

**On Rural Consumer Cooperation in the Republic of Kazakhstan**

***Invalidated***
***Unofficial translation***

The Law of the Republic of Kazakhstan dated 21 July 1999, No. 450-I.

      Unofficial translation  
      Footnote. The Law of the Republic of Kazakhstan dated 10.29.2015 No. 372-V (enforced from 01/01/2016) expired.

      The Law determines legal status and regulates public relations between shareholders and rural consumer cooperatives and their associations (unions); determines procedure for creation, reorganization and liquidation of rural consumer cooperatives and their associations (unions); rights, obligations, conditions of protection of rights and interests of shareholders and third parties; powers and responsibility of the bodies of rural consumer cooperatives and their associations (unions).

**Chapter 1. General provisions**

**Article 1. Legislation of rural consumer cooperation**

      Legislation of the Republic of Kazakhstan on rural consumer cooperation shall be based on the Constitution of the Republic of Kazakhstan, Civil Code and consist of the Law and other regulatory legal acts.

**Article 2. Basic definitions, used in the Law**

      The following basic definitions shall be used in the Law:

      rural consumer cooperative – voluntary association of citizens and (or) legal entities on the basis of membership for satisfying material and other needs of own members, carried out by assets(share) contribution by its members;

      cooperative field – a field, in which a separate number of shareholders are united and which may be created on territorial or another sign, determined by the charter of rural consumer cooperative;

      authorized person of rural consumer cooperative – a shareholder, elected at the meeting of shareholders of cooperative field and vested with powers to solve questions at the general meeting of authorized persons of rural consumer cooperative;

      general meeting (meeting of authorized persons) – supreme managing authority of rural consumer cooperative;

      association (union) of rural consumer cooperatives – voluntary association of rural consumer cooperatives on the basis of decisions of general meetings of rural consumer cooperatives for provision of protection of their common property and other rights, coordination of activity, representation of their interests in state bodies, bodies of local self-government and international organizations, as well as rendering of legal, informational and other services to their members;

      rural consumer cooperation system – rural consumer cooperatives and their associations (unions);

      a shareholder – a citizen (legal entity) paid asset (share) contribution and admitted as a member of consumer rural cooperative in the manner, provided by the charter;

      asset (share) contribution – contribution of a shareholder in share fund of rural consumer cooperative;

      share fund – a fund, consisted of asset (share) contributions, paid by shareholders upon creation of rural consumer cooperative or entering into it and being one of the sources of property formation of rural consumer cooperative;

      reserve fund – a fund, intended for covering losses, inflicted in the result of emergency circumstances, procedure for formation and use of which is determined by the charter of rural consumer cooperative or association (union);

      indivisible fund – a fund, created at the expense of the part of net income of rural consumer cooperative, procedure for formation and use of which is determined by the charter of rural consumer cooperative;

      representatives of the members of rural consumer cooperatives association (union) – the authorized body on behalf of rural consumer cooperatives, elected at the general meeting of representatives of the members of association (union) that includes this rural consumer cooperative.

**Article 3. Main principles of creation and activity of rural consumer cooperatives and their associations (unions)**

      Rural consumer cooperatives and their associations (unions) shall operate on the basis of following principles:

      voluntariness of entering and withdrawal from membership;

      obligatoriness of payment of asset (share) and membership contribution;

      democratic character;

      mutual assistance and protection of interests of rural population;

      accessibility of information on activity of cooperative, association (union) for all its members.

**Article 4.Rural consumer cooperative**

      1. Rural consumer cooperative shall be recognized as voluntary association of citizens on the basis of membership for satisfying material and other needs of members (shareholders), carrying out by asset (share) contributions by its members.

      Legal entities may be the members of rural consumer cooperative as well.

      2. Rural consumer cooperatives are non-commercial organizations and may engage in entrepreneurial activity insofar as this conforms to their statutory goals.

      3. Rural consumer cooperatives shall be created at the expense of asset (share) contributions for carrying out of trade, procuring, marketing, processing, servicing, supply and another activity, not prohibited by the legislation.

      4. Rural consumer cooperatives may be created for satisfying the material or other needs not only own members, but the other citizens, residing in rural area.

      5. Rural consumer cooperative shall be considered as created for uncertain term, unless constitutive documents provide that it shall be created for certain term or for achieving particular purpose.

**Article 5. Name of rural consumer cooperative**

      Rural consumer cooperative shall have a name that shall contain the name of cooperative, as well as words “rural consumer cooperative”. By this name, the cooperative shall be subject to state registration.

      Cooperative shall have the right to use abbreviated form of name.

**Article 6. Location area and address of rural consumer cooperative**

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

      1. Location area of rural consumer cooperative shall be recognized as the location place of its permanently operating executive body.

      2. Upon change of place of residence, the rural consumer cooperative shall be obliged to notify the body, carrying out state registration of legal entities about this on actual address of rural consumer cooperative, for making required amendments to the National register of business identification numbers.

      Footnote. Article 6 as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 No. 60-V (shall be enforced upon expiry of ten calendar days after its first official publication).

**Article 7 is provided to be amended by the Law of the Republic of Kazakhstan dated 16.05.2014 No. 203-V (shall be enforced upon expiry of six months from the date of its first official publication).**

**Article 7. Legal capacity of rural consumer cooperative**

      1. Rural consumer cooperative is legal entity and shall have the following powers:

      engage in activity, oriented to satisfaction of the shareholders’ needs;

      carry out entrepreneurial activity insofar as this serves achievement of purposes, for the purpose of which it is created;

      have its branches and representatives in the manner, established by the legislation of the Republic of Kazakhstan and provided in the charter of cooperative;

      attract additional stocks from shareholders and borrowed assets from the other citizens and legal entities;

      carry out foreign economic activity in the manner, established by the legislation of the Republic of Kazakhstan;

      appeal the acts of state bodies, acts of local bodies of self-government, actions of their civil servants, violating the rights of consumer cooperative in a judicial proceeding;

      carry out the other rights of legal entity, required for achieving purposes, provided by the charter of rural consumer cooperative.

      2. Particular types of activity, the list of which shall be determined by the legislative acts, the rural consumer cooperative may engage only on the basis of a license.

**Article 8. Branches and representatives of rural consumer cooperative**

      1. Rural consumer cooperative shall have the right to create branches and open representatives beyond its location area in accordance with the legislation of the Republic of Kazakhstan.

      2. Cooperative shall be obliged to notify a body, carrying out its state registration on creation of own branches and opening of representatives, as well as on their location area.

      3. Decisions on creation of branches and opening of representatives of rural consumer cooperative shall be adopted by the executive body of cooperative, unless the charter of cooperative provide that such decisions shall be adopted by the general meeting (meeting of authorized persons).

**Article 9. The state and rural consumer cooperation system**

      1. State bodies and bodies of local self-government shall not have the right to interfere in economic, financial and other activity of rural consumer cooperatives, their associations (unions) with the exception of cases, provided by the legislation of the Republic of Kazakhstan. Rural consumer cooperatives and their associations (unions) shall develop the programs of their economics and social development on an independent basis.

      2. The acts of state bodies or acts of the bodies of local self-government, violating the rights of rural consumer cooperatives, their associations (unions) may be recognized invalid in the manner, established by the legislation of the Republic of Kazakhstan.

      3. Losses, inflicted to rural consumer cooperatives, their associations (unions) in the results of illegal actions of the state bodies, bodies of local self-government and their civil servants, shall be compensated in the manner, established by the legislation of the Republic of Kazakhstan.

**Chapter 2. Creation of rural consumer cooperative**

**Article 10. Procedure for creation of rural consumer cooperative**

      1. Creation of rural consumer cooperative shall be commenced from holding constitutive meeting and finished by the state registration of rural consumer cooperative in the capacity of legal entity.

      2. Citizens may form initiative groups on the training of holding constitutive meeting of rural consumer cooperative and draft documents, presented for its consideration.

      3. In cases, when rural consumer cooperative is created by citizens from the several inhabited localities and (or) in other cases, holding of constitutive meeting of the authorized persons, elected by those willing to be admitted in membership of rural consumer cooperative is possible in the manner and on regulations, established by initiative groups on training and holding constitutive meeting of rural consumer cooperative.

**Article 11. Constitutive meeting of rural consumer cooperative**

      1. Constitutive meeting of rural consumer cooperative shall solve the following question:

      1) adopt decision on creation of rural consumer cooperative, its firm name and location area;

      2) approve the list of shareholders on the basis of their applications with specification of last name, first name, patronymic, place of residence and data of the document, certifying identity, as well as location areas of legal entities;

      3) determine the subject and objectives of the cooperative’s activity;

      4) determine composition, size and terms of making asset (share) contributions;

      5) approve the charter of rural consumer cooperative;

      6) elect executive, control and other bodies;

      7) determine the terms, procedure and persons, responsible for the state registration of rural consumer cooperative;

      8) solve other questions, linked with creation of rural consumer cooperative.

      2. Decision of constitutive meeting of rural consumer cooperative shall be drawn up by minutes. Minutes of constitutive meeting shall be signed by the chairman and secretary of the constitutive meeting.

**Article 12. Charter of rural consumer cooperative**

      Charter of rural consumer cooperative shall contain:

      name and location area of the cooperative;

      subject and objectives of the cooperative’s activity;

      procedure for entering and procedure for withdrawal of shareholders from rural consumer cooperative, as well as procedure for apportionment of own participatory share in the property of cooperative;

      composition, amount and procedure for making asset (share) contributions, responsibility for violation of obligations on making asset (share) contributions;

      procedure for formation, election (reelection) and powers of executive, control and other bodies of rural consumer cooperative, procedure for adopting decisions by them;

      procedure for covering losses, inflicted by cooperative by the members of rural consumer cooperative;

      conditions of reorganization and termination of activity of the rural consumer cooperative;

      details on branches and representatives.

      The charter of rural consumer cooperative shall be enclosed by the list of shareholders with specification of last name, first name, patronymic, place of residence and data of the document, certifying identity.

      The charter of rural consumer cooperative may contain the other provisions, not inconsistent with the legislation of the Republic of Kazakhstan.

**Article 13. Procedure for change of the charter of rural consumer cooperative**

      1. Change of the charter of rural consumer cooperative shall be carried out upon decision of general meeting (meeting of authorized persons), adopted in accordance with the rules and established by the Law.

      2. Changes and additions to the charter of rural consumer cooperative shall be registered by the relevant state body in the manner, established by the Law.

      3. In respect of third parties, the rural consumer cooperative and its members shall have the right to refer to changes of the charter of rural consumer cooperative from the moment of notifying the body, carrying out the state registration of rural consumer cooperative, on amendments and additions in its charter or their registering in the manner, established by the legislative acts of the Republic of Kazakhstan, or from the moment of entering the details on change of the charter of rural consumer cooperative into 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 changes and until occurrence of mentioned circumstances and terms.

      Footnote. Article 13 as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 No. 60-V (shall be enforced upon expiry of ten calendar days after its first official publication).

**Article 14. State registration of rural consumer cooperative**

      1. Rural consumer cooperative shall be considered as created from the moment of its state registration.

      2. State registration of rural consumer cooperative shall be carried out by judicial bodies in the manner, determined by the legislation of the Republic of Kazakhstan on state registration of legal entities and record registration of branches and representatives.

      Footnote. Article 14 as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 No. 60-V (shall be enforced upon expiry of ten calendar days after its first official publication).

**Chapter 3. Membership in rural consumer cooperative**

**Article 15. Membership in rural consumer cooperative**

      1. Citizens attained the age of 18 years and legal entities may be the members (shareholders) of rural consumer cooperative.

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

**Article 16. Quantitative composition of the members of rural consumer cooperative**

      1. Quantity of members (shareholders) of rural consumer cooperative shall not be less than two members.

      2. Maximal quantity of members of rural consumer cooperative shall not be limited.

**Article 17. Procedure for entering of new members into rural consumer cooperative**

      1. Admission of new members into rural consumer cooperative, performed in compliance with the Law and charter of rural consumer cooperative shall be drawn up by decision of executive body of rural consumer cooperative.

      2. Citizen and (or) legal entity, willing to become a member of rural consumer cooperative shall file the written application to executive body of cooperative on admission into rural consumer cooperative. The application shall contain the last name, first name, patronymic, place of residence and data of the document, certifying identity, or name and location area of a legal entity.

      3. Application on admission into rural consumer cooperative shall be considered within 10 days by the executive body of rural consumer cooperative.

**Article 18. Admission of third parties and heirs into rural consumer cooperative, received the right to share in the property of cooperative after its meeting**

      1. Third parties received the right to share in property of cooperative after its creation shall have the priority right to admission into membership of rural consumer cooperative.

      2. In case of death of a member of rural consumer cooperative, its heirs shall have priority right to admission into members of rural consumer cooperative.

**Article 19. Rights of members of rural consumer cooperative**

      Members of rural consumer cooperative shall have the right to:

      1) enter into rural consumer cooperative and withdraw from it on a voluntary basis;

      2) participate in the activity of rural consumer cooperative, elect and be elected in the bodies of cooperative, submit proposals on improvement of the activity of total consumer cooperative, elimination of shortcomings in the work of its bodies;

      3) acquire (receive) goods (services) of rural consumer cooperative, prior to other citizens and legal entities, carry out sale of owned products and production, personal subsidiary economy and craft through enterprises of rural consumer cooperative on the basis of agreements;

      4) enjoy benefits, provided for shareholders by general meeting (meeting of authorized persons) of rural consumer cooperative;

      5) receive information from executive, control and other bodies of rural consumer cooperative on their activity, as well as familiarize with data of business accounting, reporting and other documentation in the manner, determined by the charter of rural consumer cooperative;

      6) apply to general meeting (meeting of authorized persons) of rural consumer cooperative with appeals on unlawful acts of executive, control and other bodies of rural consumer cooperative;

      7) appeal decisions of executive, control and other bodies of rural consumer cooperative, concerning their interests in a judicial proceeding;

      8) receive the cost of the part of property, remained after settling accounts with creditors in the case of liquidation of rural consumer cooperative, or upon agreement of all members of cooperative, the part of this property in kind, proportional to its stock;

      9) allocate own share in the property of rural consumer cooperative and receive its cost or upon agreement of all the members of cooperative – the property in kind proportionally to its stock in case of withdrawal from it.

      The other rights of members, not inconsistent with the legislation of the Republic of Kazakhstan may be established by the charter of rural consumer cooperative.

**Article 20. Obligations of members of rural consumer cooperative**

      Members of rural consumer cooperative shall be obliged to:

      1) comply with the charter of rural consumer cooperative;

      2) perform decisions of general meeting (meeting of authorized persons) of rural consumer cooperative, executive, control and other bodies of rural consumer cooperative;

      3) perform their obligations to rural consumer cooperative on participation in its activity, determined by the charter of rural consumer cooperative;

      4) make asset (share) contributions in cooperative in amounts, manner and terms, established by the charter of rural consumer cooperative.

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

**Article 21. Termination of membership in rural consumer cooperative**

      1. Membership in rural consumer cooperative shall be finished in cases:

      voluntary withdrawal of a shareholder;

      exclusion of a shareholder;

      loss of the right to share in the property of cooperative by a shareholder;

      death of a citizen, being a shareholder;

      liquidation of cooperative.

      2. Executive body of cooperative shall inform the shareholders of rural consumer shareholders about all the cases of terminating the membership in rural consumer cooperative.

**Article 22. Voluntary withdrawal of a shareholder from the membership of rural consumer cooperative**

      1. In case of voluntary withdrawal from the membership of cooperative, a shareholder shall have the right to allocation of his (her) share in the property of rural consumer cooperative, proportionally to contributed stock in the manner, established by the Law.

      2. Application of a shareholder on voluntary withdrawal from rural consumer cooperative shall be considered by the executive body of cooperative within 10 days.

      3. Withdrawal of a shareholder from the members of cooperative shall be carried out in the manner, provided by the charter of rural consumer cooperative.

**Article 23. Exclusion of a shareholder from the members of rural consumer cooperative**

      1. A shareholder may be excluded from the members of rural consumer cooperative by the decision of general meeting (meeting of authorized persons) of rural consumer cooperative in case of non-fulfillment of their obligations without reasonable excuses, established by the charter of rural consumer cooperative or commitment of intended actions, inflicted the harm to cooperative.

      2. A shareholder shall be notified in written on the reasons of placing the question on his (her) exclusion from rural consumer cooperative on the general meeting (meeting of authorized persons) no later than 10 calendar days by the executive body of rural consumer cooperative, and shall be invited at the mentioned general meeting (meeting of authorized persons) on which he shall be afforded by the right to express his (her) opinion.

      3. In case of absence of a shareholder without reasonable excuse at the general meeting (meeting of authorized persons) of rural consumer cooperative, it shall have the right to make decision on his (her) exclusion from cooperative without his (her) participation.

      4. The allocation of share in the property of cooperative, proportionally to contributed stock shall be performed for a shareholder, excluded from the members of rural consumer cooperative, in the manner, established by the Law.

      5. Decision of general meeting (meeting of authorized persons) of rural consumer cooperative on exclusion of a shareholder from the members of cooperative may be appealed in judicial proceeding.

**Article 24. Termination of membership in rural consumer cooperative in case of loss of the shareholder’s right to share in the property of cooperative**

      1. A shareholder that lost the right to share in the property of rural consumer cooperative shall terminate his (her) membership in cooperative.

      2. Loss of the share by a shareholder shall be carried out on the following grounds:

      sale;

      granting;

      will;

      pledge;

      otherwise disposal;

      court decision.

      3. A shareholder that lost the right to share in the property of rural consumer cooperative shall inform the executive body of rural consumer cooperative about this. This information may be provided to executive body of rural consumer cooperative by the persons, received the right to share in the property of cooperative.

      4. Termination of membership in rural consumer cooperative shall be drawn up by decision of executive body of rural consumer cooperative in case of loss of the right to share in the property of cooperative by a shareholder.

**Article 25. Termination of membership in rural consumer cooperative in case of death of a citizen, being the shareholder**

      1. In case of death of a citizen, being the shareholder of rural consumer cooperative, his (her) membership in cooperative shall be finished.

      2. Executive body of rural consumer cooperative shall carry out allocation of dead shareholder in the property of cooperative on the date of death, proportionally to his (her) stock, for its payment to heirs in the manner, established by the Law.

**Article 26. Termination of membership in rural consumer cooperative in case of liquidation of cooperative**

      1. Liquidation of rural consumer cooperative shall entail termination of membership for all the shareholders of cooperative.

      2. In case of liquidation of rural consumer cooperative, its shareholders shall have the right to allocation of their shares in the property of cooperative, proportionally to their stock, in the manner, established by the Law.

**Chapter 4. Rural consumer cooperative management**

**Article 27. Bodies of rural consumer cooperative**

      1. Bodies of rural consumer cooperative are:

      1) supreme body – general meeting (meeting of authorized);

      2) executive body – board of directors;

      3) control body – audit commission (inspector).

      2. Creation of other bodies of rural consumer cooperative may be provided by the charter of rural consumer cooperative.

**Article 28. General meeting (meeting of authorized persons) of rural consumer cooperative**

      1. General meeting (meeting of authorized persons) shall beconvened as regular or unscheduled meeting.

      2. A shareholder of rural consumer cooperative may participate at the general meeting personally or through representative.

      Members of executive, control and other bodies shall not have the right to act as representatives of shareholders of cooperative at the general meeting, with the exception of cases, when the grantor himself (herself) is the member of executive, control or other bodies of cooperative.

      The another person shall have the right to act as a representative of a shareholder on the basis of power of attorney.

      3. Each shareholder or his (her) representative shall have one vote during voting at the general meeting.

      4. Alternate of chairmanship of shareholders (representatives of shareholders) of cooperative may be provided by the charter of rural consumer cooperative at the general meeting in in alphabetic or other order.

**Article 29. Meeting of shareholders of cooperative field of rural consumer cooperative**

      1. In cases when inhabitants of several inhabited localities are the shareholders of rural consumer cooperative, or in the other cases, provided by the charter of rural consumer cooperative, the cooperative fields may be created.

      2. Cooperative field is integral part of rural consumer cooperative and may solve questions of its activity in that volume, in which it is provided by the charter of rural consumer cooperative.

      3. Supreme body of cooperative field of rural consumer cooperative is the meeting of shareholders of cooperative field.

      4. Questions of the activity of rural consumer cooperative and cooperative field shall be considered at the general meeting, as well as authorized persons shall be elected for participation at the general meeting of authorized persons of rural consumer cooperative in the manner and regulations of a representative, determined by the charter of rural consumer cooperative.

      5. Meeting of shareholders of cooperative field of rural consumer cooperative is legally qualified, if more than a half of shareholders of cooperative field of rural consumer cooperative are attended at it.

      6. Decision of the meeting of shareholders of cooperative field shall be considered as adopted, if more than a half of shareholders, attended at the meeting of shareholders of cooperative field voted for it.

      7. Decisions of the meetings of shareholders of cooperative fields of rural consumer cooperative on entering into association (union) and withdrawal from it, reorganization and liquidation of rural consumer cooperative are compulsory for general meeting of the authorized persons of rural consumer cooperative. Decisions of the meetings of shareholders of cooperative field of rural consumer cooperative on other questions are compulsory for authorized persons upon adoption of decisions at the general meeting of authorized persons of rural consumer cooperative.

      8. Procedure for adoption of decisions by the meeting of shareholders of cooperative field of rural consumer cooperative (secret or open ballot) shall be determined by this meeting.

      9. Shareholder or his (her) representative shall have one vote upon adoption of decision by the meeting of shareholders of cooperative field of rural consumer cooperative.

**Article 30. Authorized person of rural consumer cooperative**

      1. Authorized person of rural consumer cooperative, elected at the general meeting of cooperative field shall be imposed by powers, determined by the charter of rural consumer cooperative.

      2. Authorized persons shall be admitted to participation at the meeting of authorized persons of rural consumer cooperative in existence of extract from the minutes of general meeting of shareholders of cooperative field, signed by the chairman and secretary of the meeting, certified by a notary.

      3. Authorized person of rural consumer cooperative is a linker between rural consumer cooperative and shareholders of cooperative field. He (she) shall organize activity of cooperative field and bring decisions of the meeting of authorized persons of rural consumer cooperative to the notice of shareholders of cooperative field.

**Article 31. Competence of general meeting (meeting of authorized persons) of rural consumer cooperative**

      1. Competence of general meeting (meeting of authorized persons) of rural consumer cooperative shall be determined in accordance with the Law and charter of rural consumer cooperative.

      2. Exclusive competence of general meeting (meeting of authorized persons) shall include:

      1) change of the charter of rural consumer cooperative, including change on amount of assets (shares) contribution, location area and firm name, or confirmation of the charter of cooperative in new wording;

      2) determination of basic principles of the activity of cooperative;

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

      4) exclusion of shareholders from rural consumer cooperative;

      5) approval of internal regulations, procedure for their adoption and other documents, regulating internal activity of rural consumer cooperation;

      6) decision of questions on creation of association (unions), on entering into association (union) and withdrawal from it, as well as delegation of particular powers of association (union);

      7) election of representatives of rural consumer cooperative in association (union);

      8) Making instructions for representatives of rural consumer cooperative in association (union);

      9) approval of annual financial reports, report of audit commission (inspector);

      10) procedure for covering losses, inflicted by rural consumer cooperative;

      11) determination of types and procedure for formation and expenditure of funds of rural consumer cooperative;

      12) alienation of immovable property of rural consumer cooperative, the cost of which exceeds the cost, determined by the charter of rural consumer cooperative;

      13) creation and participation in economic partnerships;

      14) adoption of decisions on reorganization and liquidation of rural consumer cooperation;

      15) election of the chairman and members of liquidation commission (liquidator) and approval of liquidation balance-sheet.

      3. Together with questions, related to exclusive competence of the general meeting (meeting of authorized persons) by the Law, the other questions may be related to its exclusive competence by the charter of rural consumer cooperative.

      4. General meeting (meeting of authorized persons) shall have the right to delegate the powers, not related to its exclusive competence, executive body of cooperative, unless otherwise established by the charter of rural consumer cooperative.

      5. General meeting (meeting of authorized persons) of rural consumer cooperative shall have the right to admit the questions on confirmation or cancellation of decisions of executive, control and other bodies of rural consumer cooperative to own consideration.

      6. General meeting (meeting of authorized persons) of rural consumer cooperative shall have the right to admit any question, linked with the activity of cooperative to consideration.

**Article 32. Regular general meeting (meeting of authorized persons) of rural consumer cooperative**

      1. Regular general meeting (meeting of authorized persons) of rural consumer cooperative shall be convened by the execution body of cooperative within the terms, established by the charter of rural consumer cooperative, but not less than once a year.

      2. Meeting, devoted to approval of annual financial reporting of rural consumer cooperative shall be held not later than three months after completion of reporting financial year.

**Article 33. Unscheduled general meeting (meeting of authorized persons) of rural consumer cooperative**

      1. Unscheduled (special) general meeting (meeting of authorized persons) of rural consumer cooperative shall be convened in cases, provided by the Law, charter of cooperative, as well as in any other cases, when the interests of cooperative require convening of such meeting.

      2. Unscheduled general meeting (meeting of authorized persons) of rural consumer cooperative shall be convened by the executive body of cooperative on own initiative, as well as upon request of audit commission (inspector) of cooperative or on initiative of shareholders (authorized shareholders) of cooperative, representing no less than one tenth of general quantity of shareholders of rural consumer cooperative.

      If in spite of requirements of audit commission (inspector) or shareholders of cooperative, the executive body does not convene unscheduled general meeting (meeting of authorized persons), it may be convened by audit commission (inspector) or shareholders (authorized shareholders) of cooperative, representing no less than one tenth of the general quantity of shareholders of rural consumer cooperativeon an independent basis.

      3. Unscheduled general meeting (meeting of authorized persons) of rural consumer cooperative, being in the process of liquidation may be also convened by the liquidation commission (liquidator).

**Article 34. Procedure for convening of general meeting (meeting of authorized persons) of rural consumer cooperative**

      1. A body or a person (persons), convening the general meeting (meeting of authorized persons) of rural consumer cooperative shall be obliged to notify the shareholders (authorized persons) about holding the meeting not later than fifteen days before its opening through the mass media or by other methods.

      The notification shall include time and place of holding the meeting, as well as proposed agenda.

      2. Any shareholder (authorized person) of rural consumer cooperative shall have the right to propose on agenda of general meeting (meeting of authorized persons) not later than ten days before its opening. Within this term, the shareholders (authorized persons) of cooperative, representing no less than one tenth of the general quantity of shareholders of rural consumer cooperative, shall have the right to require inclusion of questions, determined by them in agenda of the general meeting (meeting of authorized persons).

      If upon proposal or upon request of shareholders (authorized persons) of cooperative, the amendments are made in initial agenda of general meeting (meeting of authorized persons), the body or person (persons), convening the meeting shall be obliged to notify the shareholders (authorized persons) about these amendments by the method, mentioned in paragraph 1 of the Article no later than seven days before opening of the meeting.

      3. The body or the person (persons) convening the general meeting (meeting of authorized persons) of rural consumer cooperative shall be obliged to consider received proposals and shall adopt decision on inclusion or refuse in their inclusion in agenda of the general meeting (meeting of authorized persons) of rural consumer cooperative no later than ten days before opening the meeting. The body or the person (persons) convening the general meeting (meeting of authorized persons) of rural consumer cooperative, in case of adoption of proposals shall be obliged to inform the shareholders (authorized persons) on amendments in agenda, as well as to give substantiated response to the applicant on refusal in case of rejecting proposals on making amendments or additions in agenda of the general meeting (meeting of authorized persons) no later than seven days before opening of general meeting (meeting of authorized persons) of rural consumer cooperative.

      In case, if the refusal in inclusion of proposals in agenda of the general meeting (meeting of authorized persons) and decision, adopted according to it violates the rights and legal interests of the applicant, he (she) shall have the right to appeal such decision in the manner, provided by the Law.

**Article 35. Procedure for holding general meeting (meeting of authorized persons) of rural consumer cooperative**

      1. Reglament of the general meeting (meeting of authorized persons) of rural consumer cooperative shall be determined in accordance with the Law, charter of cooperative, rules and other documents, regulating internal activity of the cooperative.

      2. Before opening of general meeting (meeting of authorized persons) the registration of arrived shareholders (authorized persons) of rural consumer cooperative and their representatives shall be conducted. Shareholders shall be registered on the basis of documents, certifying their membership in cooperative. Authorized representatives of shareholders shall submit the relevant documents, confirming their powers. Unregistered shareholder (authorized representative of a shareholder) shall not be recognized during determining quorum and shall not have the right to participate in voting.

      3. General meeting (meeting of authorized persons) shall be opened in declared time upon condition that data of registration of arrived shareholders (authorized persons) and their representatives afford reasonable grounds to suppose existence of appropriate quorum.

      Meeting may not be opened earlier than declared time, with the exception of case, when all the shareholders (authorized persons) and their representatives are already registered, notified and do not contradict the change of time of opening the meeting.

      4. General meeting (meeting of authorized persons) of rural consumer cooperative shall be recognized as legally qualified, if the shareholders (authorized persons) and their representatives attended at it are more than the half of members of rural consumer cooperative. In cases, when decision on the question, included in agenda shall be adopted by the qualified majority of votes, the meeting shall be legally qualified to adopt decision, if the shareholders (authorized persons) and their representatives attended at it are more than two thirds members of rural consumer cooperative.

      5. In case of absence of the quorum, the general meeting (meeting of authorized persons) of rural consumer cooperative may be held repeatedly not earlier than the following day after appointment of the date of initial general meeting.

      Meeting, convened repeatedly is legally qualified in existence of one thirds of the total quantity of shareholders (authorized persons) of rural consumer cooperative or their representatives. If the shareholders (authorized persons) and their representatives attending are less than a half of members of rural consumer cooperative, then such meeting shall have the right to adopt decisions only on the questions, not requiring the qualified majority of votes.

      6. General meeting (meeting of authorized persons) of rural consumer cooperative shall be opened by the head of executive body or he (she) who fulfill its obligations. The meeting, convened by audit commission (inspector) or shareholders (authorized persons) of cooperative shall be opened respectively by the chairman of audit commission (inspector) or persons, fulfilling their obligations, or one of the shareholders (authorized persons) of cooperative, convened the meeting.

      General meeting (meeting of authorized persons), convened by liquidation commission (liquidator) shall be opened by the chairman of liquidation commission (liquidator) or a person, substituting him (her).

      7. A person, opening general meeting (meeting of authorized persons) shall hold elections of chairman and secretary general meeting (meeting of authorized persons), decision shall be adopted by a simple majority of votes of the number of attendees.

      8. A secretary of general meeting (meeting of authorized persons) is responsible for issue of minutes of the general meeting (meeting of authorized persons).

      Minutes shall be signed by the chairman and secretary of general meeting (meeting of authorized persons).

      Minutes of all general meetings (meetings of authorized persons) shall be filed in a minute-book that shall be kept by executive body of cooperative and at any time shall be represented for familiarization to any shareholder of rural consumer cooperative. Upon request of the shareholders of cooperative, they shall be issued by the certified abstract from the minute-book.

      9. Before beginning of the discussing the questions, included in agenda, the general meeting (meeting of authorized persons) shall be obliged to state the quorum. Non-compliance with this requirement shall entail invalidity of all decisions, adopted by the general meeting (meeting of authorized persons) before it is established that the quorum is exist.

      During voting on the questions, mentioned in subparagraphs 1), 6), 10), 12), 14) of paragraph 2 of Article 31 of the Law, as well as in other cases, provided by the charter of cooperative or rules and other documents, regulating its internal activity, it is required to newly state the quorum immediately prior to voting.

**Article 36. Procedure for adoption of decisions by the general meeting (meeting of authorized persons) of rural consumer cooperative**

      1. General meeting (meeting of authorized persons) of rural consumer cooperative shall have the right to adopt decisions only on the questions of agenda, informed to participants of the meeting. By this, the questions, inclusion in agenda of the general meeting (meeting authorized persons) of which is required by the shareholders of cooperative shall be considered as included in agenda even in case, if a body or a person (persons), convening the meeting did not fulfill the obligations, provided by the Law.

      2. Decisions on the questions, mentioned in subparagraphs 1), 6), 10), 12), 14) of paragraph 2 of Article 31 of the Law shall be adopted by the qualified majority of three fourth of the total quantity of the members of rural consumer cooperative.

      Upon adoption of decision on subparagraph 4) of paragraph 2 of Article 31 of the Law, the shareholder being subject to exclusion from cooperative shall not participate in voting and the vote, belonging to him (her) shall not be considered upon votes tabulation.

      The rest of decisions shall be adopted by simple majority of votes of attendees and represented persons at the general meeting (meeting of authorized persons) of cooperative, if the charter of cooperative doesn’t require more quantity of votes for their adoption.

      3. Decisions of general meeting (meeting of authorized persons) of rural consumer cooperative shall be adopted by open voting, until the secret voting is provided by the charter of cooperative or rules and other documents, regulating internal activity of cooperative.

**Article 37. Appeal of decisions of general meeting (meeting of authorized persons) of rural consumer cooperative**

      Decision of general meeting (meeting of authorized persons) of rural consumer cooperative, adopted with violation of the order of holding the general meeting (meeting of authorized persons) and adoption of decisions, established by the Law, charter of cooperative or rules and other documents, regulating internal activity of cooperative, equally as decision of the general meeting (meeting of authorized persons) contradicting the law or the charter of cooperative, as well as decision, violating the rights of shareholders of cooperative, may be recognized fully or partially invalid by the court upon application of the shareholder of cooperative. Such application may be filed within six months from the date of holding the general meeting (meeting of authorized persons).

**Article 38. Executive body of rural consumer cooperative**

      1. Executive body of rural consumer cooperative shall carry out the current administration by the activity of cooperative and conduct of the cases and shall be subordinated to general meeting (meeting of authorized persons) of rural consumer cooperative.

      2. Members of executive body of rural consumer cooperative shall be elected in the composition and for the term, determined by the charter, and may be released from fulfilling the obligations (powers) at any time upon decision of the general meeting (meeting of authorized persons) of cooperative.

      3. Only shareholders of executive body of the cooperative may be the members of this cooperative.

      4. Procedure for works and adoption of decisions of executive body shall be determined by the charter of rural consumer cooperative.

**Article 39. Competence of executive body of rural consumer cooperative**

      1. Competence of executive body of rural consumer cooperative shall include all the questions of ensuring of the activity of cooperative, not related to the competence of the general meeting (meeting of authorized persons), determined by the Law, charter of the cooperative or rules and other documents, adopted by the general meeting (meeting of authorized persons).

      The competence of executive body of cooperative shall include the powers of general meeting (meeting of authorized persons) as well, not related to its exclusive competence, transferred to executive body in accordance with paragraph 4 of Article 31 of the Law.

      2. In relations with third parties, the rural consumer cooperative shall not have the right to refer to restriction of the powers of executive body of cooperative established by it. However, the rural consumer cooperative shall have the right to dispute the validity of transaction, committed by its executive body with the third party with violation of established restrictions, if it proves that at the moment of concluding the transaction, the third party knew about these restrictions.

**Article 40. Conflict of interests of members of executive body and rural consumer cooperative**

      1. Members of executive body of rural consumer cooperative shall be prohibited to:

      1) make transactions with cooperative, oriented to receipt of material profits (including gift agreements, loan agreements, agreement on use without charge, purchase and sale agreement and etc.) from it without the consent of general meeting (meeting of authorized persons);

      2) receive commission remuneration as from the cooperative, so as from third parties for transactions, made by cooperative with third parties;

      3) act on behalf or in the interests of third parties in their relations with cooperative;

      4) carry out entrepreneurial activity, being in competition with the activity of cooperative.

      2. Restrictions, provided by subparagraphs 1)-3) of paragraph 1 of the Article shall be applied to close relatives and legal relatives of the members of executive body of rural consumer cooperative as well.

**Article 41. Audit commission (inspector) of rural consumer cooperative**

      1. For carrying out the control of financial and economic activity of executive body of rural consumer cooperative, the audit commission from among the shareholders of cooperative may be created.

      Fulfilling the functions of audit commission may be assigned on one of the shareholders of cooperative in the capacity of individual inspector.

      2. Audit commission or inspector of rural consumer cooperative shall be elected by the general meeting (meeting of authorized persons) for the term, determined in the charter of cooperative.

      3. Members of executive body of rural consumer cooperative may not be the members of audit commission (inspector).

      4. Audit commission (inspector) of rural consumer cooperative shall be subordinated to the general meeting (meeting of authorized persons) of rural consumer cooperative.

      5. Audit commission (inspector) shall have the right to perform verifications of financial and economic activity of executive body of rural consumer cooperative at any time. For this purpose, audit commission (inspector) shall hold the right of unconditional access to all documentation of cooperative. Upon request of audit commission (inspector), the members of executive body shall be obliged to give necessary explanations in oral or written form.

      6. Audit commission (inspector) shall conduct verification of annual financial reporting of rural consumer cooperative in a mandatory manner before their approval by the general meeting (meeting of authorized persons). General meeting shall not have the right to approve annual financial reporting without opinion of audit commission (inspector) or audit report.

      7. The order of work of audit commission (inspector) of rural consumer cooperative shall be determined by the charter, as well as by the rules and other documents, regulating internal activity of cooperative.

      Footnote. Article 41 as amended by the Law of the Republic of Kazakhstan dated 5 May 2006 No. 139 (the order of enforcement see Article 2 of the Law of the Republic of Kazakhstan No. 139).

**Article 42. Appeal of decisions and actions of executive, control and other bodies of rural consumer cooperative**

      1. Decisions and actions of executive, control and other bodies of rural consumer cooperative may be appealed by the shareholders of rural consumer cooperative in the general meeting (meeting of authorized persons) of rural consumer cooperative or may be appealed in a judicial proceeding.

      2. Decisions and actions of the head of executive body of rural consumer cooperative may be appealed in the executive body and in the general meeting (meeting of authorized persons) of cooperative or may be appealed in a judicial proceeding.

**Article 43. External audit of rural consumer cooperative**

      1. For verification and approval of accuracy of annual financial reporting of rural consumer cooperative, as well as current state of its cases, the cooperative shall have the right to engage audit organization, not linked with property interests with cooperative, members of its executive, control and other bodies or shareholders (external audit) in cases and in the manner, provided in its charter.

      2. Legislative acts may establish compulsory conduct of audit of annual financial reporting for all rural consumer cooperatives, carrying out the particular types of entrepreneurial activity.

      3. A shareholder of rural consumer cooperative shall have the right to require conduct of the audit of financial reporting of cooperative at his (her) expense.

      4. If executive body of rural consumer cooperative evades the conducting audit of financial reporting of cooperative, when audit is subject to compulsory conduct or when its conduct is required by the shareholder of cooperative, the audit may be assigned by the court decision, adopted upon application of the interested person or shareholder of cooperative.

      Footnote. Article 43 as amended by the Law of the Republic of Kazakhstan dated 5 May 2006 No. 139 (the order of enforcement see Article 2 of the Law of the Republic of Kazakhstan No. 139).

**Article 44. Public financial reporting of rural consumer cooperative**

      Rural consumer cooperative shall be obliged to publish financial reporting for the relevant year for general public.

**Chapter 5. Property of rural consumer cooperative**

**Article 45. Property of rural consumer cooperative, sources of its formation**

      1. The owner of property, being on a balance of rural consumer cooperative is a rural consumer cooperative as a legal entity.

      2. Property of rural consumer cooperative shall be formed by joining assets (shares) contributions of its members (shareholders).

      3. General meeting (meeting of authorized persons) of rural consumer cooperative may establish additional (target) assets (shares) contributions.

      4. Except for assets (shares) and additional contributions, the sources of formation of property of rural consumer cooperative are the incomes from entrepreneurial activity of rural consumer cooperative and the branches and subdivisions, created by it, as well as incomes from investment of its own funds in economic partnerships, joint stock companies, banks, securities and other sources, not prohibited by the legislation of the Republic of Kazakhstan.

      5. Rural consumer cooperatives may create economic partnerships, institutions, branches and representatives, answering the statutory goals of rural consumer cooperatives for performing own statutory goals.

      6. Property of institutions, created by rural consumer cooperative shall be attached to them according to the right of operative management.

      7. Incomes, received by rural consumer cooperative may not be distributed between its members and shall be directed for statutory goals.

      8. Disposition of property, being in the ownership of rural consumer cooperative shall be carried out under decision of general meeting (meeting of authorized persons) cooperative.

**Article 46. Assets (shares) contribution**

      1. During creation of cooperative, the minimal amount of assets (shares) contribution shall be determined by the constitutive meeting of rural consumer cooperative.

      2. After creation of cooperative, the minimal amount of assets (shares) contribution for newly entered shareholders shall be determined by the charter of rural consumer cooperative.

      3. The charter of rural consumer cooperative may restrict the maximal amount of assets (shares) contribution. Such restriction may not be established in respect of certain shareholder.

      4. Amount of additional (target) assets (shares) contribution shall be determined by the general meeting (meeting of authorized persons) of rural consumer cooperative.

      5. Assets (shares) contribution may be made by money, securities, items of property, property rights, as well as the land use right and rights to results of intellectual activity and other property.

      Payment of contributions in the form of personal non-property rights and other non-material values shall not be allowed.

      6. Contributions of shareholders in kind or in the form of property rights shall be assessed in monetary formunder agreement of all shareholders or under decision of general meeting (meeting of authorized persons) of rural consumer cooperative. If the cost of such contribution exceeds the sum, equivalent to twenty thousand amounts of monthly calculation index, its assessment shall be confirmed by independent expert.

      7. In cases, when in the capacity of contribution, the cooperative is transferred by the right of use of the property, the amount of this contribution shall be determined by use payment, calculated for the whole term, determined by the general meeting (meeting of authorized persons) of rural consumer cooperative.

      Advanced seizure of the property, the right of use of which is assets (shares) contribution, shall not be allowed without the consent of general meeting (meeting of authorized persons) of rural consumer cooperative.

      Risk of accidental loss or property damage, transferred in use of cooperative shall be imposed on the owner of property, unless otherwise provided by the charter of rural consumer cooperative.

      8. The terms of paying assets (shares) contributions shall be determined by the charter of rural consumer cooperative.

**Article 47.Rural consumer cooperative funds**

      1. Upon carrying out of own activity, the rural consumer cooperative shall have the right to form the following funds:

      1) share trust;

      2) indivisible fund;

      3) development fund of rural consumer cooperation;

      4) reserve fund;

      5) stimulation and social assistance of shareholders;

      6) other funds in accordance with the charter of rural consumer cooperative.

      2. The share trust of rural consumer cooperative shall consist of assets (shares) contributions of the members of cooperative and is one of the sources of formatting the property of cooperative.

      3. The source of formation of other funds of rural consumer cooperative are the incomes, received by cooperative, and other sources, not prohibited by the legislation.

      4. Procedure for formation and use of rural consumer cooperative funds, their redistribution shall be established by the general meeting (meeting of authorized persons) of rural consumer cooperative.

**Article 48. Shares of shareholders in the property of rural consumer cooperative**

      1. The property, being in the ownership of rural consumer cooperative shall be divided into stocks of its members (shareholders) and indivisible fund.

      2. Citizens, working on the labor agreement in rural consumer cooperative and that are not the shareholders of cooperative may not lay claim to share in the property of rural consumer cooperative.

      3. Objects of indivisible fund of rural consumer cooperative and their monetary terms shall be determined by the general meeting (meeting of authorized persons) of rural consumer cooperative.

      4. Upon determination of the share of shareholder in the property of rural consumer cooperative, the cost of indivisible fund shall be withhold from the cost of the property of cooperative, as well as formed losses and obligations on the date of determining the share of shareholder. The share of shareholder in the formed monetary terms of property of cooperative shall be proportional to its assets (shares) contribution.

      5. Procedure for determination and change of the shares of shareholders may be established by the charter of rural consumer cooperative or general meeting (meeting of authorized persons) depending on the contributions of each of them in formation and increment of the property of rural consumer cooperative.

      6. Each shareholder of rural consumer cooperative shall have the right to sell, grant, make a will, pledge own share in the own discretion, or otherwise dispose it in compliance with conditions, provided by the Law and charter of rural consumer cooperative.

      7. Before commitment of any operations with own share in the property of rural consumer cooperative, the shareholder shall be obliged to file application in executive body of cooperative in terms, determined by the charter of cooperative with requirement of allocation of own share from the common property of rural consumer cooperative.

      Footnote. Article 48 as amended by the Law of the Republic of Kazakhstan dated 15 May 2007 No. 253.

**Article 49. Disposal of the share in the property of cooperative by a shareholder of rural consumer cooperative**

      1. The share of a shareholder in the property of rural consumer cooperative may be alienated or pledged till full payment of assets (shares) contribution inasmuch as the contribution is already paid.

      2. The shareholder of rural consumer cooperative shall have the right to sell or otherwise give his (her) share in the property of cooperative or its parts to one or several shareholders of cooperative at his (her) own opinion. Equally, a shareholder of rural consumer cooperative shall have the right to pledge his (her) share in securing his (her) obligation before other shareholder of cooperative. The consent of cooperative or other shareholders for commitment of these transactions shall not be required.

**Article 50. Possibility of alienation of share of a shareholder of rural consumer cooperative to the third party**

      1. Alienation of share (its part) belonged to a shareholder of rural consumer cooperative to the third parties or pledge of share (its part) in securing the obligations of a shareholder before the third party shall be allowed.

      2. The charter of rural consumer cooperative may provide that the sale of share to third party is acceptable only in compliance with particular conditions.

**Article 51. Priority right of purchasing the alienated share**

      1. Shareholders of rural consumer cooperative shall enjoy priority rights of purchasing the share of a shareholder or its part before the third parties upon its selling by someone from among the shareholders. Each shareholder may enjoy the same right. If there are several shareholders willing to enjoy priority right of purchasing, and otherwise is not provided by the charter or another agreement of shareholders of cooperative, the priority right of purchasing of the share (its part) shall be carried out by shareholders, proportionally to amounts of their shares in the property of cooperative.

      2. Within seven days from the date of receiving the notification on proposal of share for sale from a shareholder of rural consumer cooperative, the executive body shall notify all the shareholders of cooperative about this. A shareholder of cooperative, willing to carry out priority right of purchasing shall notify the executive body of cooperative about this within seven days term, specifying that he (she) is intended to acquire the share proposed for sale in full or in certain part.

      3. If the aggregate of received proposals doesn’t exceed the amount of selling share, each shareholder shall acquire the part that they specified in their notification. The rest part of share may be alienated to the third party, if there are not received additional proposals from shareholders of rural consumer cooperative before such alienation.

      4. Upon selling of share or its part with violation of priority right of purchasing, any shareholder of rural consumer cooperative may require the transfer of rights and obligations of a customer on him (her) within three months in a judicial proceeding.

      5. Priority right of purchasing of alienated share shall be carried out at any method of selling the share, as well as on biddings.

      6. Cession of priority right of purchasing shall not be allowed.

      7. In case of acquiring the alienated share or its part by a shareholder (shareholders) of cooperative, his (her) share in the property of cooperative shall be increased.

      8. Rules of the Article shall be applied upon alienation of the share according to swap contract as well.

      9. Upon unwillingness of shareholders to enjoy priority tight of purchasing the share or its part during its selling to third party, the rural consumer cooperative itself may enjoy priority right of purchasing.

**Article 52. Selling the share of shareholder of rural consumer cooperative upon refusal of other shareholders from the purchase of share**

      1. Charter of rural consumer cooperative may provide prohibition or restriction of selling the own share of shareholder of rural consumer cooperative by him (her) to third parties (for instance, selling the share only to other shareholders of cooperative or restricted circle of third parties). Selling in this case shall be performed in compliance with such prohibitions or restrictions.

      2. In case, when selling of share on circumstances, not depending on a seller may not be performed in compliance with prohibitions or restrictions, provided by paragraph 1 of the Article, a shareholder, willing to sell the share shall have the right to apply to rural consumer cooperative with requirement to redeem this share or permit its selling to third party.

      The choice of one of these variants shall be carried out by the general meeting of shareholders of cooperative.

      3. Upon redemption of the share by rural consumer cooperative, the price of share shall be determined by the agreement of parties, and upon failure to reach the agreement – by court.

      4. Upon the consent of rural consumer cooperative to sell the share to third party, the shareholders of cooperative shall preserve priority right of purchasing the share.

**Article 53. Consequences of redemption of the share of a shareholder by rural consumer cooperative**

      1. After redemption of the share of a shareholder by rural consumer cooperative, as well as after redemption of the share of a shareholder by cooperative upon agreement of parties, the cooperative shall be obliged to suppose the acquisition of this share to other shareholders at the price, determined by decision of general meeting (meeting of authorized persons) of rural consumer cooperative.

      2. In case when intention of acquisition of the share is expressed by several shareholders, the share shall be divided between them proportionally to amount of their shares in the property of rural consumer cooperative.

      Amount of share, ransomed by the shareholder shall be added to the amount of share belonged to this shareholder before redemption. By this, the possibility of restricting amount of share that may belong to one shareholder of cooperative shall be observed.

      3. Rural consumer cooperative shall have the right to sell ransomed share on behalf of cooperative to the third party under decision of general meeting (meeting of authorized persons).

**Article 54. Allocation of share to shareholder being subject to exclusion from rural consumer cooperative**

      1. Allocation of share to shareholder being subject to exclusion from rural consumer cooperation shall be performed under decision of general meeting (meeting of authorized persons).

      2. In case of infliction of intended harm to cooperative or its shareholders by a shareholder of rural consumer cooperative, they shall have the right to require compensation for harm from the causer at the expense of allocated stock.

      3. In case if the parties failed to reach an understanding about amounts of compensated harm and allocated share of a shareholder being subject to exclusion, the disputes shall be solved in a judicial proceeding.

**Article 55. Property responsibility of rural consumer cooperating and its members**

      1. Rural consumer cooperative shall be liable for its obligations by all the property belonged to it and shall not be liable for other obligations of shareholders.

      2. Members (shareholders) of rural consumer cooperative shall be obliged to cover formed losses (with the exception of losses from entrepreneurial activity) within three months after approval of annually balance by additional contributions. In case of non-fulfillment of this obligation, the cooperative may be liquidated in a judicial proceeding upon request of creditors.

      3. Subsidiary responsibility for obligations of rural consumer cooperative shall be determined in the manner, provided by the civil legislation of the Republic of Kazakhstan.

**Chapter 6. Reorganization and liquidation of rural consumer cooperative**

**Article 56. Reorganization of rural consumer cooperative**

      1. Reorganization of rural consumer cooperative (merger, affiliation, division, allotment) may be carried out voluntarily under decision of public meeting (meeting of authorized persons) of cooperative. Alienation of share or another change of the composition of shareholders of cooperative is not reorganization of rural consumer cooperative.

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

      3. Rural consumer cooperative may not be reorganized into other types and forms of legal entities.

**Article 57. Merger, affiliation of rural consumer cooperatives**

      1. Merger of two or several rural consumer cooperatives shall be carried out by full consolidation of the property of these cooperatives. In the result of merger, a new cooperative shall be created, and amalgamating cooperatives shall be finished. By this, all the rights and obligations of each of cooperatives participating in merger shall be transferred to newly created cooperative in accordance with the transfer act.

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

      3. Executive bodies of rural consumer cooperatives, participated in merger, affiliation shall draw up the draft agreement on merger, affiliation and shall submit the questions on merger, affiliation and approval of the agreement on merger, affiliation for consideration of general meeting (meeting of authorized persons) of each cooperative.

      Coordinated text of agreement on merger, affiliation shall be signed by the authorized executive bodies of cooperative.

      Agreement on merger, affiliation shall contain details on firm name, location area and address of each of participated in merger, affiliation of cooperatives, main data of their balance, as well as provide the order and conditions of merger, affiliation.

      4. Each rural consumer cooperative participated in merger, affiliation shall be obliged to direct written notifications on merger, affiliation to all its creditors within the term of two months from the date of adoption of decision on merger, affiliation by the general meeting (meeting of authorized persons) and publish the relevant notice in official press media bodies. The notification (notice) shall be enclosed by details on other cooperatives participated in merger, affiliation, mentioned in paragraph 3 of the Article.

      Creditors of cooperatives shall have the right to require additional guarantees from cooperative or advanced termination or fulfillment of the relevant obligations and compensation for losses by cooperative within the term of two months from the date of receipt of notification or publication of notice. Requirements shall be sent to cooperative in written form, and their copies may be presented to the body, carrying out the state registration of cooperative.

      5. From the moment of adoption of decision on merger, affiliation by the general meeting (meeting of authorized persons), each rural consumer cooperative participated in merger, affiliation shall be obliged to notify about this decision to creditors on obligations, arising after adoption of decision.

      On the basis of agreement of merger, affiliation of cooperatives, the shareholders of amalgamating, joining cooperatives at the general meeting (meeting of authorized persons) shall accept the charter of newly created cooperative and shall elect executive, control and other bodies of cooperative.

**Article 58.Division, allotment of rural consumer cooperative**

      1. Division of rural consumer cooperative shall be carried out by division of property of this cooperative between two or several created rural consumer cooperatives. By this, the rights and obligations of divided cooperative shall be transferred to newly created cooperatives in accordance with the dividing balance sheet.

      2. Allotment from rural consumer cooperative of one or several rural consumer cooperatives shall be carried out by allotment of the part of property of cooperative and its transfer to one or several newly created cooperatives.

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

      3. Executive body of reorganized rural consumer cooperative shall prepare plan of division, allotment and charter drafts of newly created cooperatives and shall place the questions on division, allotment of cooperative, approval of division plan, allotment of the charters of newly created cooperatives and dividing balance sheet for consideration of general meeting (meeting of authorized persons), as well as on election of executive, control and other bodies of newly created cooperatives.

      4. Unless otherwise provided by a charter of rural consumer cooperative, upon its division, allotment each shareholder shall have the right to receive a share in the property of cooperative of each of newly created cooperatives, equal to its share, in the property of reorganized cooperative.

      5. Rural consumer cooperative shall be obliged to inform creditors about decision on division, allotment, adopted by the general meeting (meeting of authorized persons) under obligations, arising after adoption of decision.

      6. Within the term of two months from the date of adoption of decision by the general meeting (meeting of authorized persons) on division, allotment, a rural consumer cooperative shall be obliged to send written notifications on division, allotment to all its creditors and place the relevant notice in official press media bodies. The notification (notice) shall be enclosed by dividing balance sheet, as well as details on firm name, location area and address of each of newly created cooperatives.

      7. Creditors of reorganized rural consumer cooperative shall have the right to require advanced termination from cooperative or fulfillment of the relevant obligations by cooperative and compensation for losses within the term of two months from the date of receipt of notification (publication of notice). Requirements shall be directed to cooperative in written form, and their copies may be presented to the body, carrying out the state registration of cooperative.

      8. Rural consumer cooperatives, created in the result of division, allotment of rural consumer cooperative shall be jointly and severally liable for its obligations within a year from the date of registration of new cooperatives.

**Article 59. Consequences of non-fulfillment of court decision on compulsory division, allotment of rural consumer cooperative**

      1. If executive body of rural consumer cooperative, authorized to conduct division, allotment upon compulsory reorganization under court decision, does not carry out division, allotment of cooperative in term, determined in court decision, the court shall appoint a custodian of the property of cooperative and shall charge him (her) to carry out division, allotment of this cooperative at the expense of the property of reorganized cooperative.

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

      3. A custodian shall act on behalf of rural consumer cooperative in court, draw up dividing balance sheet and transfer it for confirmation of court together with constitutive documents of cooperatives, created in the result of division, allotment.

      Approval of mentioned documents by court is the ground for state registration of newly created cooperatives.

**Article 60. State registration of legal entities, created in the result of reorganization of rural consumer cooperative**

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

      2. Upon merger of rural consumer cooperatives, the state registration shall be performed by the registering body at location of newly created rural consumer cooperative.

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

      Upon division, allotment of rural consumer cooperatives, the state registration shall be performed by the registering body at location of reorganized rural consumer cooperative. This registering body shall inform data of the state registration of new rural consumer cooperatives to bodies, carrying out the state registration of legal entities at location of newly created rural consumer cooperatives.

      3. State registration of rural consumer cooperative, created 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 for creditors for assertion of requirements in reorganizations to cooperatives. If the bodies, carrying out the state registration of legal entities received the copies of requirements of creditors, participated in reorganization of rural consumer cooperatives, the newly created rural consumer cooperative shall be registered under condition of representing the evidences of fulfilling these requirements or absence of objections against reorganization of the creditors, asserting them.

      4. If within a year from the date, when the general meeting (meeting of authorized persons) of the last rural consumer cooperatives participated in reorganization adopted decision on reorganization, the application on state registration will not be filed or the necessary evidences will not be presented (paragraph 3 of the Article), the reorganization shall be considered invalid.

      5. Rural consumer cooperatives, participated in reorganization, with the exception of cases of reorganization in the form of affiliation or allotment shall terminate their activity from the moment of state registration of newly created rural consumer cooperatives and shall be excluded from the National register of business identification numbers.

      Affiliated rural consumer cooperative shall terminate its activity from the moment of registration of its affiliation to other rural consumer cooperative and shall be excluded from the National register of business identification numbers.

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

**Article 61. Liquidation of rural consumer cooperative**

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

      2. General meeting of rural consumer cooperative, adopted decision on its liquidation shall appoint liquidation commission (liquidator) and establish the procedure and terms of liquidation of rural consumer cooperative.

      3. Upon liquidation of rural consumer cooperative, the property of its indivisible fund shall not be subject to division and on the basis of decision of the general meeting of liquidated rural consumer cooperative shall be transferred to other (others) rural consumer cooperative (rural consumer cooperatives) for replenishment of its (their) indivisible fund.

      4. Property of rural consumer cooperative, remained after satisfying requirements of creditors, with the exception of the property of indivisible fund, shall be distributed between shareholders proportionally to their assets (shares) contribution.

**Chapter 7. Associations (unions) in rural consumer cooperation system of the Republic of Kazakhstan**

**Article 62. Main principles of creation and activity of associations (unions)**

      1. Associations (unions) in rural consumer cooperation system shall be created on voluntary basis and as a rule on territorial sign.

      2. Associations (unions) are non-commercial organizations and shall operate on the basis of charter and deed of association.

      3. Associations (unions) shall carry out coordination of activity of own members, as well as represent and protect their common property interests.

      Associations (unions) shall have the right to carry out other functions, not contradicting the legislation of the Republic of Kazakhstan, provided by the deed of association or charter.

      4. Members of associations (unions) shall preserve independence and rights of legal entity.

      5. The other legal entities, sharing their goals and tasks may be the members of associations (unions).

      6. Associations (unions) shall not incur liabilities for obligations of their members. Members of associations (unions) shall be vicariously liable for their obligations in amount and in the manner, provided by the constitutive documents.

      7. Associations (unions) may be engaged in entrepreneurial activity insofar as this conforms to their statutory goals. Incomes from entrepreneurial activity of associations (unions) shall be directed for covering expenses and to carry out statutory activity of associations (unions).

      8. Associations (unions) shall have the right to carry out powers, provided by the deed of association and charter of association (union).

      9. Procedure for creation of association (union) shall be determined by the deed of association.

      10. Decision on creation of association (union) shall be adopted by its constitutive meeting that on the basis of applications on entering into association (union) shall approve the list of its members and charter of association (union).

      Constitutive meeting shall elect bodies of association (union):

      1) executive body of association (union) – board of directors;

      2) chairman of executive body of association (union);

      3) audit commission (inspector) of association (union).

      11. Charter of association (union) shall contain:

      1) name of association (unions);

      2) location area of association (union);

      3) subject, purposes of activity of association (union) and its powers;

      4) procedure for entering into association (union);

      5) procedure for withdrawal or exclusion from association (union);

      6) procedure for election, composition and competence of bodies of association (union);

      7) procedure for adoption of decisions by body of association (union), as well as decisions, adopted without a dissentient voice or by qualified majority of votes;

      8) rights and obligations of members of association (union);

      9) procedure for formation and use of the property of association (union);

      10) details and branches and representatives of association (union);

      11) procedure for reorganization and liquidation of association (union);

      12) procedure for distribution of property, remained after liquidation of association (union);

      13) other provisions, not contradicting the legislation.

      12. Association (union) shall be considered as create from the moment of its state registration in the manner, established by the legislation of the Republic of Kazakhstan on state registration of legal entities and record registration of branches and representatives.

      13. Interrelations between association (union) and its members shall be determined by the charter, deed of association and agreements.

      Footnote. Article 62 as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 No. 60-V (shall be enforced upon expiry of ten calendar days after its first official publication).

**Article 63. Property of association (union)**

      1. Owner of the property of association (union) is this association (union) as a legal entity.

      2. The property, created at the expense of contributions of the members of association (union) and incomes, gained from entrepreneurial activity of association (union) and enterprises, branches and subdivisions, created by it, as well as other sources, not prohibited by the legislation of the Republic of Kazakhstan shall be in the ownership of association (union).

      3. Association (union) may form the following funds:

      1) property;

      2) development fund of rural consumer cooperation;

      3) reserve fund;

      5) other funds in accordance with the charter of association (union).

      4. For realization of own statutory goals, the association (union) may have and create economic partnerships, medical, educational and other institutions, branches and representatives, as well as may be participant of economic partnerships and other legal entities, carry out own rights in the manner, established by the legislation of the Republic of Kazakhstan.

      5. Property of institutes, created by association (union) shall be attached on the right of operative management.

**Article 64. Bodies of association (unions)**

      1. Management of association (union) shall be carried out by general meeting of representatives of association (union) members and executive body of association (union).

      2. Supreme body of association (union) is general meeting of representatives of association (union) members. Representational quota of members in association (union) shall be established by the charter of association (union), adopted and approved by general meeting of representatives of association (union) members. Decision on increase of representational quotas shall be adopted by the executive body of association (union) with the further approval at the general meeting of association (union) members. Reduction of representational quotas less than quotas, mentioned in the charter of association (union) shall not be allowed.

      3. Board of directors of association (union) is the executive body of association (union).

      4. Control of body of association (union) is the audit commission (inspector) of association (union).

**Article 65. Representatives of association (union) members**

      1. Representatives of association (union) members shall be elected at the general meeting of association (union) member and be vested with powers to solve all the questions at the general meetings of representatives of association (union) members.

      2. Charter of association (union) may provide transfer of votes of representatives of association (union) members to each other, if they elected from one and the same rural consumer cooperative or association (union). In this case, the representative of association (union) member shall have as many votes as he (she) has power of attorneys.

      3. Representative of association (union) member shall be allowed to participate at general meeting of representatives upon existence of power of attorney, issued by member of this association (union) from which the representative is elected.

**Article 66. Powers of general meeting of representatives of association (union) members**

      1. General meeting of representatives of association (union) members shall be competent to solve all the questions, regarding the activity of association (union).

      2. Regular and unscheduled general meetings of representatives of association (union) members may be convened. Terms and procedure for convening general meetings of representatives of association (union) members shall be determined by the charter of association (union).

      3. The exclusive competence of general meeting of the representatives of association (union) members shall include:

      1) acceptance of charter of association (union), introduction of amendments and additions to it;

      2) approval of internal regulations, procedures of their acceptance and other documents, regulating internal activity of association (union);

      3) determination of principal directions of the activity of association (union);

      4) election of the representative and board of directors, members of audit commission (inspector) of association (union) and termination of their powers, hearing of reports on their activity;

      5) admission to membership of association (union) and exclusion from it;

      6) determination of amount of contribution of association (union) members;

      7) approval of annual reports on the activity of association (union);

      8) alienation of the property of association (union);

      9) determination of types, amounts and conditions of formation and use of the funds of association (union);

      10) adoption of decisions, related to exclusive competence of general meeting of the representatives of association (union) members by the charter of association (union).

      4. The questions, related to exclusive competence of the general meeting of the representatives of association (union) members by the Law and charter of association (union) may not be transferred for adoption to other bodies of association (union).

**Article 67. Procedure for adoption of decision by the general meeting of the representatives of association (union) members**

      1. General meeting of the representatives of association (union) members is legally qualified, if no less than two thirds of the representatives of association (union) members attend at it. Decision of the general meeting of the representatives of association (union) members shall be considered as adopted, if no less than a half of the representatives of association (union) members attended at the general meeting voted for it.

      2. The chairman of association (union) member shall have one vote for adoption of decisions by the general meeting of the representatives of association (union) members.

      3. Decision of the general meeting of the representatives of association (union) members may be appealed by the members of association (union) in a judicial proceeding.

**Article 68. Board of directors of association (union)**

      1. Board of directors of association (union) is the executive managing authority of association (union) and shall be subordinated to the general meeting of the representatives of association (union) members. Board of directors shall carry out the powers, determined by the Law and charter of association (union), with the exception of powers, related to exclusive competence of the general meeting of the representatives of association (union) members.

      2. The competence of the board of directors of association (union) shall include:

      1) general operations control of association (union);

      2) carrying out of representation of association (union) in the state and other bodies, as well as in international organizations;

      3) preparation and holding of general meetings of the representatives of association (union) members;

      4) presentation of report on the work of association (union) to the general meeting of the representatives of association (union) members in the period between general meetings of representatives;

      5) appointment and dismissal of the deputy chairman of the board of directors of association (union), as well as the heads of institutes and other structural subdivisions;

      6) ensuring of effective use of labor, material and financial resources of association (union);

      7) adoption of decisions on creation of economic partnerships, institutes, isolated structural subdivisions, including branches, as well as on participation in economic partnerships or other legal entities;

      8) presentation of budget and provisions on the funds of association (union) for approval of the general meeting of the representatives of association (union) members;

      9) issuance of the warrants of attorney on conclusion of agreements;

      10) other powers, determined by the charter of association (union).

      3. Meeting of the board of directors of association (union) shall be held with periodicity, provided by the charter of association (union), but not less than once a quarter. Board of directors of association (union) shall be competent to solve the questions, if less than a half of the members of association (union) attend at the meeting of the board of directors of association (union), including the chairman of the board of directors of association (union) or his (her) deputy.

      4. The chairman and members of the board of directors of association (union) shall be elected for the term, determined in the charter of association (union). The chairman and members of the board of directors of association (union) may be released from fulfilling the obligations (powers) at any time under decision of the general meeting of the representatives of association (union) members. The chairman or member of the board of directors of association (union) elected in advance shall be elected for the term of powers of the previous chairman or member of the board of directors of association (union).

      5. The charter of association (union) shall determine the procedure for adoption of decisions and procedure for their drawing up by the chairman of the board of directors of association (union) and his (her) deputies, as well as shall determine the questions, decisions of which may be adopted at sole discretion.

      6. The chairman of the board of directors of association (union), his (her) deputies and other members of the board of directors shall bear responsibility for decisions, adopted by them in accordance with the charter of association (union) and legislation of the Republic of Kazakhstan.

      7. Members of the board of directors of association (union) may not be the members of audit commission (inspector) of association (union).

**Article 69. Audit commission (inspector) of association (union)**

      1. Audit commission (inspector) of association (union) shall control financial and economic activity of association (union) and shall be subordinated to the general meeting of the representatives of members of association (union). Only members of association (union) from among their representatives at the general meeting may be elected as members of audit commission (inspector) of association (union).

      2. Audit commission of association (union) shall elect the chairman of audit commission of association (union) from among own composition by open voting.

      3. Audit commission (inspector) of association (union) shall be governed in its activity by the Law, charter of association (union), provision on audit commission (inspector) of association (union), approved by the general meeting of the representatives of association (union) members.

**Article 70. Reorganization and liquidation of association (union)**

      1. Reorganization of association (union) (merger, affiliation, division, allotment, reformation) – shall be carried out under decision of the general meeting of the representatives of association (union) members and on other grounds, provided by the legislation of the Republic of Kazakhstan.

      2. Reformation of association (union) shall be performed under unanimous consent of all the representatives of association (union) members.

      3. Liquidation of association (union) shall be carried out under decision of the general meeting of the representatives of association (union) members and on other grounds in accordance with the legislation of the Republic of Kazakhstan.

      4. General meeting of the representatives of association (union) members or the body adopted decision on liquidation of association (union) shall appoint liquidation commission (liquidator) and establish the procedure and terms for liquidation of association (union).

      5. Upon liquidation of association (union), its property, remained after satisfying the requirements of creditors shall be distributed between the members of association (union) proportionally to made membership contributions, determined by the deed of association.

**Article 71. Central body of the rural consumer cooperation system of the Republic of Kazakhstan**

      1. Associations (unions) of rural consumer cooperatives may unite voluntary into association (union) – central body.

      2. In accordance with the deed of association and charter, the central body of the rural consumer cooperation system of the Republic of Kazakhstan shall have the right to:

      1) carry out coordination of activity of rural consumer cooperatives and their associations (unions);

      2) represent the interest if rural consumer cooperatives and their associations (unions) in the state bodies, non-state organizations, as well as in international cooperative movement;

      3) develop cooperative democracy and maintain business relations between members included to its composition;

      4) ensure protection of rights and property (ownership) of rural consumer cooperatives and their associations (unions), as well as shareholders; provide them legal, methodic and other practical assistance;

      5) develop foreign economic and other relations in international cooperative movement, assist attracting investments;

      6) prepare economic programs of the rural consumer cooperation development system, develop fundamental and applied researches on important areas of activity;

      7) participate in formation of market infrastructure, development of informative and educational services;

      8) carry out other functions and powers, not contradicting the legislation of the Republic of Kazakhstan.

      3. Creation and activity of the central body of rural consumer cooperation system shall be regulated by chapter 7 of the Law.

      4. Central body of rural consumer cooperation of the Republic of Kazakhstan in the form of association (union) shall be subject to state registration in the manner, established by the legislation of the Republic of Kazakhstan on state registration of legal entities and record registration of branches and representatives.

      Footnote. Article 71 as amended by the Law of the Republic of Kazakhstan dated 24.12.2012 No. 60-V (shall be enforced upon expiry of ten calendar days after its first official publication).

**Chapter 8. Transitional provisions**

**Article 72. Activity of consumer cooperatives and their associations (unions), created before enforcement of the Law**

      1. Consumer cooperatives and their associations (unions) of consumer cooperation system, created before enforcement of the Law shall be obliged to make the relevant amendments in their constitutive documents within six months from the date of enforcement of the Law.

      2. Before bringing of constitutive documents to conformity with the Law, consumer cooperatives and their associations (unions) shall be governed by the provisions of effective constitutive documents in the part, not contradicting the Civil Code of the Republic of Kazakhstan and the Law.

      3. Upon state registration of amendments in charters of operating associations (unions) of consumer cooperation system, the presentation of deeds of associations shall not be required.

**Article 73. Property rights of shareholders of consumer cooperatives of consumer cooperation system**

      Property rights of shareholders of consumer cooperatives of the consumer cooperation system, created before enforcement of this Law shall be preserved.

|  |  |
| --- | --- |
| The President of the Republic of Kazakhstan |  |

© 2012. «Institute of legislation and legal information of the Republic of Kazakhstan» of the Ministry of Justice of the Republic of Kazakhstan