaction of the Director General with other management bodies of the Company.

1.2. Director General shall manage the day-to-day operation of the Company and shall report to the General Meeting of Shareholders and the Board of Directors of the Company.

1.3. The Director General shall serve the purpose to ensure the Company’s profitability, competitiveness, financial and economic stability as well as to maintain shareholders’ rights and employees’ social benefits.

1.4. The person in the capacity of the Director General shall be allowed to hold appointments in the management bodies of other enterprises only subject to approval of the Board of Directors.

1.5. Rights and duties of the Director General regarding managing the day-to-day operation of the Company shall be governed by the current legislation of the Russian Federation, the Company Bylaws, other internal documents of the Company and the labor agreement between the Director General and the Company.

Relations between the Director General and the Company shall be covered by the RF labor legislation in the part not contradicting the Federal Law on Joint Stock Companies.

1.6. The General Meeting of Shareholders is entitled to pass authority of the Director General to the profit –making organization (management company) or individual entrepreneur (manager) on contractual basis. Decision on passing Director General’s authority to the management company or manager shall be taken by the General Meeting of Shareholders only at the suggestion of the Board of Directors.

2. RIGHTS AND AUTHORITIES OF THE DIRECTOR GENERAL

2.1. The Director General shall arrange execution of resolutions of the General Meeting and the Board of Directors.

2.2. The Director General competence includes all management issues of the day-to-day operation of the Company, except for the issues referred to the competence of the General Meeting or the Board of Directors.

2.3. The Director General can act on behalf of the Company without a letter of attorney with respect to the following:

- management of the day-to-day Company’s activity;
- signing financial documents in the first place;
- disposition of the Company’s assets for support of the Company’s day-to-day activities within the limits stated by the By-Laws;
- presentation of the Company’s interests within the Russian Federation and abroad;
- approval of staff lists in accordance with organizational structure approved by the Board of Directors, conclusion of labor contracts with the Company’s employees, except for employees to be approved by the Board of Directors, encouragement of employees and imposing penalties;
- making transactions on behalf of the Company, except for the cases stipulated by the Federal Law on Joint Stock Companies and the Company By-Laws;
- issue of letters of attorney on behalf of the Company;
- opening of bank accounts of the Company;

- arrangement of keeping accounting records and reports of the Company;
- issue of orders and directions mandatory for all the employees of the Company;
- arrangement of planning of the current production, economic, financial, business and other Company's activity, procedures and terms of the product sales and rendering of a services;
- arrangement of price setting for the Company's products and services;
- making decisions, pursuant to the RF Legal Acts and the Company Bylaws, on taking and utilizing credits from domestic and foreign banks including foreign currency credits, as well as on purchasing and utilizing foreign currency;
- approval of the Company's internal documents except for those which shall be approved by the General Meeting and the Board of Directors;
- arrangement of security system for the data considered to be the State and commercial secret;
- performance of other functions necessary to achieve the Company's objective and ensure its regular functioning in accordance with the current Legislation and the Company By-Laws, except for functions assigned by the Federal Law on Joint Stock Companies and the Company Bylaws to other management bodies of the Company.

2.4. At least once a quarter the Director General shall submit to the Board of Directors a report on the Company's performance and execution of the financial – economic plan (budget).

2.5. The Director General shall submit to the Company the information on ownership of the Company's securities, as well as information on purchasing / selling the Company's securities.

Information on ownership of the Company's securities submitted by the Director General shall be presented to the shareholders in the annual and quarterly reports of the Company.

3. TERM OF OFFICE AND ELECTION OF THE DIRECTOR GENERAL

3.1. The Director General shall be elected by the Board of Directors for the period established by the decision of the Board of Directors.

The person nominated and elected by the Board of Directors to serve as Director General shall take up the duties of the Director General on the date of summing-up the vote results of the Board of Directors with regard to election of the Director General and shall abdicate these duties when the new Director General duly elected by the General Meeting takes the duties of the Director General.

Decision on election of the Director General shall be taken by majority of votes of the total number of members of the Board of Directors.

The same person can hold a post and be re-elected the Director General for unlimited number of times.

3.2. At any time the Board of Directors shall be entitled to make a decision on early termination of office of the Director General and election of the new Director General.

The Director General shall abdicate his duties before term as of the time of making a decision by the Board of Directors on early termination of office of the Director General

Decision on early termination of office of the Director General shall be taken by majority of votes of the total number of members of the Board of Directors.

3.3. Election and early termination of office of Director General shall be performed at the meeting of the Board of Directors held in the form of joint presence.

3.4. If by the date established by the Board of Directors of the Company, the Board of Directors has for any reason failed to elect the Director General (no candidates were nominated, all nominees have withdrawn themselves from the list of nominees, elections did not take place due to absence of quorum required for voting, etc.), then the term of office of the acting Director General shall be extended until the new Director General is elected at the following meeting of the Board of Directors.

3.5. Director General shall fulfill his / her functions and duties stipulated by the Company Bylaws and the present Regulations by his personal actions.

In case of his / her absence for the period not exceeding 2 months, the Director General shall entrust the duties of the Director General to the Deputy Director General or one of the executive directors based on the order with transfer of the full scope of the Director General's authorities.

If the Director General is not able to fulfill his/her duties during the period exceeding 2 months running, the Board of Directors shall appoint an Acting Director General at the suggestion of the Director General or one of the members of the Board of Directors. The decision shall be taken by majority of votes of the total number of members of the Board of Directors.

3.6. Any shareholder or any other citizen who was nominated for this position in time and on terms pursuant to the Company Bylaws and the present Regulations may be elected the Director General.

3.7. Members of the Board of Directors shall be entitled to nominate candidates for the Director General. Such proposals shall be submitted to the Company at least 14 days prior to the date of the Board of Directors meeting. Proposals on nomination of candidates for the Director General shall contain information on one candidate only.

3.8. Proposals on nomination of candidates for the Director General shall be made in the written form and forwarded to the Board of Directors by registered letters or handed to the secretary of the Board of Directors.

Proposals on nomination of candidates shall include designation of the position to which the candidate is nominated and the following information:

- surname, first name and second name of a nominee;
- date of birth;
- data from the personal identification document (series / No., date and place of issue, issuing authority);
- education;
- places of employment and positions held for the latest five years;
- information on the quantity and category / type of the Company shares owned by the candidate;
- written consent of the candidate to stand for election of the Director General;
- contact address of the candidate.

Proposals on nomination of candidates shall be signed by the member of the Board of Directors who submitted the proposal.

3.9. The Board of Directors shall review all submitted proposals and enter the nominated candidates in the candidacy list for election of the Company's Director General except for the cases when:

- a member of the Board of Directors have failed to observe the time limits for submittal of proposals as per Item 3.7 of the present Regulations;
- the proposal does not satisfy the requirements of Item 3.8 of the present Regulations.

3.10. During voting for election of the Director General, the member of the Board of Directors shall cast his/her vote for one of the candidates only.

4. MAKING OF THE LABOR AGREEMENT WITH THE DIRECTOR GENERAL

4.1. After election of the Director General, the Company's Board of Directors shall approve the major provisions of the labor agreement with the person fulfilling the functions of the sole executive officer of the Company.

4.2. The labor agreement shall be signed on behalf of the Company by the Chairman of the Board of Directors or by the person authorized by the Board of Directors.

5. EARLY TERMINATION OF OFFICE OF THE DIRECTOR GENERAL

5.1. The labor agreement with the Director General may be terminated based on the decision of the Board of Directors on termination of his / her office, based on the agreement between the parties or unilaterally on the initiative of the Director General or based on other grounds stipulated by the RF legislation and the labor agreement.

5.2. The Director General shall be authorized to resign the office at his/her discretion at any time providing the written notice to the Board of Directors within at least one month prior to resigning.

5.3. The authorities of the Director General may be terminated before time based on the decision of the Board of Directors on the following grounds:

- if the Director General failed to observe the requirements of the Company Bylaws or resolutions of the General Meeting and the Board of Directors of the Company;
- if the Director General has violated provisions of the labor agreement;
- if the Director General acts (or failures to act) have adversely affected the Company;
- other grounds stipulated by the RF legislation and the labor agreement.

6. RESPONSIBILITIES OF THE DIRECTOR GENERAL

6.1. When exercising his/her rights and duties the Director General shall act in the best interests of the Company and exercise his/her authorities related to the Company in good faith and on reasonable grounds.

6.2. The Director General shall bear full material liability to the Company for direct actual damage done to the Company as well as losses incurred by the Company due to his/her wrongful acts (failure to act), unless other grounds for liability are established by the Federal Laws.

The Director General shall bear liability to the Company or shareholders for any losses incurred by the Company due to his/her wrongful acts (failure to act) in violation of the procedure for acquiring over 30% of the Company's shares stipulated by the Federal Law on Joint-Stock Companies.

6.3. The Company or shareholder (shareholders) owning in the aggregate not less than 1% of the allocated ordinary shares of the Company shall be entitled to apply to court and claim from the Director General indemnification for losses incurred by the Company due to his/her wrongful acts (failure to act).

6.4. The Company or a shareholder shall be entitled to apply to court and claim from the Director General indemnification for losses incurred by the Company due to his/her wrongful acts (failure to act) in violation of the procedure for acquiring over 30% of the Company's shares stipulated by the Federal Law on Joint-Stock Companies.

6.5. The Director General shall be personally responsible for:

- arrangement of security system for the data considered to be the State secret and ensuring protection of the State secrets within the Company;
- non-observance of restrictions established by the RF Legislation regarding access to the data considered to be the State secret.

7. PROCEDURE FOR APPROVAL AND INTRODUCTION OF CHANGES TO THE PRESENT REGULATIONS

7.1. The Regulations for the Director General shall be approved by the General Meeting of Shareholders of the Company.

7.2. Decision on introduction of changes or amendments to the present Regulations or approval

of the new revision thereof shall be taken by the General Meeting of Shareholders in accordance with the procedure stipulated by the Federal Law on Joint-Stock Companies and the Company's Bylaws.

7.3. If due to any changes in the RF legislation some clauses of the present Regulations come into conflict with the RF legislative rules, such clauses shall become invalid while the Regulations shall still be valid as related to clauses not contradicting the RF legislation.

7.4. If due to any changes in the Company's Bylaws some clauses of the present Regulations come into conflict with the Company's Bylaws, such clauses shall become invalid and the Company's Bylaws shall be the governing document till introduction of changes to the present Regulations.