

On Consumer Cooperative

Unofficial translation

The Law of the Republic of Kazakhstan, dated 8 May, 2001 No 197.

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This Law determines the legal status of consumer cooperatives, organizational, economic and social conditions of their creation, activity, reorganization and liquidation, rights and obligations of members, powers and responsibilities of management and supervisory bodies.

Chapter 1. General provisions

Article 1. Basic definitions

The following basic definitions shall be used in this Law:

property (share) contribution – a contribution of members of a consumer cooperative to the property (share) fund of a consumer cooperative by means of money, property or property rights, having a pecuniary valuation;

property (share) fund – a fund, consisting of property (share) contributions, made by members upon the creation of a consumer cooperative or upon the entry therein, and being one of the sources of organization of the consumer cooperative property;

a consumer cooperative – a voluntary association of citizens on the basis of the membership, for satisfaction of their pecuniary and other needs, carried out by uniting property (share) contributions by its members;

reserve fund – a fund that is designed to cover losses, caused in the result of case of emergency, the procedure of organization and use of which shall be determined by the charter of a consumer cooperative;

a member of a consumer cooperative – a citizen and (or) a legal entity, satisfying requirements of this Law that made the property (share) contribution in the amount, established by the charter of a consumer cooperative, and manner, admitted into consumer cooperative with the right to vote.

Article 2. Legislation on consumer cooperative

1. The legislation of the Republic of Kazakhstan on consumer cooperative shall be based on the Constitution of the Republic of Kazakhstan, the Civil Code and consist of this Law and other regulatory legal acts.

2. **Is excluded by the Law of the Republic of Kazakhstan dated 29.10.2015 № 373-V (shall be enforced from 01.01.2016).**

3. Peculiarities of the activity of consumer cooperatives, carrying out mutual insurance shall be determined by the legislative acts of the Republic of Kazakhstan.

4. Relations, associated with creation and activities of a housing-construction cooperative with the aim of constructing a multi-apartment residential building shall be regulated by the housing legislation of the Republic of Kazakhstan.

Footnote. Article 2 as amended by the Law of the Republic of Kazakhstan dated 05.07.2006 № 164 (the order of enforcement See Article2); dated 29.10.2015 № 373-V (shall be enforced from 01.01.2016); dated 26.12.2019, № 284-VI (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 2-1. Main goals and objectives of this Law

1. The main objectives of this Law shall be to ensure the organization and development of the cooperative movement in the Republic of Kazakhstan, as well as to protect the rights and legitimate interests of consumers through the creation of conditions for the formation and functioning of consumer cooperatives.

2. The main objectives of this Law shall be:

1) creation of a legal basis for the development of the cooperative movement in the Republic of Kazakhstan;

2) ensuring the rights, freedoms and legitimate interests of participants in consumer cooperatives;

3) ensuring the availability of goods and services;

4) development of competition in the market;

5) regulation of consumer cooperatives.

Footnote. Chapter 1 as added by Article 2-1 in accordance with the Law of the Republic of Kazakhstan dated 05.07.2024 № 115-VIII (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Article 3. Basic principles of creation and activity of a consumer cooperative

Consumer cooperatives shall operate on the basis of the following principles:

voluntariness of entry and cessation;

obligatoriness of payment of property (share) contribution;

democratic character of management;

mutual assistance and protection of interests of its members;

accessibility of information on the consumer cooperative's activity for all its members.

Article 4. Consumer cooperative

1. A consumer cooperative shall be a non-profit organization and may engage in business activity only insofar as it conforms to its charter purposes.

2. A consumer cooperative shall be created at the expense of property (share) contributions for the performance of particular functions, linked with serving the interests of its members.

3. A consumer cooperative shall be considered as created for uncertain term, unless the constituent documents provided that it is created for a certain term or for achievement of settled purpose.

4. Labor relations in a consumer cooperative shall be governed by this Law, the labour legislation and the charter. Amounts of remunerations for a personal labour participation of members of a consumer cooperative in its activity, as well as amounts of wages of the persons , working under the employment agreement shall be established by decision of the general meeting.

5. Personal labour participation of members of a consumer cooperative shall not be compulsory.

6. Members of a consumer cooperative shall be the main consumers of the results of activity (manufactured or acquired goods, works and services).

Footnote. Article 4 as amended by the Law of the Republic of Kazakhstan dated 15.05.2007 № 253.

Article 5. Name and location of a consumer cooperative

1. Name of a consumer cooperative shall include its name and the stating on a legal organizational form. It may include additional information, provided by the legislation.

2. Location of a consumer cooperative shall be recognized as the location of its permanently operating body.

3. In case of change of location, a consumer cooperative shall be obliged to notify a body, carrying out the state registration of legal entities on physical address of a consumer cooperative about this, for introduction of necessary amendments into the National Register of Business Identification Numbers.

Footnote. Article 5 as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 № 60-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 6. Legal competence of a consumer cooperative

1. A consumer cooperative shall be a legal entity and shall have the powers as follows:

1) to engage in the activity, focused on satisfaction of needs of its members;

2) to carry out entrepreneurship activity, insofar as it serves the achievement of the charter purposes;

3) to have its branches and representative offices in the manner, established by the legislation of the Republic of Kazakhstan and provided by the charter of a cooperative;

4) to appeal, in accordance with the procedure, established by the laws of the Republic of Kazakhstan, acts of state bodies, acts of agencies of local self-government, actions (omission to act) of their officials, violating the rights of a consumer cooperative;

5) to exercise other rights of a legal entity, required for achievement of the goals, provided by the charter of a consumer cooperative.

2. A consumer cooperative may engage in certain types of activity or actions (operations), established by the Law of the Republic of Kazakhstan "On Permissions and Notifications", only on the basis of permission or notification.

3. Subject and purposes of the activity of a consumer cooperative shall be determined by its constituent documents.

Footnote. Article 6 as amended by the Law of the Republic of Kazakhstan dated 16.05.2014 № 203-V (shall be enforced upon expiry of six months after its first official publication); dated 29.06.2020 № 351-VI (shall come into force from 01.07.2021).

Article 7. Branches and representative offices of a consumer cooperative

1. A consumer cooperative shall have the right to establish its branches and representative offices beyond its location in accordance with the legislation of the Republic of Kazakhstan.

2. Decisions on creation of branches and opening of representative offices shall be adopted by executive body of a consumer cooperative, unless the charter provided that such decisions shall be adopted by the general meeting.

Article 8. State and a consumer cooperative

1. State bodies and agencies of local self-government shall not have the right to interfere the activity of a consumer cooperative, with the exception of cases, provided by the legislative acts of the Republic of Kazakhstan.

2. The acts of state bodies and agencies of local self-government, violating the rights of a consumer cooperative shall be invalidated in the manner, established by the legislation of the Republic of Kazakhstan.

3. Damage, including the loss of expectation, inflicted to a consumer cooperative in the result of illegal action or omission of state bodies and agencies of local self-government or its officials, shall be reimbursed in the manner, established by the legislation of the Republic of Kazakhstan.

Chapter 2. Creation of a consumer cooperative

Article 9. Procedure for creation of a consumer cooperative

1. Creation of a consumer cooperative shall be commenced by the holding of constitutional convention and finished by the state registration as a legal entity.

2. Citizens may form initiative groups for preparation of holding of constitutional convention of a consumer cooperative and projects of documents, submitted for its consideration.

Article 10. Constitutional convention of a consumer cooperative

1. Constitutional convention of a consumer cooperative shall decide the following issues:

1) to adopt decision on creation of a consumer cooperative, its name and location;

2) to approve the list of members of a consumer cooperative on the basis of their applications, specifying last name, first name, patronymic, place of residence and details of the document of identification for citizens and specifying name, location area and bank requisites for a legal entity;

3) to determine the subject and purposes of activity;

4) to determine the composition, amount and terms of payment of property (share) contributions;

5) to approve the charter and memorandum;

6) to elect executive, supervisory and other bodies;

7) to determine the terms and persons, responsible for the state registration;

8) to decide other issues, linked with creation of a consumer cooperative.

2. Decision of a constitutional convention shall be registered by the protocol. The protocol of a constitutional convention shall be signed by the chairman and the secretary of a constitutional convention.

The chairman of a constitutional convention shall be elected by majority vote of its participants.

Article 11. The charter of a consumer cooperative

1. The charter of a consumer cooperative shall contain:

1) name and location;

2) subject and purposes of activity;

3) procedure for entry and secession of members from a consumer cooperative, as well as apportionment of their own participatory share in a cooperative property;

4) composition, amount and procedure for payment of property (share) contributions, liability for violation of obligations on payment of property (share) contributions;

5) procedure for organization, election (re-election) and the powers of executive, supervisory and other bodies of a consumer cooperative, the procedure for adoption of decisions by them;

6) structure and competence of a consumer cooperative management bodies;

7) procedure for adoption of decisions by management bodies, as well as on the issues, the decisions on which shall be adopted unanimously or by majority voting;

8) procedure for covering losses by members of a consumer cooperative, incurred by a cooperative;

9) terms of reorganization and termination of activity of a cooperative;

10) information about branches and representative offices;

11) nature and procedure for personal labor participation of members of a consumer cooperative in its activity;

12) relationship between a consumer cooperative and its members, executive body of a consumer cooperative and wage employees.

2. The charter of a consumer cooperative shall be enclosed by the list of members of a consumer cooperative with specification of last name, first name, patronymic, place of residence and details of the document of identification of a citizen, as well as the name, location and bank requisites of an organization, if a member of a consumer cooperative is a legal entity.

3. The charter of a consumer cooperative may contain other provisions that are not inconsistent with the legislation of the Republic of Kazakhstan.

4. Alterations and additions to the charter of a consumer cooperative shall be registered by authorized state bodies in the manner, established by the Law.

5. In relations with third parties, a consumer cooperative and its members shall have the right to refer to the alterations of the charter of a consumer cooperative, from the moment of notifying the body, carrying out the state registration, on introduced alterations and additions to its charter or their registration in the manner, established by the legislative acts of the Republic of Kazakhstan, or from the moment of entering of information about alteration of the charter of a consumer cooperative to the National Register of Business Identification Numbers on the basis of court decision. However, the third parties shall have the right to act in recognition of these alterations up to commencement of the specified circumstances and terms.

Footnote. Article 11 as amended by the Law of the Republic of Kazakhstan dated 27.04.2012 № 15-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 24.12.2012 № 60-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 12. State registration of a consumer cooperative

1. A consumer cooperative shall be considered as created from the date of its state registration.

2. State registration of a consumer cooperative shall be carried out by justice authorities in the manner, prescribed by the legislation the Republic of Kazakhstan on state registration of legal entities and record registration of branches and representative offices.

Footnote. Article 12 as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 № 60-V (shall be enforced upon the expiry of ten calendar days after its first official publication).

Chapter 3. Membership in a consumer cooperative

Article 13. Membership in a consumer cooperative

1. Members of a consumer cooperative may be the citizens, attained the age of eighteen, and legal entities.

2. Citizens and legal entities may be the members of several consumer cooperatives.

3. Number of members of a consumer cooperative shall not be less than two citizens. Maximum number of members of a consumer cooperative shall not be limited.

4. Admission of new members to a consumer cooperative, carried out with compliance of provisions of this Law and the charter of a consumer cooperative shall be registered by decision of the general meeting.

5. A citizen or a legal entity, wishing to become a member of a consumer cooperative shall file a written application to executive body for admission in a consumer cooperative.

The application shall contain last name, first name, patronymic, place of residence and details of the document of identification of a citizen or the name, location area and bank account details of a legal entity.

6. The application for admission in a consumer cooperative shall be considered within ten days by an executive body of a consumer cooperative.

7. Third parties, obtained the right to share in the property of a consumer cooperative after its creation, shall have the priority right to be admitted to the members of a consumer cooperative.

8. In case of death of a member of a consumer cooperative, his (her) heirs shall have the priority right for admission to membership of a consumer cooperative, unless otherwise provided by the charter of a cooperative. In the latter case, a consumer cooperative shall pay a share in the property of a consumer cooperative to the heirs, proportionate to his (her) property (share) contribution.

Article 14. Rights of members of a consumer cooperative

Members of a consumer cooperative shall have the right to:

- 1) voluntary withdraw from a consumer cooperative in established manner;
- 2) participate in the activity of a consumer cooperative, to elect and to be elected in management and supervisory bodies, to make proposals on improvement of the activity of a consumer cooperative, on elimination of shortcomings in operation of its bodies;
- 3) acquire (receive) goods (services) of a consumer cooperative with the preference over other citizens and legal entities, to carry out the retail distribution services on the basis of contracts of items and products of own production, private subsidiary husbandry and trading through consumer cooperative organizations;
- 4) enjoy the benefits, provided for members of a consumer cooperative by the general meeting of a consumer cooperative;
- 5) receive information from executive, supervisory and other bodies of a consumer cooperative, about their activity, as well as familiarize with accounting data, reporting and other documentation in the manner, prescribed by the charter;
- 6) lodge to the general meeting of a consumer cooperative with appeals against illegal acts of its executive, supervisory and other bodies;
- 7) appeal through the courts against the decisions of executive, supervisory and other bodies of a consumer cooperative, affecting their interests;
- 8) receive the value of the property portion, in case of liquidation of a consumer cooperative, left after the settlement with creditors, or by the consent of the majority of members of a consumer cooperative, the part of this property in kind, proportionate to its property (share) contribution;
- 9) allocate their share in the property of a consumer cooperative and receive its value or by the consent of the majority of members of a consumer cooperative, the property in kind, proportional to his (her) property (share) contribution, in case of withdrawal from it;

10) to receive remuneration for their work in a consumer cooperative in the form of salary or other form, prescribed by the charter.

The charter of a consumer cooperative may establish other rights of members, not inconsistent with the legislation of the Republic of Kazakhstan.

Article 15. Obligations of members of a consumer cooperative

Members of a consumer cooperative shall be obliged to:

- 1) comply with the charter;
- 2) perform decisions of the general meeting of executive, supervisory, and other bodies;
- 3) fulfill their obligations to consumer cooperative on participation in its activity, prescribed by the charter;
- 4) introduce the property (share) contributions in the amounts, procedure and within the terms, established by the charter.

Members of a consumer cooperative may incur other obligations, provided by the charter of a consumer cooperative, not inconsistent with the legislation of the Republic of Kazakhstan

Article 16. Termination of membership in a consumer cooperative

1. The membership in a consumer cooperative shall be terminated in the following cases:

- 1) voluntary withdraw;
- 2) exclusion;
- 3) loss of the right to a share in the property;
- 4) death of a citizen being the member of a consumer cooperative, declaring him (her) dead, recognition as missing in the manner, established by the legislation of the Republic of Kazakhstan;
- 5) liquidation of a legal entity that is a member of a consumer cooperative;
- 6) liquidation of a consumer cooperative.

2. In case of voluntary withdraw; a member of a consumer cooperative shall have the right to apportionment of his (her) participatory share proportionate to introduced property (share) contribution, in the manner, established by this Law.

3. A member of a consumer cooperative may be excluded from a consumer cooperative by decision of the general meeting in case of non-fulfillment of his (her) obligations by him (her) without valid excuse, established by the charter, or commission of deliberate actions, causing damages to a consumer cooperative.

A member of a consumer cooperative shall be notified in writing not later than ten days by an executive body of a consumer cooperative about the reasons of submission of the issue on his (her) exclusion from a consumer cooperative to the general meeting and invited to the foregoing general meeting, where he (she) shall be provided with the right to give his (her) own opinion.

In the absence of excluded member of a consumer cooperative without valid excuse at the general meeting of a consumer cooperative, it shall have the right to adopt decision on his (

her) exclusion without his (her) participation. Decision shall be considered as adopted, if it receives two-thirds of attendants at the meeting.

The apportionment of participatory share in the property of a consumer cooperative shall be made to excluded member of a consumer cooperative, proportionate to introduced property (share) contribution, in the manner, established by this Law.

Decision of the general meeting on exclusion of a member of a consumer cooperative may be appealed in a judicial proceeding.

4. A member of a consumer cooperative, forfeited the right to share in the property of a consumer cooperative shall terminate his (her) membership in a consumer cooperative.

Forfeit of the share shall occur on the following grounds:

- 1) sale;
- 2) gift;
- 3) other disposal;
- 4) court decision.

A member of a consumer cooperative, forfeited the right to share in the property shall inform an executive body of a consumer cooperative about this. This information may be presented to executive body of a consumer cooperative by the persons, received the share in the property.

Termination of membership in a consumer cooperative in case of forfeit of the right to share in the property shall be registered by decision of an executive body of a consumer cooperative.

5. In case of death, recognition as missing or declaration as died in established manner of a citizen, being a member of a consumer cooperative, his (her) membership in a consumer cooperative shall be terminated.

An executive body of a consumer cooperative shall carry out the apportionment of participatory share of a died member of a consumer cooperative in the property on the date of death, recognition as missing or declaration as died, proportionate to his (her) share, in the manner, established by this Law, for its repayment to heirs.

6. An executive body shall inform the members of a consumer cooperative about all cases of termination of membership in a consumer cooperative.

Chapter 4. Management of a consumer cooperative

Article 17. Management bodies of a consumer cooperative

1. Management bodies of a consumer cooperative shall be:

- 1) supreme body - the general meeting;
- 2) executive body - the board (the Chairman);
- 3) supervisory body - the audit commission (auditor).

2. The charter of a consumer cooperative may provide creation of other bodies of a consumer cooperative.

3. In cases of recognition of a consumer cooperative as bankrupt or application of a rehabilitation procedure and appointment of a temporary or bankrupt or rehabilitation manager in accordance with the procedure, established by the legislative act of the Republic of Kazakhstan on rehabilitation and bankruptcy, all powers to manage it shall be transferred to a temporary or bankrupt or rehabilitation manager, respectively.

Footnote. Article 17 as amended by the Law of the Republic of Kazakhstan dated 07.03.2014 № 177-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 18. General meeting of a consumer cooperative

1. Supreme body of a consumer cooperative shall be the general meeting and it shall be authorized to decide all matters, relating to its activity. By this, the regular or extraordinary general meetings that shall be recognized as legally qualified may be convened, if there are more than a half of all members of a consumer cooperative, attended at the general meetings. Decision of the general meeting shall be recognized as adopted, if more than a half of all the members, attended at the general meeting voted for it. By this, each member of a consumer cooperative shall have one vote, during making decisions of the general meeting, notwithstanding the value of his (her) share in the property of a consumer cooperative.

2. The regular general meeting of a consumer cooperative shall be convened by an executive body of a consumer cooperative within the terms, established by the charter, but not less than once a year.

The general meeting devoted to approval of the annual financial statements of a consumer cooperative shall be held not later than three months after the end of a financial year.

3. An extraordinary general meeting of a consumer cooperative shall be convened in cases , provided by this Law, the charter, as well as in all other cases, when convening of such meeting requires the interests of a consumer cooperative.

An extraordinary general meeting of a consumer cooperative shall be convened by an executive body on its own initiative, as well as at the request of an audit commission (an auditor) or on the initiative of no less than one-tenth of the total membership of a consumer cooperative.

If notwithstanding the formal requests of an audit commission (an auditor) or members of a consumer cooperative, an executive body of a consumer cooperative fails to convene the extraordinary general meeting, it may be independently convened by an audit commission (an auditor) or no less than one-tenth part of the total membership of a consumer cooperative on an independent basis.

The extraordinary general meeting of a consumer cooperative, being in the process of liquidation, may be also convened by a liquidation committee.

4. Decision of the general meeting of a consumer cooperative, adopted with violation of the procedure for holding the general meeting and making decisions, established by this Law, the charter or regulations and other documents, regulating internal activity of a consumer

cooperative, as well as the decision of the general meeting, contradicting this Law or the charter, as well as decision, violating the rights of members of a consumer cooperative, may be recognized by court as invalid in whole or partially by the request of the members of a consumer cooperative. Such application may be filed within six months from the date of holding the general meeting.

5. The procedure for convening and holding, making decision shall be determined by the charter of a consumer cooperative.

Article 19. Competence of the general meeting of a consumer cooperative

1. Competence of the general meeting of a consumer cooperative shall be determined in accordance with this Law and the charter of a consumer cooperative.

2. Exclusive competence of the general meeting shall include:

1) introduction of alterations and additions to the charter of a consumer cooperative, including alterations in size of the property (share) contribution, location area and name, or approval of the charter in a new wording;

2) determination of principle directions of the activity of a consumer cooperative;

3) election of a chairman and members of executive, supervisory, and other bodies of a consumer cooperative, the termination of their powers, hearing reports on their activity, determination of amount of funds for their maintenance;

4) exclusion of members of a consumer cooperative from a cooperative;

5) approval of internal rules, procedure for their adoption and other documents regulating internal operations of a consumer cooperative;

6) decision of the issues on establishment of an association (union) of consumer cooperatives, the entry to association (union) and withdraw from it;

7) approval of the annual financial reports, report of an audit commission (an auditor) of a consumer cooperative;

8) procedure for covering losses, incurred by a consumer cooperative;

9) determination of types and procedure for formation and expenditure of funds of a consumer cooperative;

10) alienation of the immovable property of a consumer cooperative, the value of which exceeds the value, determined by the charter;

11) adoption of decisions on reorganization and liquidation of a consumer cooperative;

12) election of a chairman and members of a liquidation committee and approval of a liquidation balance.

3. Together with the issues, specified by this Law as the exclusive competence of the general meeting, other issues may be referred by the charter of a consumer cooperative to its exclusive competence.

4. Unless otherwise provided by the charter of a consumer cooperative, the general meeting shall have the right to delegate the powers, not related to its exclusive competence, to the executive body of a consumer cooperative.

5. The general meeting of a consumer cooperative shall have the right to consider the issues on confirmation or cancellation of decisions of executive, supervisory, and other bodies

6. The general meeting of a consumer cooperative shall have the right to consider any issue, linked with the activity of a consumer cooperative.

Article 20. Executive body of a consumer cooperative

1. Executive body of a consumer cooperative shall carry out the current management of a consumer cooperative activity and conducting its affairs and shall be accountable to the general meeting.

Members of executive body of a consumer cooperative shall be elected in the composition and for the term, determined by the charter, and may be released from fulfillment of obligations (powers) at any time under decision of the general meeting of a consumer cooperative.

2. Procedure of work and adoption of decisions of executive body shall be determined by the charter of a consumer cooperative.

3. The competence of executive body shall include all issues of securing consumer cooperative activity, not related to the competence of the general meeting, determined by this Law and the charter of a cooperative.

The competence of executive body of a consumer cooperative shall also include the powers of the general meeting, not subject to its exclusive competence, transferred to executive body in accordance with paragraph 4, Article 19 of this Law.

4. In relations with third parties, a consumer cooperative shall not have the right to rely on restrictions of powers of an executive body, established by it. However, a consumer cooperative shall have the right to dispute the validity of the transaction, consummated by an executive body with a third party with violation of established restrictions, if it proves that during consummation of transaction, the third party knew or should have known about these restrictions.

5. Members of executive body of a consumer cooperative shall be prohibited:

1) to conclude transactions with a consumer cooperative, aimed at obtaining pecuniary profits (including contracts of gift, loan, free use, buy and sell, etc.) without the consent of the general meeting;

2) to receive commission remuneration from both a consumer cooperative, and from third parties for transactions concluded by a consumer cooperative with third parties;

3) to act on behalf of or for the benefit of third parties in their relations with a consumer cooperative;

4) to conduct entrepreneurial activity, competing with the activity of a consumer cooperative.

6. The restrictions, provided in subparagraphs 1) -3) of paragraph 5 of this Article shall also apply to close relatives and legal relatives of the members of executive body of a consumer cooperative.

Article 21. Supervisory board of a consumer cooperative

1. Supervisory board of a consumer cooperative may be established, if it is provided by the charter of a consumer cooperative in order to control activity of executive body of a consumer cooperative on the part of its members. Powers of a supervisory board shall be determined by the charter.

2. Supervisory board of a consumer cooperative shall consist of its members, elected by the general meeting of members of a consumer cooperative. Number of members of the supervisory board and procedures for its adoption of decisions shall be established by the charter of a consumer cooperative.

3. A member of the supervisory board may not be a member of an executive body, an audit commission of a consumer cooperative or the chairman of a consumer cooperative at the same time.

Article 22. Audit commission (an auditor) of a consumer cooperative

1. In order to carry out the control of financial and economic activity of a consumer cooperative, an audit commission (an auditor) shall be established from among the members of a consumer cooperative, unless otherwise provided by the charter.

Fulfillment of functions of an audit commission may be entrusted to a member of a consumer cooperative in the capacity of an auditor.

2. An audit commission or an auditor of a consumer cooperative shall be elected by the general meeting for the term, determined in the charter.

3. Members of an audit commission (an auditor) may not be the members of an executive body of a consumer cooperative.

4. An audit commission (an auditor) of a consumer cooperative shall be accountable to the general meeting.

5. An audit commission (an auditor) shall have the right to perform the verifications of financial and economic activity of a consumer cooperative. For this purpose, an audit commission (an auditor) shall have an unconditional right of the access to all the documentation of a consumer cooperative at any time. Upon the request of an audit commission (an auditor), an executive agency shall be obliged to provide the necessary explanations orally or in writing.

6. An audit commission (an auditor) shall compulsory perform verification of the annual financial statements of a consumer cooperative before their approval by the general meeting. The general meeting shall not have the right to approve the annual financial statements without conclusion of an audit commission (an auditor).

7. Proceedings of an audit commission (an auditor) shall be determined by the charter, as well as by regulations and other documents, regulating internal operation of a consumer cooperative.

Article 23. An audit of a consumer cooperative

1. For the purpose of verification and confirmation of accuracy of the annual financial statements of a consumer cooperative, as well as the current state of its affairs, a consumer cooperative shall have the right to engage an auditing firm, not linked with property interests with a consumer cooperative, members of its executive, supervisory and other bodies or members of a consumer cooperative, in the cases and in the manner, provided in its charter.

2. A member of a consumer cooperative shall have the right to request an audit of its financial statements of a cooperative at his (her) own expense.

3. If an executive body of a consumer cooperative fails to conduct an audit of the financial statements of a cooperative, when the audit is compulsory or when it is required by a member of a cooperative, the audit may be assigned by the court decision, adopted at the request of an interested person or a member of a cooperative.

Footnote. Article 23 as amended by the Law of the Republic of Kazakhstan dated 05.05.2006 № 139 (the order of enforcement See Article 2 of the Law of the Republic of Kazakhstan № 139).

Article 24. Appeal against decisions and actions of executive, supervisory and other bodies of a consumer cooperative

Decisions and actions of executive, supervisory and other bodies of a consumer cooperative may be appealed by members of a consumer cooperative at the general meeting or in a judicial proceeding.

Decisions and actions of a head of an executive body of a consumer cooperative may be appealed at the general meeting of a consumer cooperative or in court.

Chapter 5. Property of a consumer cooperative

Article 25. Property of a consumer cooperative, sources of its formation

1. Owner of property, registered on the balance sheet of a consumer cooperative, shall be a consumer cooperative as a legal entity.

The property of a consumer cooperative shall be formed by the aggregation of its property (share) contributions by its members.

Except the property (share) and additional contributions, the sources of formation of a consumer cooperative property shall be the revenues, derived from the entrepreneurial activity of a consumer cooperative and other sources, not prohibited by the legislation of the Republic of Kazakhstan.

2. Revenues, derived by a consumer cooperative may not be distributed between its members and shall be served for the charter purpose.

3. Disposal of the property, owned by a consumer cooperative, shall be carried out under decision of the general meeting.

Article 26. Property (share) contribution

1. Property (share) contribution may be paid by money, securities, things, property rights, as well as land use right and the right to results of intellectual property and other property. The contribution in the form of personal non-property rights and other intangible benefits shall not be allowed.

2. Contributions in kind or in the form of property rights shall be measured in monetary form by the consent of all members of a consumer cooperative or by decision of the general meeting of a consumer cooperative.

3. In the cases, when the right to use the property shall be transferred as a contribution to consumer cooperative, the size of this contribution shall be determined by the use fee, calculated for the entire term, determined by the general meeting of a consumer cooperative.

Early withdrawal of the property, the right of use of which is the property (share) contribution, shall not be allowed without the consent of the general meeting of a consumer cooperative.

Unless otherwise provided by the charter, the property owner shall be liable for the risk of accidental loss or accidental damage to property, transferred for use to a consumer cooperative.

4. Terms of payment of property (share) contributions shall be determined by the charter of a consumer cooperative.

Article 27. Funds of a consumer cooperative

1. During carrying out of activity, a consumer cooperative shall have the right to create the following funds:

- 1) property (share) fund;
- 2) fund for development of a consumer cooperative;
- 3) reserve fund;
- 4) fund for stimulation and social support of members of a consumer cooperative;
- 5) other funds in accordance with the charter.

2. Property (share) fund shall consist of property (share) contributions of the members of a consumer cooperative and shall be one of the sources of the property formation of a consumer cooperative.

3. The sources of formation of other funds shall be the revenues, received by a consumer cooperative, and other sources, not prohibited by the legislation of the Republic of Kazakhstan.

4. Procedure for formation and use of funds, their redistribution shall be established by the general meeting of a consumer cooperative.

Article 28. Participatory shares of members of a consumer cooperative in the property

1. Participatory shares of members of a consumer cooperative in the property (in the value of the property) of a consumer cooperative shall be determined proportionate to their contributions to the property of a consumer cooperative.

2. The charter of a consumer cooperative or the general meeting may establish the procedure for determination and change of shares depending on the contribution of each of them in formation and accumulation of the property.

3. Each member of a consumer cooperative shall have the right to sell, to present, to make a will, to pledge his (her) share or otherwise dispose of it at his (her) sole discretion, in compliance with conditions, provided by this Law and the charter.

4. Member of a consumer cooperative shall be obliged to file an application to executive body within the terms, determined by the charter of a consumer cooperative, with the request of apportionment of his (her) participatory share from the common property, before performance of any operations with his (her) share in the property.

Article 29. Disposal of owned participatory share by a member of a consumer cooperative

1. The share of a member of a consumer cooperative in the property of a consumer cooperative may be alienated or mortgaged till the full payment of the property (share) contribution only insofar as the contribution is paid.

2. A member of a consumer cooperative shall have the right to sell or otherwise assign his (her) share in the property of a consumer cooperative to one or several members of a consumer cooperative at his (her) own choice. Equally, a member of a consumer cooperative shall have the right to pledge the share as a security of his (her) commitment to another member. The consents of consumer cooperative or other members of a consumer cooperative to consummation of these transactions shall not be required.

3. The alienation of a share (its part) by a member of a consumer cooperative to third parties or the pledge of a share (a part of share) as a security of commitment of a member of a consumer cooperative to a third party shall be allowed.

4. The charter of a consumer cooperative may provide that the sale of a share to a third party shall be allowed only in compliance of certain conditions.

Article 30. Priority right of purchasing alienated share

1. A member of a consumer cooperative shall use the priority right of purchase the share of a member of a consumer cooperative or its part to third parties in case of its selling by someone among the members of a consumer cooperative. This right may be used by each member of a consumer cooperative. If there are several members of a consumer cooperative wishing to use priority right of purchase, and unless otherwise provided by the charter or other agreement of the members of a consumer cooperative, the priority right of purchase of a share (its part) shall be carried out by the members of a consumer cooperative proportionally to sizes of their shares in the property of a consumer cooperative.

2. Within seven days from the date of receipt of the notice from a member of a consumer cooperative on proposal for sale of the share, an executive body shall notify all members of a

consumer cooperative about this. A member of a consumer cooperative, wishing to exercise the priority right of purchase, shall notify an executive body about this within seven days, specifying that he (she) intends to purchase the proposed share for sale wholly or in a certain part.

3. If the aggregate amount of received proposals does not exceed the amount of a selling share, each member of a consumer cooperative shall acquire its part that he (she) specified in his (her) notification. The rest of the shares may be alienated to a third party, unless additional proposals are received from the members of a consumer cooperative before such alienation.

4. During the sale of a share or its part with a violation of the priority right of purchase, any member of a consumer cooperative may appeal this violation in a judicial proceeding within three months.

5. The priority right of purchase of alienated share shall be carried out by any method of selling shares, as well as on auctions.

6. Assignment of the priority right of purchase of shares shall not be allowed.

7. In the case of acquisition of an alienated share or its part by a member (members) of a consumer cooperative, his (her) share in the property of a cooperative shall increase.

8. The rules of this Article shall also apply upon alienation of the share under the exchange agreement.

9. At the unwillingness of members of a consumer cooperative to use the priority right of purchase of the share or its part during its sale to a third party, a consumer cooperative itself may use the priority right of purchase.

Article 31. Sale of the share of a member of a consumer cooperative upon the refusal of other members from purchase of the share

1. The charter of a consumer cooperative may provide the prohibition or restriction of sale of the share of a member of a consumer cooperative to third parties.

2. In case, when sale of the share under the circumstances, beyond the control of a seller, may not be performed with compliance of prohibitions or restrictions, provided by paragraph 1 of this Article, a member of a consumer cooperative, wishing to sell the share, shall have the right to refer to a consumer cooperative with a demand to repurchase this share, or to allow its sale to a third party.

Selection of one of these variants shall be made by the general meeting of members of a consumer cooperative.

3. Upon the repurchase of the share by a consumer cooperative, the share price shall be determined by the consents of parties, and in case of failure to reach the consents - by court.

4. Upon the consent of a consumer cooperative to sell the share to a third party, the members of a consumer cooperative shall preserve the priority right of purchase of shares.

Article 32. Consequences of repurchase of the share of a member of a consumer cooperative by a consumer cooperative

1. After the repurchase of the share of members of a consumer cooperative, a consumer cooperative shall be obliged to offer to buy this share at a price, determined by the general meeting to other members of a consumer cooperative.

2. In case, when intention to purchase a share is expressed by several members of a consumer cooperative, the share shall be divided between them in proportion to size of their shares in the property of a consumer cooperative.

Size of the share, repurchased by a member of a consumer cooperative, shall be added to the size of the share, belonged to this member before repurchase. By this, the possibility of restriction of size of the share that may belong to one member of a consumer cooperative shall be observed.

3. Under decision of the general meeting, a consumer cooperative shall have the right to sell the repurchased share on behalf of a consumer cooperative to a third party.

Article 33. Apportionment of a share to member of a consumer cooperative, subject to exclusion from a consumer cooperative

1. Apportionment of a share to a member of a consumer cooperative, subject to exclusion from a consumer cooperative shall be performed under decision of the general meeting.

2. Upon infliction of harm by a member of a consumer cooperative to consumer cooperative or its members, they shall have the right to claim compensation from a causer of harm at the expense of apportionment of a share.

3. In case, if parties failed to come to agreement on sizes of indemnification and allocated share to a member of a consumer cooperative, subject to exclusion, the disputes shall be resolved in judicial proceedings.

Article 34. Property liability of a consumer cooperative and its members

1. A consumer cooperative shall be liable for its obligations with all its property and shall not be liable for other obligations of members of a consumer cooperative.

2. Members of a consumer cooperative shall be obliged to cover losses through additional contributions, within three months after the approval of the annual balance sheet.

3. Subsidiary liability of members of a consumer cooperative on the obligations of a consumer cooperative shall be determined in the manner, provided by the civil legislation of the Republic of Kazakhstan.

Chapter 6. Reorganization and liquidation of a consumer cooperative

Article 35. Reorganization of a consumer cooperative

1. Reorganization of a consumer cooperative (merger, affiliation, division, separation) may be carried out voluntarily by decision of the general meeting. Alienation of shares or other change in the membership of a consumer cooperative shall not be a reorganization of a consumer cooperative.

2. In cases, established by the legislative acts, the compulsory reorganization of a consumer cooperative in the form of its division or separation from its structure of one or several consumer cooperatives shall be carried out by court decision.

3. A consumer cooperative may not be converted into other types and forms of legal entities.

Article 36. Merger, affiliation of consumer cooperatives

1. Merger of two or several consumer cooperatives shall be carried out by complete combination of their property. In the result of a merger, a new consumer cooperative appears, and merging consumer cooperatives terminate their activity. By this, all the rights and obligations of each of those, participating in a merger of consumer cooperatives shall transfer to the newly emerged consumer cooperative in accordance with the transfer act.

2. Affiliation of one or several consumer cooperatives to other consumer cooperative shall be carried out by inclusion of the property of affiliated consumer cooperatives into the property of affiliating consumer cooperative. By this, the affiliated consumer cooperatives shall terminate their activity, and all their rights and obligations shall be transferred to affiliating consumer cooperative in accordance with the transfer act, to the charter of which, alterations and additions, linked with reorganization shall be introduced.

3. Executive bodies of consumer cooperatives, engaged in a merger, affiliation, shall prepare a draft agreement on merger, affiliation and bring the issues on merger, affiliation and approval of the agreement on merger, affiliation to the general meeting of each consumer cooperative.

The agreed text of the agreement on merger, affiliation shall be signed by authorized executive bodies of consumer cooperatives.

The agreement on merger, affiliation shall contain information on the name, location area and address of each of those, participating in the merger, affiliation of consumer cooperatives, the basic data of their balance sheets, as well as to provide the manner and conditions of merger, affiliation.

4. Each consumer cooperative, engaged in a merger, affiliation shall be obliged to forward written notices on a merger, affiliation to all its creditors, and make the relevant announcement in the official printed media, within two months from the date of adoption of decision on merger, affiliation by the general meeting. The notification (announcement) shall be attached with information about other consumer cooperatives, engaged in the merger, affiliation, specified in paragraph 3 of this Article.

Creditors of a consumer cooperative shall have the right to request additional guarantees or early termination or fulfillment of the relevant commitments and compensation of losses by a consumer cooperative from a consumer cooperative, within two months from the date of receipt of the notification or publication of announcement. Requirements shall be forwarded to a consumer cooperative in written form.

5. From the date of adoption of decision on merger, affiliation by the general meeting, each of participants in a merger, affiliation of consumer cooperatives shall be obliged to report on this decision to creditors on the obligations, arising after adoption of decision.

On the basis of the agreement on merger, affiliation of consumer cooperatives, the members of the merging, affiliating consumer cooperatives, shall adopt the charter of the newly established consumer cooperative at the general meeting and elect the executive, supervisory and other bodies.

Article 37. Division, separation of a consumer cooperative

1. Division of a consumer cooperative shall be carried out by dividing the property of this consumer cooperative between two or several emerging consumer cooperatives. By this, the rights and obligations of dividing consumer cooperative shall transfer to the newly emerging consumer cooperatives in accordance with the separation balance sheet.

2. Separation from a consumer cooperative of one or several consumer cooperatives shall be carried out by separation of a part of the property of a consumer cooperative and its transfer to one or several emerging consumer cooperatives.

By this, the part of rights and obligations of a reorganized consumer cooperative shall be transferred to the newly created consumer cooperatives in accordance with the separation balance sheet.

3. An executive body of a reorganized consumer cooperative shall prepare a plan of division, separation and draft charters of the newly emerging consumer cooperatives and submit the issues on the division, separation of a consumer cooperative, approval of the plan of division, separation, charters of the newly emerging consumer cooperatives and the separation balance sheet, as well as on election of executive, supervisory and other bodies of the newly emerging consumer cooperatives for consideration of the general meeting.

4. Unless otherwise provided by the charter of a consumer cooperative, during its division, each member of a consumer cooperative shall have the right to receive a share in the property of a consumer cooperative equal to his (her) share in the property of the reorganized consumer cooperative, or to receive a single share in the property of one of the newly emerging consumer cooperatives.

5. After the date of adoption of decision on division, separation by the general meeting, a consumer cooperative shall be obliged to report about this to the creditors on obligations, arising after adoption of decision.

6. A consumer cooperative shall be obliged to forward written notifications on division, separation to all his (her) creditors and put the relevant announcement in the official printed media, within two months from the date of adoption of decision on division, separation by the general meeting. The notification (announcement) shall be attached by the separation balance sheet, as well as information about the name, location area and address of each of the newly emerging consumer cooperatives.

7. Creditors of a reorganized consumer cooperative shall have the right to request the early termination or fulfillment of the relevant obligations and compensation of losses from a consumer cooperative within two months from the date of receipt of the notification (publication of announcement). Requirements shall be sent to consumer cooperative in the written form.

8. Consumer cooperatives, arising in the result of division, separation of a consumer cooperative, shall be jointly and severally liable for its obligations within one year from the date of registration of new consumer cooperatives.

Article 38. Consequences of non-fulfillment of court decision on forced division, separation of a consumer cooperative

1. If an executive body of a consumer cooperative, authorized to conduct division, separation, under the forced reorganization by the court decision, fails to carry out division, separation within the term, determined in the court decision, the court shall appoint a trustee of the property of a consumer cooperative and shall entrust him (her) with carrying out the division, separation on account of the property of reorganizing consumer cooperative.

2. From the date of appointment of a trustee, he (she) shall be transferred by powers on management of a consumer cooperative, the executive, supervisory and other bodies of a consumer cooperative shall terminate their activity.

3. A trustee shall act on behalf of a consumer cooperative in the court, compile the separation balance sheet and submit it for approval of the court, together with constitutive documents of consumer cooperatives, emerging in the result of division, separation. Approval of these documents by the court shall be the ground for the state registration of the newly emerging consumer cooperatives.

Article 39. State registration of legal entities, arising in the result of reorganization of a consumer cooperative

1. State registration of a consumer cooperative, emerging in the result of reorganization shall be carried out in accordance with the legislation of the Republic of Kazakhstan on the state registration of legal entities and record registration of branches and representative offices.

2. In a merger of consumer cooperatives, the state registration shall be performed by the registering body at the location of the newly emerging consumer cooperative.

In an affiliation of consumer cooperatives, the state registration shall be performed by the registering body at the location of the affiliating consumer cooperative.

In division, separation of consumer cooperatives, the state registration shall be performed by the registering body at the location of the reorganizing consumer cooperative. This registering body shall provide information about the state registration of new consumer cooperatives to the bodies, carrying out the state registration of legal entities at the location of the newly emerged consumer cooperatives.

3. The state registration of a consumer cooperative, emerging in the result of reorganization, shall be performed by the body, carrying out the state registration of legal entities, upon expiry of the term, provided to the creditors, for filing the claims in reorganization to a consumer cooperative.

4. If within one year from the date, when the general meeting of the last consumer cooperative, engaged in reorganization, adopted decision on reorganization, the application on state registration will not be filed or required evidences will not be presented (paragraph 3 of this Article), the reorganization shall be recognized as invalid.

5. Consumer cooperatives, engaged in the reorganization, with the exception of cases of reorganizations in the form of affiliation and separation shall terminate their activity from the date of the state registration of the new emerged consumer cooperatives and shall be excluded from the National Register of Business Identification Numbers. The affiliating consumer cooperative shall terminate its activity from the date of registration of its affiliation to other consumer cooperative and shall be excluded from the National Register of Business Identification Numbers.

Footnote. Article 39, as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 № 60-V (shall be enforced upon expiry of ten calendar days after its first official publication.)

Article 40. Liquidation of a consumer cooperative

1. A consumer cooperative may be liquidated by decision of the general meeting or by the court decision in accordance with the legislation of the Republic of Kazakhstan.

2. The general meeting of a consumer cooperative, adopted decision on its liquidation shall appoint a liquidation commission and establish the procedure and terms of liquidation of a consumer cooperative.

3. In case of liquidation of a consumer cooperative a member of a cooperative shall have the right to apportionment of participatory share in the property of a cooperative, proportionate to his (her) property (share) contribution.

The President
of the Republic of Kazakhstan