

APPROVED
by the Annual General Shareholders'
Meeting
of "Southern Telecommunications
Company" PJSC

Minutes No. ____ of _____
2007

_____/_____

Chairman of the Meeting

APPROVED
by the Extraordinary General
Shareholders' Meeting
of "Kuzminov Stavtelecom" OJSC

Minutes No. 22 of April 19, 2007

_____/_____

Chairman of the Meeting

AGREEMENT OF MERGER

of

**Open Joint-Stock Company
"KUZMINOV STAVTELECOM"**

into

**Public Joint-Stock Company
"SOUTHERN TELECOMMUNICATIONS COMPANY"**

This Agreement dated “ ____ ” _____ 2007 is concluded in Krasnodar by and between:

PUBLIC JOINT STOCK COMPANY “SOUTHERN TELECOMMUNICATIONS COMPANY”, a company registered in the Single State Register of Legal Entities under the principal state registration number 1022301172112 (certificate series 23 № 003062350 issued by Interregional *ins*pectorate on the largest taxpayers of the Ministry of Taxes and Fees of the Russian Federation for the Krasnodar Kray), and whose registered office is at 66, Karasunskaya Street, Krasnodar, (hereinafter **the Company**) in the person of Director General Alexander Vladimirovich Andreev acting on the basis of the Charter, on the one part;
and

OPEN JOINT-STOCK COMPANY “KUZMINOV STAVTELECOM” registered in the Single State Register of Legal Entities under the principal state registration number 1022601937929, and whose registered office is at 10/12, Oktyabrskoy revolutsii Pr., Stavropol (hereinafter **the Merged Company** in the person of Director General Alexander Vladimirovich Zemtsev acting on the basis of the Charter, on the other part.

Hereinafter the above mentioned parties are individually referred to as “**Party**” and collectively as “**Parties**”.

IT IS AGREED as follows:

1. SUBJECT AND OBJECTIVES OF THE AGREEMENT

- 1.1. The Parties agree to carry out the reorganization in the form of Merger of the Merged Company into the Company subject to the conditions and procedure provided herein and in accordance with legislation of the Russian Federation. The Merger will result in termination of the Merged Company’s activity un the capacity of legal entity and in assignment of all its rights and obligations to the Company in accordance with the Assignment Act.
- 1.2. The reorganization of the Parties in the form of Merger shall be carried out with the objective of expanding the scale of activity of the Company; making the use of production assets more efficient; improving quality and competitiveness of the services offered on the telecommunications market; increasing the market price and liquidity of shares; enhancing the investment appeal and obtaining an additional opportunity to attract investment resources.

2. PRELIMINARY AGREEMENTS AND UNDERSTANDINGS

- 2.1. It is agreed that in performance of this Agreement the Parties shall jointly and (or) severally take all actions and implement all procedures as necessary for the reorganization in the form of Merger, in accordance with the effective legislation and the Parties’ constituent documents.

- 2.2. It is agreed that the Parties shall jointly and (or) severally obtain all permissions and approvals of the Government Bodies as necessary for the reorganization in the form of Merger in accordance with effective legislation of the Russian Federation and founding documents of the Parties as well as all other approvals that may be necessary for the reorganization in the form of Merger.
- 2.3. It is agreed that the Company shall coordinate the procedures of reorganization in the form of Merger, taking into account the interests of the Merged Company and render necessary assistance including in connection with its excluding from the State Register.
- 2.4. It is agreed that the Parties shall on request immediately provide documents and information for each other as well as for the authorized representatives of the relevant Party as necessary for the reorganization in the form of Merger. Each Party warrants to the other Parties that the documents and information are complete and do not contain false or misleading data.
- 2.5. All licenses and permissions held by the Merged Company shall be renewed in favour of the Company in accordance with the effective legislation of the Russian Federation.

3. MAIN STAGES OF MERGER

The Parties shall take the following measures in accordance with the main stages of reorganization in the form of Merger.

- 3.1. Convocation and preparation of General Shareholders' Meetings by the authorized bodies of the Parties, adoption of decisions by the authorized bodies of the Parties on other matters regarding reorganization, including determination of the market value of shares for the Buyout purposes subject to effective legislation and the Parties' constituent documents.
- 3.2. The Merged Company shall file in accordance with the set form with the Federal Antimonopoly Service the list of persons belonging to the same group with indication of grounds for considering them belonging to the same group no later than one month prior to the Date of Merger subject to item 1 of Article 31 of the Federal law "On protection of competition".
- 3.3. Holding of General Shareholders' Meeting of the Merged Company for consideration of the issue of reorganization in the form of Merger, approval of this Agreement and the Assignment Act.
- 3.4. Holding of General Shareholders' Meeting of the Company for consideration of the issue of reorganization in the form of Merger, approval of this Agreement.
- 3.5. Notification of the reorganization in the form of Merger to controlling, registering and other state authorities in cases, order and time prescribed by the current legislation.
- 3.6. Each Party shall notify the creditors of the reorganization in the form of Merger as provided by the current legislation.
- 3.7. After expiration of the time period set by the legislation for making claims by creditors, each Party shall draw up the register of creditors, specifying the name of the creditor, amount of his claims and the required dates of fulfillment of such claims. After drawing up the register of creditors each Party shall on its own determine the method and procedure of settlements with its creditors who required termination or early fulfillment of obligations.

- 3.8. If the claims of creditors of the Merged Company are not considered and/or satisfied before making an entry on termination of activity of the Merged Company in the Single State Register of Legal Entities (hereinafter - the Date of Merger), they shall be satisfied by the Company by way of succession of the Company on the obligations of the Merged Company.
- 3.9. Buyout of the shares presented by the shareholders of the Company which voted against the decision on the reorganization in the form of Merger or did not take part in the vote on this issue in accordance with the conditions of this Agreement and effective legislation of the Russian Federation.
- 3.9.1. The Buyout of shares from the shareholders of the Company shall be carried out at the prices determined by the Board of Directors of the Company as required by Articles 75, 77 of the Federal Law "On Joint-Stock Companies", which prices shall be specified in the relevant notice of the General Shareholders' Meeting.
- 3.9.2. The Company shall make a list of shareholder entitled to demand buyout of shares owned by them on the basis of the data in the register of shareholders as of the date of making the list of shareholders entitled to participate in the General Shareholders' Meeting which agenda includes the issue on the Company's reorganization.
- 3.10. The Merged Companies shall prepare final accounting reports and an explanatory note showing changes in the cost of the assigned property and obligations as well as inventory the property, financial and other obligations.
- 3.11. Making entries in the Single State Register of Legal Entities on the termination of activity of the Merged Company in the capacity of a legal entity. The merger of the Merged Company shall be deemed effected at the date of the entry in the State Register on the termination of activity of the Merged Company in the capacity of the legal entity (Date of Merger).
- 3.12. The Company shall notify the Federal Antimonopoly Service of the Merger no later than 45 days after the Date of Merger.
- 3.13. The Parties shall have the right to change some stages of the procedure of reorganization in the form of Merger as well as to take other necessary actions not provided for by this Agreement, if such actions are required by legislation of the Russian Federation and/or Government Bodies.

4. CANCELLATION OF SHARES IN THE AUTHORIZED CAPITAL OF THE MERGED COMPANY

- 4.1. The authorized capital of the Company is 1,297,779,384.66 rubles as of the date of this Agreement and is composed of 2,960,512,964 ordinary registered non-documentary shares with face value of 0.33 rubles each and 972,151,838 preference type A registered non-documentary shares with face value of 0.33 rubles each.
- 4.2. The Company is the only one shareholder in the Merged Company owning 4,050 ordinary registered non-documentary shares with face value of 1,000 rubles each, which constitutes 100 percent of the authorized capital of the Merged Company. In connection therewith, at reorganization in the form of Merger shares of the Merged Company owned by the Company shall not be converted into shares of the Company and shall be cancelled.

- 4.3. The shares in the authorized capital of the Merged Company, indicated in item 4.2 herein, held by the Company and not subject to conversion shall be cancelled at the Date of Merger.
- 4.4. The Company shall not take the decision to increase its authorized capital by additional stock floatation for the purpose of converting shares of the authorized capital of the Merged Company into them.

4. SUCCESSION

- 4.1. The Company shall become from the Date of Merger the legal successor of the Merged Company with respect to all of its rights and obligations, whether or not stated in the Assignment Act of the Merged Company.
- 4.2. The Merged Company shall continue to own, manage and control its assets, rights and obligations till the Date of Merger.
- 4.3. If the rights and/or obligations of the Merged Company increase between the approval date of this Agreement and the Assignment Act of the Merged Company and the Date of Merger, all of them shall be assigned to the Company at the Date of Merger.
- 4.4. The changes in the rights and/or obligations of the Merged Company, which arise after the approval date of this Agreement and the Assignment Act of the Merged Company and before the Date of Merger, shall be accepted by the Company according to the final accounting reports of the Merged Company, prepared as provided in clause 6.5 hereof.

6. CONDITIONS OF MERGER

- 6.1. The Parties agree and understand that the assets and liabilities of the Merged Company may be reduced between the effective date hereof and the Date of Merger as the result of satisfaction of the Merged Company creditors' claims presented in connection with the reorganization as well as actions taken by the Merged Company in the course of its current business activity.
- 6.2. The Merged Company shall every month, from the effective date hereof till the Date of Merger, provide the Company with the register of its creditors and debtors in respect of the amount exceeding 100,000 (one hundred thousand) rubles in the aggregate.
- 6.3. After the effective date hereof the Merged Company may not without the prior consent of the Company undertake the following actions:
 - (a) make transactions including a number of related transactions for any direct or indirect disposal or possible disposal of real estate, telecommunications equipment, shares in authorized capitals of other companies or partnerships, for obtaining and giving credits and loans, security and guarantees, for any pledge of equipment as well as transactions with other assets exceeding the limits set forth in the constituent documents of the Merged Company and the contract between the Merged Company and the individual executive body or exceeding 0.5 percent of the latest balance sheet value of the assets;
 - (b) take decision on joining or terminating its participation in commercial or non-commercial organizations;

(c) take decisions on making any amendments or additions to the Charter, except for the amendment and additions which are necessary or desirable for the purpose of Merger, as well as amendments and additions to the Collective Agreement;

(d) take decisions on issue and floatation of shares, bonds and other securities as well as on reduction of the authorized capital.

6.4. The Merged Company shall promptly inform the Company of all legal actions and/or pre-court claims against it as well as of court decisions in respect of the Merged Company, of any facts of license terms' violation, of the results of checks of the Merged Company's operations by state authorities, of tax claims and administrative sanctions.

6.5. Taking into account the results of economic operations in the process of ordinary economic activity of the Merged Company, payment of taxes and other duties, salary, discharge of debts, early fulfillment of obligations of the Merged Company and compensation for losses to the creditors which presented such claims in connection with the decision on reorganization, the Merged Company as of the day preceding the date of the entry in the Single State Register of Legal entities on the termination of activity of the Merged Company in the capacity of legal entity shall prepare final accounting reports and the explanatory note showing changes in the cost of the assigned assets and obligations as well as inventory the property, financial and other obligations and promptly deliver them to the Company.

6.6. The Merged Company shall take all measures and actions as required to prepare and effect the assignment of the property, assets, rights and obligations of the Merged Company to the Company.

6.7. By the Date of Merger the Merged Company shall transfer for storage to the Company all certificates, contracts and any other documents confirming or dealing with the right to property, assets, responsibility, debts and liabilities of the Merged Company as well as archives and other documents kept by the Merged Company.

7. VALIDITY OF THE AGREEMENT

7.1. This Agreement shall come into effect when approved by the General Shareholders' Meeting of the Merged Company and the General Shareholders' Meeting of the Company and shall remain in force until each Party duly fulfills its obligations regarding the subject hereof.

7.2. The Agreement shall terminate in cases provided by effective legislation of the Russian Federation.

8. FORCE MAJEURE

8.1. The Parties shall not be liable for non-fulfillment or improper fulfillment of their obligations hereunder under the circumstances making impossible complete or partial fulfillment by any Party of its obligations hereunder, namely: fires, natural disasters, war, military conflicts, acts of the Government or other events which are outside the control of the Parties; in such a case the time limit for the fulfillment of such obligations shall be extended for a reasonable period equivalent to the duration of the Force Majeure.

8.2.The Party affected by Force Majeure circumstances shall notify the other Party of such events not later than 10 (ten) calendar days after the date of occurrence thereafter.

8.3.Failure to notify or late notification of Force Majeure circumstances when the Party affected by them was able to notify the other Parties of their occurrence shall involve forfeiture of the right to refer to these circumstances in case the Party is unable to fulfill its obligations hereunder.

9. DISPUTE RESOLUTION

9.1.All disputes and controversies arising in connection with this Agreement shall be settled by means of negotiations between the Parties.

9.2.If the Parties fail to come to an agreement on any dispute by means of negotiations, such dispute shall be settled in the Arbitration Court.

10.FINAL PROVISIONS

10.1.This Agreement is governed by the current law of the Russian Federation. In case this Agreement does not contain provisions regulating some matters of Merger or does not regulate them in full, such matters shall be regulated in accordance with the applicable laws of the Russian Federation

10.2.The Parties shall bear responsibility for failure to fulfil or duly fulfil their obligations under the present Agreement in accordance with the current Russian law.

10.3. Any amendments and additions to the present Agreement shall be executed in written form and signed by the authorized representatives of the Parties.

10.4.If one or more provisions hereof are declared invalid according to the procedure established by the active legislation, these provisions cease to be effective. Invalidity of some provisions of the Agreement shall not affect or impair the validity of the Agreement on the whole.

10.5.In case this Agreement on the whole is declared illegal or invalid according to the procedure established by the active legislation, the Parties shall do all acts necessary, in order to protect the rights of shareholders and creditors of the Parties and to ensure that the decisions made by the governing bodies of the Parties be fulfilled, while adhering to the applicable law.

10.6.In case this Agreement does not contain provisions regulating some matters of Merger as well as in case some clauses hereof cease to be effective, the Parties shall abide by the current laws. If such matters of Merger are not regulated by law, the Parties shall apply civil legislation of the Russian Federation regulating similar relations and business practices in respect of relations arising between the Parties in connection with such matters, if this does not contradict their essence.

10.7.Each Party shall on its own bear all its expenses connected with the Merger, including expenses for the Merger stages, preparation of all necessary documents, payment for third persons' services in preparing and carrying out the Merger stages.

10.8.This Agreement is executed in two counterparts having equal legal force, one copy for each Party.

SIGNATORIES:

**"SOUTHERN TELECOMMUNICATIONS
COMPANY" PJSC:**

A.V. Andreev
Director General

T.V. Rusinova
Chief Accountant

"KUZMINOV STAVTELECOM" OJSC:

A.V. Zemtsev
Director General

L.G. Ushakova
Chief Accountant