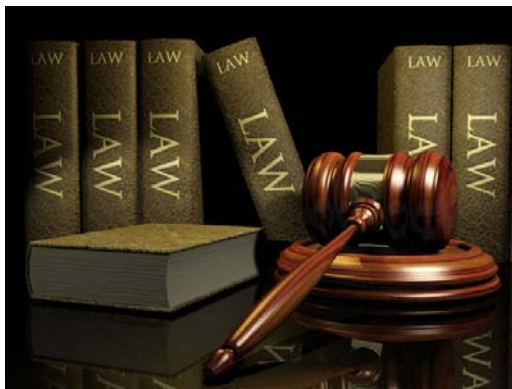




CENTRAL COOPERATIVE UNION

# COOPERATIVE LAW



Sofia, 2008

## **REPUBLIC OF BULGARIA**

### **Cooperative Law**

Promulgated Official Journal issue 113 dated 28.12.1999, amended issue 92 dated 10.11.2000, effective 1.01.2001, issue 98 dated 16.11.2001, effective 1.01.2001, amended and supplemented issue 13 of 11.02.2003, amended, issue 102 of 20.12.2005, effective 1.01.2006, issue 105 of 29.12.2005, effective 1.01.2006, issue 33 of 21.04.2006, issue 34 of 25.04.2006, effective 1.07.2007 (\*) - amended, with regard to entry into force, issue 80 of 3.10.2006, effective 3.10.2006, issue 105 of 22.12.2006, effective 1.01.2007, amended and supplemented issue 41 of 22.05.2007.

Collection of laws - APIS, book 1/2000, page 126; book 12/2001, page 150; book 3/2003, page 120

Library of Laws - APIS, volume 12, r. 1, No 11

# CHAPTER ONE GENERAL PROVISIONS

## Definition

**Article 1.** *(Amended and supplemented – Official Journal, issue 13 of 2003, amended issue 41 of 2007)*

A Cooperative is an association of physical persons with variable capital and variable number of members, who shall engage in activities based on mutual assistance and cooperation to satisfy their economic, social and cultural interests. A Cooperative shall be a legal entity.

## Support and encourage from the State

**Article 1a.** *(New – Official Journal, issue 13 of 2003)* The state could support and encourage the cooperative societies in their activities under conditions and in conformity with a procedure defined in the relevant special Laws.

\* \* \*

# CHAPTER TWO COOPERATIVES

## SECTION I

### Constitution

#### Constitutional Procedure

**Article 2.(1)** *(Supplemented – OJ, issue 13 of 2003)*

A Cooperative shall be constituted by at least seven legally capable individuals, whose taking decisions at the Constituent Assembly. The Constituent Assembly adopts Statutes and elects President of the Cooperative, Management Board and Supervisory Board.

*(2) (Revoked- OJ, issue 13 of 2003).*

*(3)* The Statutes of the cooperative shall regulate:

1. the name, the headquarter, the registered address and scope of activity;
2. the terms for adoption of the members, their rights and obligations;
3. *(Amended - OJ, issue 13 of 2003)* the cooperative's managing bodies and their rights and obligations;
4. the procedure for adoption of resolutions;
5. the amount of the affiliation fee and size of share-holding;
- 5a. *(New - OJ, issue 13 of 2003, supplemented, issue 41 of 2007)* the procedure for granting agricultural land for cultivation and of land from the forestry fund for exploitation after coordination with the relevant State forestry;
6. the procedure for distribution of income and loss;
7. the types of funds and dividends and the methods for setting their amount;

8. the manner in which the cooperative societies' property shall be disposed of;
9. the grounds and procedure for the termination of membership.

(4) The Statutes may regulate labour and insurance relations between the cooperative societies and its members, in conformity with the labour and social Law in force.

(5) The Statutes may further regulate other issues, in so far as these are not regulated by the Law.

(6) The Minutes of Constituent Assembly of the Cooperative and the Statutes shall be signed by the constituent founders.

## **Registration**

**Article 3. (1) (Amended - OJ, issue 34 of 2006)** A Cooperative shall be inscribe in the Commercial Register with application of the Management Board, accompanied by the following:

1. Certified copies of the Minutes of Constituent Assembly and the Statutes;
2. Notarial attestation specimens of the signatures of the cooperative's authorized representatives;

3. **(Amended - OJ, issue 13 of 2003 )** Declaration from the President of the Cooperative and from Management Board and Supervisory Board's members, that they have not been deprived of the right to occupy a post of managerial, accounting or property liable position, as well as that they are not related to one another by marriage or in a direct line, and are not siblings.

4. **(supplemented - OJ, issue 13 of 2003)** Certificate of conviction of the President of the Cooperative and of the members of Management Board and Supervisory Board.

**(2) (Amended - OJ, issue 13 of 2003)** On inscription in Commercial registry pursuant the data to Article 2, Paragraph. 3, items 1 and 3 (soeley the bodies) as well as the following:

1. **(amended - OJ, issue 13 of 2003)** The name and the Personal Identification Number of the President of the Cooperative;
2. The extent of liability of the cooperative members over their share-holding, if such liability is provided by the Statutes.

**(3) (Amended - OJ, issue 34 of 2006)** At merging and amalgamation of cooperative societies the new Cooperative or the amendments pursuant to Article 37, Paragraph. 1 shall be inscribe into the Commercial Register after the court gets submitted the relevant permission, issued by the Commission for Protection of Competition, when its issuance is compulsory in conformity with the Competition Protection Law.

**(4) (Amended - OJ, issue 13 of 2003 , issue 41 of 2007)** The President of the Cooperative is obligated to request inscription into Commercial Register of the changes of the circumstances, specified to inscription, within a 14-day term from the resolution of the General Assembly.

## **Arising**

**Article 4. (Amended - OJ, issue 34 of 2006)** The Cooperative shall arise on the day of its inscription into the Commercial Register.

## **Elimination**

**Article 5.** Cooperative which fail to become activity within a one year term from its registry, shall be dissolved or eliminated, if it has no property, by the Court at the request of the Public Prosecutor.

## **Actions prior to Arising**

**Article 6.** All Lawion, carried out on behalf of the Cooperative prior to the day of its arising shall engender rights and obligations for it, if performed by the founding members or by persons authorized by them. If the Cooperative fail to be inscripted, all founding members shall bear joint responsibility for the incur liabilities

## **SECTION II**

### **Membership, Rights and Obligations**

#### **Membership**

**Article 7.(1)** A Cooperative is open to subscribe for membership of phisical persons who is above the age of 16, are not placed under full judicial disability and accept its Statutes. Persons, under legal age, or placed under partial judicial disability may become members of a Cooperative only with the preliminary written consent of a parent, or of a guardian.

(2) The simultaneous membership of more than one Cooperative is permitted.

#### **Admission of New Members**

**Article 8.(1)** A new member of the Cooperative shall be admitted with a written application from the person by resolution of the Management Board. This application shall be reviewed at the first meeting of the Management Board after reception of the application. As an exception it may be reviewed on the second meeting of Management Board, if the first one was held prior to the expiration of 14 days from its reception.

(2) *(Amended - OJ, issue 13 of 2003 , amended and supplemented, issue 41 of 2007)* The membership in the Cooperative shall arise by resolution of the Management Board. It shall be subject of affirmation by the General Assembly and shall be review at the following session as item 1 of the Agenda. The membership applicant has no rights to vote. In case of non-affirmation of the resolution the membership shall be terminated from the day of the resolution of the General Assembly.

(3) Revoke of refusal of the Management Board to admit a new member could be requested from the General Assembly within 14 days following the receipt of a written notice of the refusal. If the refusal is revoked, the applicant shall be considered as admitted from the date of the General Assembly's resolution.

(4) *(Amended and supplemented - OJ, issue 41 of 2007)* If the applicant fail to appeal within the terms, established by Paragraph 3, or the refusal is confirmed by the General Assembly, new applicastion for membership, a new application for membership may be filed earliest after 6 months, as consider from the date of the receipt of the notification, by Paragraph. 3, respectively from the date of holding the General Assembly.

(5) *(Supplemented - OJ, issue 13 of 2003)* The admitted members inscribe into the Register of Cooperators, which comprise the names and addresses of the cooperative members, the dates of their admission and termination of membership, the grounds for the termination as well as the kind and amount of the contributions and the date of their payment

## **Rights of Members**

**Article 9.(1)** The member of a Cooperative have the following rights:

1. to participate in, and benefit from, the cooperative's activity;
2. to participate in and vote at the Cooperative's General Assembly - in person, or through another person authorized by this member;
3. *(supplemented - OJ, issue 13 of 2003)* to be elected in the managing bodies of the Cooperative Societies;
4. *(supplemented - OJ, issue 41 of 2007)* to request an information from the managing bodies as to the implementation of the adopted resolutions, and to have access to all information concerning his/her own interests and the interests of the Cooperative;
5. to request revoke of any illegal, anti-Statutes and inappropriate resolutions or actions of the cooperative's bodies
6. to receive dividends;
7. *(amended - OJ, issue 13 of 2003)* to receive their size of share holding at the termination of the membership in conformity with the procedure established by Article 14;
8. *(amended - OJ, issue 41 of 2007)* social security and health insurance in conformity with a separate Law;
9. *(amended - OJ, issue 41 of 2007)* access for verifications to the Register of the Cooperative.

(2) *(Amended - OJ, issue 41 of 2007)* Cooperative with scope of Lawivity production of goods and provision of services may provide a member of a Cooperative work under labor contrLaw with the Cooperative.

(3) *(New - OJ, issue 13 of 2003, supplemented, issue 41 of 2007)* Members of a Cooperative who have provided by contrLaws agricultural land and/or land from the forestry fund for exploitation shall:

1. Preserve their ownership over the land within real limits;
2. Receive a rent;
3. Receive a part of the rent in kind as agricultural production if this is written down in the contract with the Cooperative.

## **Obligations of Members**

**Article 10.(1)** *(Amended - OJ, issue 41 of 2007)* The member of the Cooperative shall be obliged to:

1. Observe the Statutes of the Cooperative;
2. Comply with the resolutions of the cooperative's bodies;
3. Pay in the share and other contributions defined in the Statutes;
4. Facilitate for attaining the aims of the Cooperative.

(2) Members of the Cooperative who are under legal age and those who are placed under partial judicial disability shall effect the contributions defined by the Statutes with the consent of a parent or guardian.

## **Discipline**

**Article 11. (1)** For reprimands the obligation, on the member of Cooperative could done notice or expulsion warnings

(2) The notice and waring for expulsion shall be made by the Management Board with a procedure established in the Statutes of the Cooperative.

## **Termination of Membership**

**Article 12.(1)** Membership of a Cooperative shall be terminated at:

1. withdrawal from the Cooperative;
2. expulsion;
3. death.

(2) Membership shall also terminate upon liquidation of the cooperative, except for the cases of reconstruction.

(3) *(supplemented - OJ, issue 13 of 2003)* Withdrawal from the Cooperative shall be made with a one-month in writing notification, addressed to the Management Board, unless otherwise provided by the Statutes of the Cooperative.

## **Expulsion of Members**

**Article 13.(1)** The General Assembly of Cooperative shall be free to expel the member for violation of the Law, the Statutes or the resolutions of the cooperative's managing bodies.

(2) Until convocation of the General Assembly the Management Board shall be free to expeal a member in conformity with the terms and procedures, provided by the Statutes of the Cooperative. The member shall be invited in writing to attend at the adoption of the resolution.

(3) *(New - OJ, issue 41 of 2007)* The General Assembly shall review as item one of the Agenda the resolution of The Management Board for expulsion of a member from the Cooperative. The person, proposed for expulsion may provide in writing or verbal explanations at the General Assembly. He/she have not vote at the adoption of the resolution for his expulsion.

## **Material Consequences**

**Article 14. (Amended - OJ, issue 13 of 2003, issue 41 of 2007)** The former members of the Cooperative or their heirs shall be entitled to the deposited share, supplementary and target contribution, updated in conformity with the established legislative procedure, to the dividends due, as well as the loans provided to the Cooperative in conformity with procedure established by Article 31, Paragraph 6, inclusive of the interests due. The contribution, dividends, the loans and the interests shall be paid to the former members or their heirs after the adoption of the annual fiancial report, if the latter has cleared off all his/her liabilities. In the case of liabilities to the cooperative not cleared off by the former member, the cooperative may deduct their receivables.

(2) *(Amended - OJ, issue 13 of 2003)* The prescriptive period for receiving the participating contribution shall be 5 years and for the receipt of the dividend – 3 years

**SECTION III**  
**Managing Bodies**  
**General Assembly - Composition and Authority**

**Article 15.(1)** The General Assembly of a Cooperative shall consist of all its members. A Cooperative with over 200 members shall be free to establish instead a General Assembly of representatives, elected in conformity with the norm of representation laid down in its Statutes. In this case the number of representatives shall not be less than 70.

(2) The General Assembly of the representatives have all the rights vested in the General Assembly.

(3) (*New - OJ, issue 13 of 2003*) The representatives to Paragraph. 1 shall practise their mandate until the day of election of representatives for the next regular General Assembly of the Cooperative.

(4) (*Previous Paragraph. 3 - OJ, issue 13 of 2003*) The General Assembly shall:

1. Adopt, amend and supplement the Statutes;  
2. (*supplemented - OJ, issue 13 of 2003*) establish the number of members of the Management Board and the Supervisory Board and shall elect and dismiss them by a secret ballot;

2a. (*new - OJ, issue 13 of 2003*) Elect and dismiss the President of the Cooperative;

26. (*new - OJ, issue 13 of 2003*) Elect delegates for the General Assembly of the Cooperative Union, in which the Cooperative belong to;

3. (*amended - OJ, issue 98 of 2001, issue 102 of 2005, issue 105 of 2006*) assign a register auditor, when the annual financial report of the Cooperative liable to an independent financial audit under the condition of the Accountancy Law;

4. (*amended - OJ, issue 13 of 2003*) Consent for signing a contract with a fixed procurator;

5. (*amended - OJ, issue 13 of 2003, amended and supplemented, issue 41 of 2007*) Approve the Report of the Management Board for the annual Lawivity, adopt the annual financial report of the Cooperative and the auditor's report and the distribution of the profit after hearing the conclusion of the Supervisory Board;

6. (*amended - OJ, issue 41 of 2007*) Approve the report of the Supervisory Board;

7. Adopt a resolution for membership and for termination of the membership in cooperative unions and in cooperative enterprises;

8. (*amended - OJ, issue 13 of 2003*) Approve the main development direction of the Lawivities of the Cooperative;

8a. (*new - OJ, issue 13 of 2003*) Approve the funds for the Lawivities of the Supervisory Board of the Cooperative;

9. Remit cash debts to the Cooperative and postpone or prolong their execution;

10. (*amended - OJ, issue 41 of 2007*) Adopt a resolution for amalgamation and disposal with the real estates and with corporeal rights over them;

11. Endorse the resolution of the Management Board for admission of new members;

12. Expel members;

13. Adopt a resolution for collecting of supplementary and target capital among the members;

14. Revoked resolutions or Laws of other managing bodies of the Cooperative, which it considers to be contrary to the Law or the Statutes or to be inexpedient;

15. Adopt a resolution by secret ballot on the results of the financial audits of the Cooperative and taking faulty persons to task;



16. Adopt a resolution for restructuring and termination of the Cooperative and about its being declared in liquidation;

17. *(new - OJ, issue 13 of 2003)* Relieve from responsibility the President of the Cooperative and the members of the Management Board and the Supervisory Board;

18. *(new - OJ, issue 13 of 2003, amended and supplemented, issue 41 of 2007)* Elect in the worker producers cooperatives, Commission of social Lawivities, which also performs the functions of a committee (group) on labour conditions; its composition shall be formed in conformity with the The Occupational Health and Safety Law.

(5) *(new - OJ, issue 13 of 2003)* The Statutes may stipulate also adoption from the General Assembly under the condition of **Paragraph 4, item 2** of runners-up for filling up of the composition of the Management Board and the Supervisory Board.

(6) *(Previous Paragraph. 4 – OJ, issue 13 of 2003)* The Management Board discusses and adopts resolution to all issues, in connection with the Cooperative and its Lawivity, or when the Law or the Statutes have not stipulate specifically this.

## **Convocation**

**Article 16. (1) (Amended - OJ, issue 13 of 2003)** The General Assembly shall be convote by the Management Board upon in writing invitation, announced by a procedure established in the Statutes at least 14 days prior to the day of its holding. The invitation shall indicate the agenda, the day, time and venue of the General Assembly. The General Assembly could not adopt resolution on the issues, which are not indicated in the invitation, except for convocation of other General Assembly. The Management Board shall provide all members of the General Assembly with the meeting documentation, to discuss on.

(2) The General Assembly may adopt resolutions on issues not indicated into the invitation if all the members (representatives) participate in it and agree to these issues. Such issues are included in the Agenda at the beginning of the Session.

(3) The General Assembly shall be convocate:

1. Regularly – once a year, until the end of the month of April, at which shall be reported the Lawivity of the Cooperative for the previous year;

2. Extraordinary - by a resolution of the Management Board, or as a result of a motion by the Supervisory Board, by one-third of the members of the Cooperative, or by their representatives, by the President of the Cooperative or by the Management Board of the territorial or national cooperative union, which Cooperative is member of, addressed to the Management Board, within fourteen days after receipt the request.

(4). In case of the Management Board fail to convocate the General Assembly within up to one month from the receipt of the request, as specified in Paragraph 3, item 2, it shall be convocate by the Supervisor Board or by one-third of the members of the Cooperative, or by the President of the Cooperative or by the Management Board of the territorial or national cooperative union, which the Cooperative is a member of.

(5) In the General Meeting could participate representatives of the cooperative unions with a right of a deliberative vote.

## Quorum

**Article 17.(1) (Supplemented - OJ, issue 13 of 2003, issue 41 of 2007)** The General Assembly shall be legal and shall adopt a resolutions if attended by more than half of its members(representatives), and for amendments or supplements of the Statutes,for reconstruction or liquidation of the Cooperative, for election of president and members of Management Board and Supervisory Board for amalgamation and disposal with real estates and with corporeal rights over them – if attended by more than two-thirds of its members (representatives).

(2) **(Amended - OJ, issue 13 of 2003)** In the absence of the required number of members, the meeting shall be held one hour later, regardless of the number of members attending.

## Adopt Resolutions

**Article 18.(1) (Supplemented - OJ, issue 13 of 2003)** The resolutions of the General Assembly shall require majority vote by more than half of the members or representatives attended specified in Article 17, unless otherwise provided by this Law or the Statute.

(2) **(Amended - OJ, issue 13 of 2003, issue 41 of 2007)** Resolutions pursuant to Article 15, Paragraph 4, item 1, 9, 10, 13 and 16 shall require a majority of two-thirds of the members attending pursuant Article 17.

(3) **(New - OJ, issue 41 of 2007)** When at adoption a resolution pursuant to Article 15, Paragraph 4, item 2a none of the candidates has obtain the requirement majority, new elections has to be conduct between two candidates, who obtain plenty of votes. During the new elections the candidate, who obtain plenty number of voices shall be deemed as a president

(4) **(Previous Paragraph. 3, amended - OJ, issue 41 of 2007)** the voting at the General Assembly shall be by open ballot. In the Statute may anticipate for certain resolutions a secret ballot. A General Assembly may resolve to votes by secret ballot for certain issues

(5) **(Amended - OJ, issue 13 of 2003, previous Paragraph. 4, issue 41 of 2007)** For each session of the General Assembly, Minutes shall be taken down, which shall to be signed by the person chairing and by the Record-keeper. The president of the Cooperative shall be responsible for the regular keeping of a Minutes Book for the session of the General Assembly. The resolutions adopted shall be obligatorily written down in the Minutes of the General Assembly and shall be read out at the end of the Session.

## Voting Rights

**Article 19. (Amended - OJ, issue 13 of 2003)** Regardless of the amount of the participating contribution each member shall be entitled to one vote. In the Statute of the Coopertaive may anticipate one member of the Cooperative to represent not more than three members of the Cooperative at the General Assembly, with notarized Power of Attorney.

## **Management Board - Composition**

**Article 20.(1) (Amended - OJ, issue 13 of 2003, issue 41 of 2007)** The members of a Management Board shall be elected from amongst the members of the Cooperative in a period of 4 years. In the Statute of the Cooperative shall determine the number of mandates, which a member of the Cooperative could exercise as a member of the Management Board

**(2) (Amended - OJ, issue 13 of 2003)** Illegible for election as Presidents and members of the Management Board are as follows:

1. anyone under 18 years of age, and anyone placed under judicial disability;
2. anyone prohibited from occupying a managerial, accounting or materially liable post;
3. anyone in relationship of marriage, lineal relations or are sibling with a member of the Management Board or Supervisory Board.

4. **(new - OJ, issue 13 of 2003)** relieved from the composition of the Management Board due to systematic non-implementation of their functions;

5. **(new - OJ, issue 13 of 2003)** Are in proceedings for being declared in insolvency or are not reinstated in their rights declared in insolvency debtors, sole traders or shareholders in general partnerships;

6. **(new - OJ, issue 13 of 2003)** Were convicted for deliberate public-law offences and were not rehabilitated.

**(3) (Revoked - OJ, issue 41 of 2007).**

**(4) (Amended and supplemented - OJ, issue 13 of 2003)** In case of withdrawal or death of members of the Management Board its composition shall be filled up with the elected next on the list (runners-up) in conformity with the requirements, as specified under Paragraph 2. The new elected members shall exercise for the remainder of the Management Board mandate.

**(5) (New - OJ, issue 13 of 2003, revoked, issue 41 of 2007).**

## **Prerogatives**

**Article 21. (1)** The Management Board shall implement the resolutions of the General Assembly and direct the activities of the Cooperative. It shall also perform other functions defined by the Law and the Statutes. The Management Board shall report to the General Assembly

**(2) (Revoked - OJ, issue 13 of 2003, new, issue 41 of 2007)** Preliminary decision of the Managing Board shall be required for:

1. Loan Contract with third persons and provision of collaterals in favor of third persons;
2. Court or out-of-court agreement by which liabilities shall be acknowledged or a debt shall be remitted;
3. Regulatory transactions with long-term assets, with the exception of those pursuant to Article 15, Paragraph. 4, item 10;
4. Real Estate Lease Contract with balance value which exceeds 5 percent of the long-term assets to 31 December of the previous year;
5. Contracts for credit, for joint activities, for undertaking bill obligations;
6. Establishment of a pledge of long-term assets of the Cooperative;
7. Other transactions of disposal with the property of the Cooperative anticipated in its Statutes.

**(3)** The Management Board may form its bodies – commissions, boards and other auxiliary bodies to assist it in its activities.

**(4) (New - OJ, issue 13 of 2003)** The Management Board may suspend the adoption of

resolutions or actions of the President of the Cooperative. In this case the Management Board shall convocate the General Assembly within a term of up to one month.

**Article 22. (1) (Amended and supplemented - OJ, issue 13 of 2003)** The Management Board shall be convocate at a session by its Chairman at least once a month. The President shall be obligated to convocate it at the request by one-third of its members or of the Supervisory Board within a 7-day term. Should he/she failed to do this the Management Board shall be convocated by the Supervisory Board.

(2) The sessions of the Supervisory Board is regular if at least two-thirds of its members attend at it.

### **Adoption of Resolutions**

**Article 23.** The resolutions of the Management Board shall be adopted by open ballot and with simple majority of its members, unless anticipate otherwise by the Statutes. For each session of the Management Board, Minutes shall be taken down and shall be signed by the attending members of the Management Board. The member of the Management Board, who are disagree with the resolutions, shall incscribe his/her dissenting opinion in the Minutes of the Meeting.

### **Liability**

**Article 24. (1) (Previous text of Article 24 - OJ, issue 41 of 2007)** The members of the Management Board shall be jointly liable if they have faultily caused damages to the Cooperative.

(2) *(New - OJ, issue 41 of 2007)* Members of the Supervisory Board who do not fulfill their obligations, may pre-term be dismissed by the General Assembly at the proposal of the President, of the Management Board, the Supervisory Board or of one-tenth of the members of the Cooperative.

### **Representation in Judicial Disputes**

**Article 25 (Supplemented - OJ, issue 13 of 2003)** In a judicial dispute between the Cooperative and a member of its Management Board, the Cooperative may be represented by the President, and when the dispute is between the Cooperative and its President from elected by the General Assemblys one or several persons.

### **President of the Cooperative**

**Article 26. (1) (Amended - OJ, issue 41 of 2007)** The President of the Cooperative shall be elected amongst the members of the Cooperative for a term of four years. He shall be a chairman and of the Management Board and shall participate in its work with an equal vote.

(2) The President of the Cooperative shall:

1. Represent the Cooperative;
2. Organize the implementation of all resolutions of the General Assembly, of the Management Board and of the bodies of the Cooperative Union it is a member of;
3. Manage the ongoing activities of the Cooperative;
4. Conclude and terminate the labor contracts, punish and award workers and employees of the Cooperative and define their labor remunerations;
5. Perform also other functions defined in the Statutes in conformity with the Law.

(3) (*Amended - OJ, issue 41 of 2007*) The President of the Cooperative shall conclude transactions pursuant to Article 21, Paragraph 2 on the grounds of a preliminary resolution of the Management Board and in the case pursuant to Article 15, Paragraph. 4, item 10 – on the grounds of a preliminary resolution of the General Assembly.

(4) At resignation by his desideration the President of the Cooperative shall be obligated to submit a notification to the Management Board within a term of at least three months. Within the term of the notification to the Management Board shall convocate the General Assembly for election of a new President of the Cooperative.

### **Pre-term Notification of the Powers of attorney of the President of the Cooperative**

**Article 26a. (New - OJ, issue 13 of 2003)** The powers of attorney of the President of the Cooperative shall be terminated pre-term:

1. At the submission of resignation;
2. In case of permanent objective impossibility to implement his/her obligations;
3. When he systematically does not fuifill or violates the requirements of the Law and the Statutes;
4. When abuse of trust and derogate the good reputation of the Cooperative;
5. In case of damages caused by his/her actions.

### **Supervisory Board. Composition**

**Article 27. (1) (*Amended - OJ, issue 41 of 2007*)** The members of the Supervisory Board shall be elected for a term of 4 years amongst the members of the Cooperative. The Supervisory Board shall elected its Chairman amongst its members.

(2) Persons specify in Article 20, Paragraph 2 shall not be members of the Supervisory Board as well as members of the Cooperative who occupy or have occupied a post of material or accounting responsibility in the Cooperative and were members of the Management Board during the previus year.

(3) Article 20, Paragraph 2 and 4 shall be applied to the members of the Supervisory Board.

### **Prerogatives**

**Article 28. (1)** The Supervisory Board shall control the activities of the Cooperative and report its work at the General Assembly.

(2) Members of the Supervisory Board may participate in the sessions of the Management Board by a deliberative vote.

(3) (*Amended - OJ, issue 13 of 2003*) When he established essential violations of the Law or of the Statutes and in the case pursuant to Article 16, Paragraph 4 the Supervisory Board shall convocate the General Assembly.

(4) (*Revoked - OJ, issue 41 of 2007*).

## **Responsibility of the Members of the Supervisory Board**

**Article 28a.** *(New - OJ, issue 41 of 2007)* (1) The members of the Supervisory Board shall bear joint responsibility for the damages faultily caused to the Cooperative by them.

(2) Members of the Supervisory Board who do not implement their obligations may pre- term be dismissed by the General Assembly at the motion of the Supervisory Board of the Cooperative or of the Board of Directors of the territorial or of the national cooperative union which the Cooperative is a member of.

## **Guarantee**

**Article 28b.** *(New - OJ, issue 41 of 2007)* The President and the members of the Management Board and the Supervisory Boards shall provide guarantee for their activities as such in an amounts, defined by the General Assembly, but not less than their three-month gross remuneration for the occupied positions.

## **Prohibition for Competitive activities**

**Article 28c.** *(New - OJ, issue 41 of 2007)* (1) The President or a member of the Management Board of a Cooperative could not:

1. Conduct commercial transaction on his or another person's behalf in the type of activity of the Cooperative;

2. Participate or occupy a position in managerial bodies of a enterprise, which is not a cooperative or inter-cooperative enterprise within the definition of this Law when the company implements competitive activities to the Cooperative.

(2) The limitations pursuant to Paragraph 1 shall not be applied when a General Assembly of the Cooperative has provided for its explicit preliminary agreement for that.

(3) Explicit preliminary agreement of the General Assembly shall be requirable when the Cooperative undertakes an obligation to a sole trader or a **legal entity**, where an owner, manager or a member of a managerial body of the company is a spouse, lineal relative or collateral relative up to the 3rd degree of consanguinity of the President or a member of the Management Board of the Cooperative.

## **SECTION IV**

### **Property, Distribution of Income**

**/The title amended-OJ, issue 13, 2003/**

### **Property**

**Article 29.(1)** The property of the Cooperative is comprised of its right of ownership and of other real rights, claims, trade marks and other intellectual property rights, securities, equities and other rights and obligations.

(2) *(Amended - OJ, issue 13 of 2003)* A cooperative's property shall be managed solely by the members of the Cooperative through its bodies.

(3) *(Revoked - OJ, issue 13 of 2003, new, issue 41 of 2007)* The funds received from the sale of real estates and long-term tangible assets of the Cooperative may be used for other purposes solely after redemption of the liabilities to the state and payment of the participating contributions of former members of the Cooperative.

(4) *(Revoked - OJ, issue 13 of 2003).*

(5) (*Amended - OJ, issue 13 of 2003*) The participating contributions shall be paid to withdrawal members of the Cooperative during period of three years.

### **Sources of Incomes**

**Article 30.** Sources of incomes of the Cooperative shall be:

1. Subscriptions of the members of Cooperative;
2. Participating contributions of the members;
3. Supplementary and targeted contributions by the members;
4. Income from the activities;
5. Loans;
6. Other incomes.

### **Contributions of the Members**

**Article 31. (1)** (*Amended - OJ, issue 13 of 2003*) Each member of the Cooperative shall pay obligatorily an affiliation fee and share contribution , whose amount, the order for depositing and form shall be defined by the Statutes. Minimum and/or maximum amount of the share contribution shall be defined by the Statutes. When the participating contribution is non-monetary, it shall be appraise by three experts defined by the Management Board of the Cooperative.

(2) The amount of the share contributions shall form the share capital of the Cooperative.

(3) By a resolution of the General Assembly the members of the Cooperative may also effect supplementary and target contributions which shall not affect over their participating contributions. The resolution shall define the objective and the procedure for depositing as well as the term for their refunding.

(4) (*Amended - OJ, issue 41 of 2007*) The member of the Cooperative shall select the manner of exploitation of its lands by:

1. Leasing or renting them to the Cooperative or other associations and natural persons;
2. Cultivating independently and use production services by the Cooperative or other associations and natural persons;

3. (*amended - OJ, issue 41 of 2007*) Providing them for joint cultivation to the Cooperative by a in writing contract, which shall not be subject to notarial certification and registry.

(5) The share contribution of the member of the Cooperative shall not be subject to distraintment and compulsory execution for his debts.

(6) Members of the Cooperative shall be free to extend funds by the form of a loans, which shall not affect over the share contributions.

(7) The interest rate on the loans pursuant to Paragraph 6 shall be determined by the General Assembly of the Cooperative.

### **Property Liability of Cooperative**

**Article 32.(1)** The Cooperative shall be responsible for its liabilities by its property.

(2) (*Amended - OJ, issue 13 of 2003*) The members of the Cooperative shall be responsible for its liabilities up to the amount of their share contributions.

(3) The Statutes of the Cooperative may anticipate, that the members of the Cooperative shall be responsible for its liabilities up to a fixed sum over the amount of their share contribution.

## **Distribution of the Profit and Losses**

**Article 33.(1)** The accounting activity of the Cooperative shall be implemented in conformity with the Accountancy Law.

(2) The General Assembly of the Cooperative in conformity with the Statutes shall distribute the profit and losses and shall determine the nature of cash funds and the amount of the deductions for them, the procedure and manner for their raising and spending.

(3) *(Supplemented - OJ, issue 13 of 2003)* The amount of the profit shall be reduced by the amount of the deductions for the funds of the Cooperative. The residual of the profit shall be distributed by a resolution of the General Assembly for dividends of the members and for other purposes in connection with the activities of the Cooperative.

## **Funds of the Cooperative**

**Article 34.(1)** *(Supplemented - OJ, issue 13 of 2003)* The Cooperative shall obligatorily form Reserve Fund and Investment Fund. It may also constitute other funds by a resolution of the General Assembly.

(2) The amount of the Reserved Fund shall be not less than 20 percent of the share capital. The specific amount shall be defined by the General Assembly.

(3) Any loss reported by the Cooperative during a calendar year shall be covered in conformity with resolution of General Assembly of the Cooperative by resources from the Reserve Fund or shall remain for redemption in the next few years.

(4) *(New - OJ, issue 13 of 2003)* The amount of the Investments Fund shall be not less than 10 percent of the share capital. The specific amount and the manners for its formation shall be defined by the General Assembly.

## **Tax Relieves**

**Article 35.** The cooperative societies and the cooperative unions shall be relieved from any tax related to their incorporation, restructuring, termination and liquidation.

## **Mutual Aid Fund**

**Article 36. (1)** By a resolution of the General Assembly a Mutual Aid Fund shall be formed for the members of the Cooperative.

(2) *(Amended - OJ, issue 13 of 2003)* The structure and the activities of the mutual benefit societies shall be regulated by regulations adopted by the General Assembly.

(3) The Cooperative by a resolution of the General Assembly and by a resolution of the Bulgarian National Bank under conditions and in conformity with a procedure regulated in a special Law, may implement deposit credit activities as well.



## **SECTION V**

### **Restructuring, Termination, Liquidation**

#### **Reconstruction**

**Article 37.(1)** The conditions for merging and amalgamation of cooperative societies shall be negotiable between their Management Boards, subject to approval by their General Assemblies.

(2) Any division of, or separation from the Cooperative shall be adopted by its General Assembly.

#### **De Jure Membership**

**Article 38.** The members of merging and amalgamating cooperative societies shall acquire membership in the new Cooperative and the members of dividing or separating cooperative societies shall acquire membership in one of the newly-formed cooperatives.

#### **Liability following Resructuring and Collateral of Creditors**

**Article 39. (1)** In case of division, the newly formed cooperative societies shall bear joint liability for the obligations of the dissolved Cooperative.

(2) In case of separating out, the newly formed Cooperative shall bear joint responsibility for the obligations of the Cooperative, which it got separated from, arisen from the time of the separation.

(3) The resolution for merge and amalgamation shall be within one-month term from its adoption shall be notified in writing by the Management Board of the newly formed Cooperative of the creditors of the merging or amalgamating cooperative societies. Within a term of 6-month following receipt of this notification, the creditors of the Cooperative may request execution or collateral in conformity with their rights. The property of the dissolved cooperative societies shall be managed separately until the expiration of the 9-month term from the adopting of the resolution for merging or amalgamation.

(4) The Management Board of the Cooperative legal successor shall bear full property liability to the creditors pursuant to Paragraph 3, if the latter were not notified, or if the property of the dissolved Cooperative is not separately manage.

#### **Dissolution of a Cooperative**

**Article 40. (1)** The Cooperative shall be dissolved:

1. by a resolution of the General Assembly;
2. by a resolution of the District Regional court at the request of the Public Prosecutor's Office, or by request from the cooperative union whose member is the Cooperative, whenever:

- a) pursues objectives prohibited by the Law, or engages in prohibited economic activity;

- b) has been remained with fewer member than the established minimum and has failed to gain the required number of new members within a period of six months;

3. upon expiration of the term for which the cooperative had been formed, or as otherwise stipulated in the Statutes;

4. upon merging or amalgamating into another cooperative societies;

5. upon declaring insolvency;
6. upon division.

(2) The dissolved Cooperative pursuant to Paragraph 1, items 1, 2 and 3 shall be placed in liquidation.

### **Liquidators**

**Article 41. (1)** Upon termination of the activity of the Cooperative the General Assembly shall appoint a liquidator or a liquidation committee of three persons and shall fix a liquidation period. A liquidator does not have to be a member of the Cooperative.

(2) (*Amended - OJ, issue 34 of 2006*) In the case pursuant of Article 40, Paragraph 1, item 2 the Registry Agency shall appoint a liquidator, define the liquidation period and the remuneration of the liquidator.

(3) Persons pursuant to Article 20, Paragraph 2 above, shall be ineligible to be liquidators.

(4) The body which has appointed the liquidators may substitute them.

### **Deed of the Termination and the Liquidation**

**Article 42. (1)** (*Amended - OJ, issue 34 of 2006*) The resolution for dissolution of the Cooperative and for its declaring in liquidation shall be inscribed into the Commercial Register.

(2) The dissolution and liquidation of a Cooperative shall take effect from the date of inscription decision in the Register.

### **Rights and Obligations of Liquidators**

**Article 43. (1)** The liquidators have the rights and obligations of a Management Board. The Cooperative shall be represented by the liquidator or, in the case of liquidation committee is appointed, by its member appointed by the General Assembly or the court.

(2) The liquidators shall complete the ongoing activities of the Cooperative, convert its property into cash, collect its receivable income and carry out its liabilities.

(3) The liquidators shall be free to terminate contracts concluded by the Cooperative prior to the time of its declaring into liquidation, after having compensated the other parties for any indemnifications for damages. Such compensations shall be paid along the satisfaction of all remaining creditors.

(4) (*Amended - OJ, issue 105 of 2005*) The liquidators shall be obliged to notify the relevant territorial Directorate of The National Revenue Agency about the initiated liquidation within a term of seven days following the date of termination of this Cooperative.

### **Creditors' Claims**

**Article 44. (1)** (*Amended - OJ, issue 34 of 2006*) The creditors of a Cooperative in process of liquidation shall claim their receivables regardless of their origin, collateral and chargeability to the liquidators within two-months from the day of the inscription into the Commercial Register of the resolution pursuant to Article 42, Paragraph 1.

(2) The liquidators shall be obligated to invite the creditors, for whom an address is held, by a letter against receipt to claim their receivables.

(3) The liquidators shall notify the creditors about any disputed receivables in following the procedure defined by Paragraph 2. If they lodge a claim within a one-month term from the receipt of the invitation, the liquidators shall enter the receivables in the liquidation balance sheet as disputed liabilities.

## **Refunding of Contributions**

**Article 45 (1)** (*Amended - OJ, issue 13 of 2003, issue 41 of 2007*). The receivables of the members of the Cooperative, which ensue from the contributions pursuant to Article 31, Paragraph 3 and 6, shall complete themselves with the receivables of the third persons and shall be paid proportionately.

(2) The property which still remain after the satisfaction of the creditors shall be distributed amongst the members of the Cooperative.

## **Declaring Insolvency Procedure**

**Article 46.** When the liquidators find out that the property of the Cooperative is insufficient to satisfy all its creditors, they shall be obliged to request the institution of the insolvency procedure.

## **Erasure of the Cooperative**

**Article 47. (1)** After the final distribution of the property the liquidators shall provide a report at the General Assembly, which shall adopt a resolution for the erasure of the Cooperative.

(2) (*Revoked - OJ, issue 34 of 2006*).

(3) (*Supplemented - OJ, issue 13 of 2003, amended, issue 34 of 2006*) The liquidators shall be obligated within a 7-day term from the adopting of the resolution pursuant to Paragraph 1 to request its inscription into the Commercial Register.

## **Disposal of Assets**

**Article 48.** At the dissolution of the Cooperative through liquidation the residual assets shall be distributed amongst the members of the Cooperative in proportion with its share contributions unless stipulated otherwise in the Statutes.

## **Restoration of a Dissolved Cooperative**

**Article 49.** (*Amended - OJ, issue 13 of 2003, issue 34 of 2006*) Should a cooperative being dissolved by a resolution of the General Assembly, it shall be free to resolve to continuing its activity up to the conclusion of the liquidation. In this case the General Assembly shall conduct election pursuant to Article 15, Paragraph 4, items 2, 2a and 3. The resolution shall be inscribe into the Commercial Register.

## **Liquidators' Costs**

**Article 50.** The cost of the liquidators shall be approved by the General Assembly and shall be at the expense of the Cooperative. The remunerations of the liquidators shall be paid prior to all other receivables.

## **Responsibility of Liquidators**

**Article 51.** The liquidators shall bear joint responsibility for any damages caused guiltily to the Cooperative.

# **CHAPTER THREE COOPERATIVE ENTERPRISES**

## **Constitution**

**Article 52. (1)** A cooperative shall be free to constitute cooperative enterprises, or to form together with other cooperatives inter-cooperative enterprises for particular economic activities.

(2) The resolution to constitute a cooperative enterprise or to participate in an inter-cooperative enterprise shall be adopted by the General Assembly, which shall fix the capital or the capital share and authorize the Management Board to implement, or participate in the establishment of this enterprise.

## **Regulation**

**Article 53. (1) (Supplemented - OJ, issue 13 of 2003)** The cooperative enterprise is a sole owner limited liability company or a sole owner joint-stock company.

(2) The inter-cooperative enterprise may be a limited liability company, or a joint-stock company.

(3) The Cooperative shall not participate as a unlimitedly responsible shareholder in general or limited partnerships.

(4) Article 35 shall apply to the cooperative and inter-cooperative enterprises

# **CHAPTER FOUR COOPERATIVE UNIONS**

## **Constitution**

**Article 54. (1) (Supplemented - OJ, issue 13 of 2003)** The cooperative societies by a resolution of the General Assembly may be united into territorial, sectorial, national and other unions.

(2) **(Amended - OJ, issue 13 of 2003)** At least seven cooperative societies shall be consist for the formation of a union.

(3) The cooperative union is a legal entity with the status of a Cooperative.

(4) The cooperative unions shall be free to form their own unions and federations.

(5) For all issues concerning the Cooperative unions not regulate in this Chapter, the regulations for a Cooperative shall apply, correspondingly.

## Functions

**Article 55. (1) (Previous text of Article 55 - OJ, issue 13 of 2003)** The Cooperative union shall:

1. Assist to the members on the attainment of their objectives and the purposes of the Union;
2. Develop guidelines for development of the cooperative activities;
3. Represent and defend the interests of its members in dealing with International, State, Public and other authorities and organizations;
4. Engage in any other function established by its Statutes.

(2) **(New - OJ, issue 13 of 2003)** The Cooperative Societies and the Cooperative unions shall be obligated to fulfill the resolutions of the bodies of the Cooperative unions they are members of.

## Managing bodies

**Article 56. (1) (Amended - OJ, issue 13 of 2003)** Managing Bodies of the Cooperative union shall be: a General Assembly, a Management Board, the President and the Supervisory Board. The members of the Management Board, the President and the members of the Supervisory Board shall be elected by the General Assembly for a term of 4 years.

(2) It may be anticipated in the Statutes that the Management Board shall elect from its members the Executive Committee and shall further defining its power of attorney and the procedure for adopting the resolutions.

(3) **(Amended - OJ, issue 13 of 2003, supplemented, issue 41 of 2007)** The General Assembly of the Cooperative unions shall be convocate annually until the month of April and shall consist of representatives elected by the General Assemblys of its members under conditions and in conformity with a procedure defined in its Statetes.

(4) **(New - OJ, issue 13 of 2003, supplemented, issue 41 of 2007)** The General Assembly may authorize the Management Board to implement its certain powers with the exception of the powers pursuant to Article 15, Paragraph 4, items 1, 2, 2a, 5, 6, 8a, 11, 14, 15 and 16 .

(5) **(New - OJ, issue 13 of 2003)** The General Assembly of the national unions shall be convocated once in every 4 years.

## Funds

**Article 57. (1)** A cooperative union shall be free to form funds for the purpose of mutual assistance, education, qualification, etc.

(2) **(Amended - OJ, issue 13 of 2003)** The funds pursuant to Paragraph 1 shall be formed by a resolution of the Unions' General Assemblys. The money for such funds shall be raised by deductions from the profit of the members of the Union.

## **CHAPTER FIVE**

### **JUDICIAL SUPERVISION**

#### **Grounds and Procedure**

**Article 58. (1)** The resolutions and the actions of the bodies of the Cooperative, which are in contravention with the Law or of the Statutes may be revoked through a claim lodged at the district court with regard to its Headquarters.

(2) The claim may be lodged by each member of the Cooperative, by the Supervisory Board, by the Cooperative union, which the Cooperative is a member of, or by the Public Prosecutor's Office. Any other members of the Cooperative and of the Supervisory Board may join the claim as well. Such members may sustain the claim even it is withdrawn.

(3) The member of the Cooperative may lodge a claim within a two-week term following the day of the resolution and if in case of a resolution adopted in his/her absence – from the day of finding out or receiving notification. When revocation of an action is requested, the term shall commence to elapse from the day of its find out.

(4) The Supervisory Board of the Cooperative may lodge the claim within a two-week term from the adoption of the resolution or from the performance of the action and the Cooperative Union pursuant to Paragraph. 2 – from the day of the fininding out or his notification about that.

(5) In any individual case the claim may be lodged not later than 3 months from the adoption of the resolution or from the performance of the action.

#### **Decision of the Court**

**Article 59. (1)** The Court shall revoke fully or partially the Deed or the action or deny the claim.

(2) The decision of the court shall be liable to appeal in conformity with the generally adopted procedure.

#### **Joining to the Claim**

**Article 60.** The member of the Cooperative may lodge a claim for protection of his property and non-property rights which are impaired by the bodies of the Cooperative. The claim may be united with the claim pursuant to Article 58 .

#### **Suspension of the execution**

**Article 61.** The District court shall be free to suspend the execution of the resolution or Law until the enactment of a decision under the case.

## **CHAPTER SIX**

### **ACCOUNTING AND FINANCIAL CONTROL**

#### **Auditor's Control**

**Article 62. (Revoked - OJ, issue 98 of 2001).**

#### **Financial Control**

**Article 63. (1) (Amended - OJ, issue 92 of 2000, previous text of Article 63, amended, issue 13 of 2003, supplemented, issue 41 of 2007)** The financial control of the Cooperative Societies, the cooperative and inter-cooperative enterprises and the Cooperative Unions shall be completed every three-year period by the specialized financial control bodies with the national cooperative unions. Every year the financial control bodies shall prepare an analysis of the inspections conducted, which shall be presented to the Minister of Finance, to the Minister of Interior and to the Minister of Justice.

**(2) (New - OJ, issue 13 of 2003, amended, issue 33 of 2006, supplemented, issue 41 of 2007)** Chapter Two, Section Four "Subsequent Measures" and Chapter Three "Property Liability" of the State Financial Inspection Law and Chapter Thirty-One of the Civil Procedure Code "Proceedings for Financial Deficiencies shall be applied during the implementation of the control activities pursuant to Paragraph 1.

**(3) (New - OJ, issue 41 of 2007)** The financial control pursuant to Paragraph 1 of the Cooperative Societies, the cooperative and inter-cooperative enterprises and territorial and national unions shall be complete also at the request of the President, of the Management Board or by one-tenth of the members of the Cooperative (union).

**(4) (New - OJ, issue 41 of 2007)** The Cooperative Societies, the cooperative and inter-cooperative enterprises, the territorial and national unions shall cooperate with the bodies for financial control pursuant to Paragraph 1.

**(5) (New - OJ, issue 41 of 2007)** In case of violations stated with regard to the spending of funds provided by the state or the municipal budgets, extra-budgetary accounts or funds, under international contracts or programs of the European Union as well as by the state-owned enterprises pursuant to Article 62, Paragraph 3 of the Commercial Code, the financial control authorities pursuant to Paragraph 1 shall signalize the State Financial Inspection Agency.

**(6) (New - OJ, issue 41 of 2007)** Each member of the Cooperative shall be entitled to request at his/her own expense financial audit by the independent financial audit. The management of the Cooperative and the Union which the Cooperative is a member of, shall be obligated to render assistance and provide the information needed for the conduct of the audit.

**(7) (New - OJ, issue 41 of 2007)** On the grounds of the audit pursuant to Paragraph 6 the member of the Cooperative may lodge a claim on behalf of the Cooperative against the persons who caused damages to the Cooperative.

## ADDITIONAL REGULATION

§ 1. (1) The rights of Cooperative Societies and Cooperative Unions over their property confiscated, nationalized or whatsoever redistributed after September 10<sup>th</sup>, 1944 shall be reinstated, if the claim was raised before February 7<sup>th</sup>, 1993.

(2) The property shall be reinstated to the Cooperative Societies, from which it was taken away, or to their successors, inclusive to Cooperative Societies dissolved, but not erasable entitled to perpetuate their activity by the procedures pursuant to Article 49 of this Law, regardless of the manner in which they were dissolved.

(3) The right of ownership of such property pursuant to Paragraph 1 shall be in the form of notarial deeds, protocols, balance sheets, receipts for taxes, duties or insurance paid, court decisions or other in writing evidence. In the absence of such evidence, ownership shall be claimed by the generally established procedure. No stamp duty shall be paid on legal proceedings connected with such claims.

(4) The State, municipalities, the state-owned or municipal companies, enterprises and organizations shall reinstate such non-reinstated cooperative property declared by the procedure of Paragraph 1, to the rightful claimants pursuant to Paragraph 2, if the requirement was made within one year of the date on which this Law comes into force.

(5) The terms and procedure for the reinstatement of property shall be established by the Council of Ministers, in so far as these are not regulate by another Law.

## TRANSITIONAL AND FINAL PROVISIONS

§ 2. Within nine months following enforcement of this Law, the Cooperative must comply their Statutes wit its provisions. Then, within fourteen days from adoption of the amendments to their Statutes by the General Assembly, the cooperative's Management Board shall request inscription by the district court of all circumstances subject to registration.

§ 3. Within nine months following enforcement of this Law, the cooperative union must comply their Statutes with its provisions. Then, within fourteen days from adoption of the amendments to their Statutes by the General Assembly, the union's Management Board shall request inscription by the district court of all circumstances subject to registration.

§ 4. Within nine months following enforcement of this Law, the Cooperative Societies and the Cooperative Unions must transform the cooperative and inter-cooperative enterprises in which they participate, into companies pursuant to Articles 52 and 53, by observing the requirements of the Trade Law.

§ 5. (1) *(Revoked - OJ, issue 13 of 2003).*

(2) *(Revoked - OJ, issue 13 of 2003).*

(3) *(Revoked - OJ, issue 13 of 2003).*

(4) The Management Board of the Cooperative Unions shall officially monitor whether the Cooperative Societies and Cooperative Unions members in their implement their obligations pursuant to § 2, 3 and 4 and shall be obligated in case of non-implement to request their termination by the relevant District court within the term pursuant to Paragraph 3. In case of non-implement of this obligations, they shall be punished by a fine from 1000 to 10 000 BGN.

(5) The regional Prosecutor's Offices shall monitor the implementation of the obligations pursuant to the preceding Paragraphs and shall be obligated to request from the Court the termination of the non-transformed Cooperative Societies, Unions and enterprises as well as



the imposition of the fine, pursuant to Paragraph 3 and 4.

§ 6. In Article. 52, Paragraph 1 of the Accountancy Law (*promulgated, OJ, issue 4 of 1991; amended u supplemented, issue 26 of 1992, issue 55 of 1993, issue 21, 33 and 59 of 1996, issue 52 of 1997, issue 21 of 1998 , issue 57, 81 and 83 of 1999*) item 6 shall be created:

"6. The Cooperative Societies."

§ 7. In the Law on Demise in Agriculture (*promulgated, OJ, issue 82 of 1996; amended, issue 35 of 1999*) Article 8, Paragraph 3 and 6 and § 3 of the Transitional and Final Provisions (*new - OJ, issue 35 of 1999*) are revoked.

§ 8. This Law shall revoke:

1. The Cooperative Law (*promulgated., OJ, issue 63 of 1991; amended, issue 34 and 55 of 1992, issue 63 of 1994, issue 59 and 103 of 1996, issue 52 of 1997, issue 52 of 1998, issue 81 of 1999*);

2. The Cooperative Associations Merging Facilitation Law (*pomulgated, OJ, issue 54 of 1947; amended, issue 47 and 228 of 1948*).

§ 9. The implementation of this Law shall be assigned to the Council of Ministers.

**TRANSITIONAL AND FINAL PROVISIONS**  
with the Law to Amend and Supplement the Cooperative Law  
(*OJ, issue 13 of 2003*)

§ 39. (1) The right of ownership over nationalized or seized under revoked legislative acts property of Cooperative Societies and Cooperative Unions which have reinstated their activities shall be reinstated if by the day of entry of this Law into force this property was state or municipal ownership. This provision shall not be applied to pending proceedings pursuant to § 1 of the supplementary provision.

(2) There is succession of the Cooperative Unions which existed as at 1959 and which have reinstated their activities since 1960.

§ 40. Within a term of one year from the entry of this Law into force the Cooperative Societies and the Cooperative Unions shall be obligated to conform their Statutes with its provisions.

§ 41. In § 5 of the transitional and final provisions Paragraph 1, 2 and 3 shall be revoked and the pending proceedings under these Paragraphs shall be terminated.

§ 42. The mandate of the members of the Management and Supervisory Boards when it has not expired, shall not be discontinued by the entry of this Law into force.

(\*) Law to amend the Commercial Register Law  
(*OJ, issue 80 of 2006, effective 3.10.2006*)

§ 1. In § 56 of the transitional and final provisions the words "1 October 2006" shall be replaced by "1 July 2007".

.....

## **TRANSITIONAL AND FINAL PROVISIONS**

with the Law to Amend and Supplement the Cooperative Societies Law  
*(OJ, issue 41 of 2007)*

§ 24. Within a term of up to one year from the entry of this Law into force the Cooperative Societies shall be obligated to conform their Statutes with its provisions. Within a 14-day term from the adoption of the amendments in the Statutes by the General Assembly the President of the Cooperative shall declare the circumstances liable to registry for inscription into the Commercial Register.

§ 25. By the entry of this Law into force the mandate of the president and of the members of the Management and Supervisory Boards of Cooperative Societies when it has not expired shall be 4-year counted from the date of the election.

§ 26. Cooperative Societies and Cooperative Unions which have built up buildings and structures with their own funds until 13 July 1991, shall be entitled to claim a request for striking off from the state ownership registers of the buildings and the terrains associated with them to the state or the municipality. The request shall be laid to the relevant regional manager or mayor of municipality within a term of up to 31 December 2007. In case of availability of the indicated circumstances the estate shall be stricken off from the state ownership registers and shall be handed over into possession of the Cooperative or of the Cooperative Union.

§ 27. (1) A Cooperative entered into the register of the court after 7 August 1991 with title, headquarters and scope of business of a Cooperative which has existed, which has at least 7 members who were members in it also as at the date of seizure, nationalization or re-distribution of the property of the Cooperative shall have rights of a reinstated Cooperative within the meaning of

§ 1 of the supplementary provision and of § 1 of the revoked Cooperative Law (*promulgated, OJ, issue 63 of 1991; amended, issue 24 and 55 of 1992, issue 63 of 1994, issue 59 and 103 of 1996, issue 52 of 1997, issue 52 of 1998, issue 81 of 1999; Revoked, issue 113 of 1999*).

(2) Paragraph 1 shall also be applied to a Cooperative Union reinstated by at least two Cooperative Societies which were members in it as at the date of seizure, nationalization or re-distribution of the property of the Union.

## **Table of contents**

<b>CHAPTER ONE</b>	<b>3</b>
<b>GENERAL PROVISIONS</b>	<b>3</b>
Definition	3
Support and encourage from the State	3
<b>CHAPTER TWO</b>	<b>3</b>
<b>COOPERATIVE SOCIETIES</b>	<b>3</b>
<b>Section I</b>	<b>3</b>
Constitution	3
Constitutional Procedure	3
Registration	4
Arising	4
Elimination	4
Actions prior to Arising	5
<b>Section II</b>	<b>5</b>
Membership, Rights and Obligations	5
Membership	5
Admission of New Members	5
Rights of Members	6
Obligations of Members	6
Discipline	7
Termination of Membership	7
Expulsion of Members	7
Material Consequences	7
<b>Section III</b>	<b>8</b>
Managing Bodies	8
General Assembly - Composition and Authority	8
Convocation	9
Quorum	10
Adopt Resolutions	10
Voting Rights	10
Management Board – Composition	11
Prerogatives	11
Adoption of Resolutions	12

Liability	12
Representation in Judicial Disputes	12
President of the Cooperative	12
Pre-term Notification of the Powers of attorney of the President of the Cooperative	13
Supervisory Board. Composition	13
Prerogatives	13
Responsibility of the Members of the Supervisory Board	14
Guarantee	14
Prohibition for Competitive activities	14
<b>Section IV</b>	<b>14</b>
Property, Distribution of Income /The title amended-OJ, issue 13, 2003/	14
Property	14
Sources of Incomes	15
Contributions of the Members	15
Property Liability of Cooperative	15
Distribution of the Profit and Losses	16
Funds of the Cooperative	16
Tax Relieves	16
Mutual Aid Fund	16
<b>Section V</b>	<b>17</b>
Restructuring, Termination, Liquidation	17
Reconstruction	17
De Jure Membership	17
Liability following Restructuring and Collateral of Creditors	17
Dissolution of a Cooperative	17
Liquidators	18
Deed of the Termination and the Liquidation	18
Rights and Obligations of Liquidators	18
Creditors' Claims	18
Refunding of Contributions	19
Declaring Insolvency Procedure	19
Erasure of the Cooperative	19

Disposal of Assets	19
Restoration of a Dissoluted Cooperative	19
Liquidators' Costs	19
Responsibility of Liquidators	20
<b>CHAPTER THREE</b>	<b>20</b>
<b>COOPERATIVE ENTERPRISES</b>	<b>20</b>
Constitution	20
Regulation	20
<b>CHAPTER FOUR</b>	<b>20</b>
<b>COOPERATIVE UNIONS</b>	<b>20</b>
Constitution	20
Functions	21
Managing bodies	21
Funds	21
<b>CHAPTER FIVE</b>	<b>22</b>
<b>JUDICIAL SUPERVISION</b>	<b>22</b>
Grounds and Procedure	22
Decision of the Court	22
Joining to the Claim	22
Suspension of the execution	22
<b>CHAPTER SIX</b>	<b>23</b>
<b>ACCOUNTING AND FINANCIAL CONTROL</b>	<b>23</b>
Auditor's Control	23
Financial Control	23
ADDITIONAL REGULATION	24
TRANSITIONAL AND FINAL PROVISIONS	24
TRANSITIONAL AND FINAL PROVISIONS with the Law to Amend and Supplement the Cooperative Law ( <i>OJ, issue 13 of 2003</i> )	25
TRANSITIONAL AND FINAL PROVISIONS with the Law to Amend and Supplement the Cooperative Societies Law ( <i>OJ, issue 41 of 2007</i> )	26