

LAW OF THE CO-OPERATIONS

Prom. SG. 113/28 Dec 1999, amend. SG. 92/10 Nov 2000, amend. SG. 99/20 Nov 2001, amend. SG. 13/11 Feb 2003, amend. SG. 102/20 Dec 2005, amend. SG. 105/29 Dec 2005, amend. SG. 33/21 Apr 2006, amend. SG. 34/25 Apr 2006, amend. SG. 105/22 Dec 2006, amend. SG. 41/22 May 2007, amend. SG. 104/11 Dec 2007

Chapter one. GENERAL PROVISIONS

Definition

Art. 1. (suppl. SG 13/03; amend. – SG 41/07) The co-operation shall be an association of natural persons with changeable capital and changeable number of members who with mutual help and co-operation implement commercial activity for satisfying their economic, social and cultural interests. The co-operation shall be a corporate body.

Support and encouragement by the state

Art. 1a. (new – SG 13/03) The state can support and encourage the co-operations in their activity under conditions and by order, determined in the respective special laws

Chapter two. CO-OPERATIONS

Section I. Establishment

Order for establishment

Art. 2. (1) (suppl. SG 13/03) A co-operation shall be able to establish at least 7 legally able individuals who take decision at a foundation meeting. The foundation meeting shall approve statutes and elect chairman of the co-operation, management council and control council.

(2) (revoked – SG 13/03).

(3) The statutes of the co-operation shall provide:

1. the name, the headquarters, the address of management and the subject of activity;
2. the conditions for accepting members, their rights and obligations;
3. (amend. SG 13/03) the bodies of the co-operation and their rights and obligations;
4. the order for decision making;
5. the extent of the entering and the share payment;

5a. (new – SG 13/03; suppl. – SG 41/07) the order for conceding of farm land for cultivation and lands of the forest fund for usage upon coordination with the respective state forest management office;

6. the order for distribution of the profit and the loss;
7. the kinds of funds and dividends and the way for defining their extent;
8. the order for disposing with the possessions of the co-operation;
9. the grounds and the order for terminating of membership.

(4) In the statutes shall be possible to be regulated employment and insurance relations between the co-operation members and the co-operation in compliance with the labour and social legislation in effect.

(5) In the statutes shall be possible to be regulated also other issues as far as they have not been provided by the law.

(6) The record of the foundation meeting of the co-operation and the statutes shall be signed by the founders.

Entering

Art. 3. (1) (amend. - SG 34/06, in force from 01.10.2006) The co-operation shall be entered in the commercial register upon written application by the management council, to the application shall be attached:

1. copies of the record of the foundation meeting and of the statutes;
2. samples of the signatures of the persons representing the co-operation, certified by a notary;
3. (amend. SG 13/03) declaration by the chairman of the co-operation and by the members of the control council that they have not been deprived from the right to take managerial, accounting or materially responsible position as well as that they are not in marriage or kinship of direct line or brothers and sisters;
4. (suppl. SG 13/03) clear court record of the chairman and the members of the management and control council.

(2) (amend. SG 13/03) To entering into the register shall be subject the data of art, 2, para 3, items 1 and 3 (only the bodies), as well as:

1. (amend. SG 13/03) the name and the unified civil number of the chairman of the co-operation;
2. the extent of the responsibility of the members of the co-operation over their share payments when such responsibility is provided in the statutes.

(3) (amend. - SG 34/06, in force from 01.10.2006) At merger and joining of co-operations the new co-operation or the changes of art. 37, para 1 shall be entered in the commercial register after presenting the corresponding permission, issued by the Commission for protection of competition when its issuing is obligatory according to the Law for protection of competition.

(4) (amend. SG 13/03; amend. – SG 41/07) The chairman of the co-operation shall be obliged to require entering in the register of the circumstances subject to entering in 14 days term after the decision of the general meeting.

Emerging

Art. 4. (amend. - SG 34/06, in force from 01.10.2006) The co-operation shall emerge from the day of its registration in the commercial register.

Deleting

Art. 5. A co-operation which does not start activity in one year term after entering shall be terminated or deleted by the court if it has no possessions at request by the prosecutor.

Actions till the emerging

Art. 6. The actions implemented on behalf of the co-operation till the day of emerging shall create rights and obligations for it if they have been implemented by the founders or persons empowered by them. If the co-operation is not entered the founders shall be jointly responsible for the undertaken obligations.

Section II. Membership, rights and obligations

Membership

Art. 7. (1) The co-operation shall be opened for membership of individuals over 16 years of age, not under full legal disability and agreeing with its statutes. The persons under age and those under limited judicial disability can participate in a co-operation with preliminary written consent of parent or patron.
(2) A person shall be able to participate in more than one co-operations.

Accepting new members

Art. 8. (1) New member of a co-operation shall be accepted after a written application by the person with a decision of the management council. The application shall be considered at the first session of the management council after receiving it. As exception it can be considered also at the second session if the first one has taken place before 14 days have passed after receiving it.

(2) (amend. SG 13/03; amend. and suppl. – SG 41/07) The membership in the co-operation shall occur from the decision of the management council. It shall be subject to approval by the general meeting and shall be considered at the next session as first item of the agenda. The applicant for membership shall not be entitled to vote. In case of non-approval of the decision the membership shall be terminated from the day of the decision of the general meeting.

(3) Repealing of the refusal of the management council to accept a new member can be required by the general meeting in 14 days term after receiving the written notification. If the refusal is repealed the candidate shall be considered accepted from the day of the decision of the general meeting.

(4) (amend. and suppl. – SG 41/07) When the term of para 3 is missed or the refusal is confirmed by the general meeting new application for membership can be submitted at least after six months as from the date of receipt of the notification under para 3, respectively from the date of holding of the general meeting.

(5) (amend. SG 13/03) The accepted members shall be entered in the book of the co-operators containing the names and the address of the member – co-operator, the dates of emerging and termination of his membership, the basis for termination, as well as the kind and the extent of the payments and the date of their payment.

Rights of the members

Art. 9. (1) The member of the co-operation shall have right:

1. to participate and to benefit from its activity;
2. to participate and vote in the general meeting of the co-operation or through a person empowered by him;
3. (suppl. SG 13/03) to be elected in its bodies and in the bodies of the co-operative unions;
4. (suppl. – SG 41/07) to require information from its bodies about the fulfilment of approved decisions and to require information about issues concerning his interests, as well as the interests of the co-operation;
5. to require repealing of the unlawful, non complying with the statutes and incorrect decisions and actions of its bodies;
6. to receive dividends;
7. (amend. SG 13/03) to receive his share payment at termination of his membership by the order of art. 14;
8. (amend. – SG 41/07) to social and health insurance according to a separate law;
9. (amend. – SG 41/07) to access for references to the book for registration of the co-operators.

(2) (amend. – SG 41/07) The co-operations with subject of activity production of goods and provision of services may provide to a member of the co-operation employment under employment contract with the co-operation.

(3) (new – SG 13/03; suppl. – SG 41/07) A member of the co-operation, who has conceded with a contract farm land and/or lands of the forest fund for use, shall:

1. preserve his ownership in the land in real boundaries;
2. receive rent;
3. receive part of then rent in kind as agricultural produce, if this is written in the contract with the co-operation.

Obligations of the members

Art. 10. (1) (amend. – SG 41/07) The member of the co-operation shall be obliged to:

1. observe the statutes of the co-operation;
2. implement the decisions of the bodies of the co-operation;
3. make the set in the statutes share and other contributions;
4. assist in achievement of co-operation objectives.

(2) The members under age and those under limited judicial ability shall make the payments determined by the statutes with the consent of a parent or patron.

Discipline

Art. 11. (1) For non fulfilment of the obligations to the member of the co-operation shall be possible to be made admonition and warning for expelling.

(2) The admonition and the warning for expelling shall be made by the management council by an order determined in the statutes of the co-operation.

Termination of the membership

Art. 12. (1) The membership in a co-operation shall be terminated at:

1. leaving the co-operation;
2. expelling;
3. death.

(2) The membership shall be terminated at deleting the co-operation except the cases of transformation.

(3) (suppl. SG 13/03) The leaving of the co-operation shall be implemented with one month written notification to the management council, unless other is provided in the statutes.

Expelling of members

Art. 13. (1) The member of the co-operation shall be possible to be expelled by the general meeting when he violates the law, the statutes or the decisions of its bodies.

(2) Till the summoning of the general meeting the management council of the co-operation can remove a member under conditions and by order defined in the statutes of the co-operation. The member of the co-operation shall be invited in writing to be present at taking the decisions.

(3) (new – SG 41/07) The general meeting shall consider as item one of the agenda the decision of the managing board for expelling of a member of the co-operation. The proposed one to be expelled may provide written or verbal explanations before the general meeting. He/she shall not vote for taking the decision of his/her expelling.

Proprietary consequences

Art. 14. (1) (amend. SG 13/03; amend. – SG 41/07) The former co-operators or their heirs shall have right to the paid share, additional and purposed payments, updated by the established normative order, to the due dividend, as well as to the loans, conceded to the co-operation by the order of art. 31, para 6, including the due interests. The payments, the dividend, the loans and the interests shall be paid to the former co-operators or to their heirs after approval of the annual financial statement and if they have redeemed all their liabilities to the co-operation. In case of not redeemed liabilities set-off with their receivables can be made.

(2) (amend. SG 13/03) The prescription term for receiving the share instalment shall be 5 years and for receiving the dividend - 3 years.

Section III. Bodies of the co-operation

General meeting

Art. 15. (1) The general meeting of the co-operation shall consist of all its members. It can be substituted by meeting of the proxies elected by rate of representation determined in the statutes when its members are more than 200 and in this case the number of the proxies cannot be less than 70.

(2) The meeting of the proxies shall have all the rights of the general meeting.

(3) (new – SG 13/03) The proxies of para 1 shall exercise their mandate till the day of electing of proxies for the following regular meeting of the co-operation.

(4) (prev. (3), amend. SG 13/03) The general meeting shall:

1. approve, amend and supplement the statutes;
2. (suppl. SG 13/03) determine the number of the members of the management and the control councils and elect and discharge them with secret voting;

2a. (new – SG 13/03) elect and discharge the chairman of the co-operation;

2b. (new – SG 13/03) elect proxies for the general meeting of the co-operative union, in which the co-operation participates;

3. (amend. SG 99/01; amend. - SG 105/06, in force from 01.01.2007) determine a chartered expert accountant when the annual financial report of the co-operation is subject to independent financial audit under the Accountancy Law;
 4. (amend. SG 13/03) give consent for concluding contract with procurators;
 5. (amend. SG 13/03; amend. and suppl. – SG 41/07) approve the report of the management council about the annual activity, adopt the annual financial statement of the co-operation and the audit report and the distribution of the profit after listening to the conclusion of the control council;
 6. (amend. – SG 41/07) approve the statement of the control council;
 7. take decision about membership and termination of membership in co-operation unions and commercial companies;
 8. (amend. SG 13/03) approve the basic directions for the development of the activities of the co-operation;
 - 8a. (new – SG 13/03) determine the resources for the activity of the control council of the co-operation;
 9. remit pecuniary liabilities to the co-operation and postpone or defer their fulfilment;
 10. (amend. – SG 41/07) take decisions for acquisition and disposing with the immovable properties and with proprietary rights on them;
 11. approve the decision of the management council for accepting new members;
 12. expel members;
 13. take decision for collecting additional and purposed pecuniary payments of the members;
 14. repeal the decisions and the actions of the other bodies of the co-operation when they violate the law or the statutes or are incorrect;
 15. take decision with secret vote about the results of the financial audits of the co-operation and claiming responsibility from the guilty persons;
 16. take decision about transformation and termination of the co-operation and its announcement in liquidation;
 17. (new – SG 13/03) release from responsibility the chairman of the co-operation and the members of the management and the control council;
 18. (new – SG 13/03; amend. and suppl. – SG 41/07) elect in the labour – production co-operations commission for social activity, which shall also fulfill functions of a committee (group) of working conditions; its composition shall be formed according to the provisions of the Law for the healthy and safety working conditions.
- (5) (new – SG 13/03) The statute can provide also election of runners-up for filling up the members of the management and the control council of the co-operation by the order of para 4, item 2.
- (6) (prev. (4) – SG 13/03) The general meeting shall discuss and take decisions about all issues connected with the co-operation and its activity also when the law or the statutes do not explicitly provide this.

Summoning

- Art. 16. (amend. SG 13/03) (1) The general meeting shall be summoned by the management council with a written invitation announced by an order determined in the statutes at least 14 days before the day of conducting it. In the invitation shall be entered the issues that will be considered as well as the day, the hour and the place where the meeting will take place. It cannot take decisions on issues not entered in the invitation except for summoning of other general meeting. The management council shall ensure for all the members of the general meeting access to the materials subject to discussion.
- (2) The general meeting can take decisions on issues, not entered in the invitation, if all members (proxies) participate in it and agree with this. Such issues shall be included in the agenda at the beginning of the session.
- (3) The general meeting shall be summoned:
1. regularly - once in the year, till the end of April, when the activity of the co-operation for the previous year is accounted;
 2. extraordinary - upon decision of the management council as well as upon request by the control council, one third of the members of the co-operation or the proxies, the chairman of the co-operation or of the management council of the territorial or the national co-operative union member of which is the co-operation, directed to the management council in 14 days term after the receiving of the request.

(4) If the management council does not summon the general meeting in one month after the receiving of the request of para 3, item 2, it shall be summoned by the control council, by one third of the members of the co-operation, by the chairman of the co-operation or by the management council of the territorial or the national co-operative union, member of which is the co-operation.

(5) In the general meeting can participate representatives of the co-operative unions with right to consultative vote.

Quorum

Art. 17. (1) (suppl. SG 13/03; suppl. – SG 41/07) The general meeting shall be lawful and can take decisions if more than half of the members (proxies) are present and for amendment or supplement of the statutes, for transformation and for liquidation of the co-operation, for election of a chairman and of members of the managing and control council and for acquiring and disposing with immovable properties and proprietary rights on them - if more than two thirds of the members (proxies) are present.

(2) (amend. SG 13/03) If the necessary number of members do not appear the meeting shall be carried out one hour later regardless of the number of the present members.

Taking of decisions

Art. 18. (1) (suppl. SG 13/03) The decisions of the general meeting shall be taken with majority more than half of the present members or proxies of art. 17 unless under this law or the statutes other is provided.

(2) (amend. SG 13/03; amend. – SH 41/07) The decisions of art. 15, para 4, items 1, 9, 10, 13 and 16 shall be taken with two thirds majority of the present members of art. 17.

(3) (new – SG 41/07) When in case of taking a decisions under Art. 15, par. 4, item 2a none of the candidates has received the required majority, a new election shall take place between the two candidates, having received maximum votes. During the second election the candidate, having received a higher number of votes, shall be deemed a chairman.

(4) (prev. text of para 03, amend. – SG 41/07) The voting in the general meeting shall be open. The statutes can provide that on some issues voting shall be secret. The general meeting can decide the voting on a particular issue to be secret.

(5) (amend. SG 13/03; prev. text of para 04 – SG 41/07) For each session of the general meeting minutes record shall be made which shall be signed by the chairman of the session and the minutes taker. The chairman of the co-operation shall be responsible for the regular keeping of the record book for the sessions of the general meeting. The decisions taken shall obligatory be entered in the record and read at the end of the session.

Right to vote

Art. 19. (amend. SG 13/03) Regardless of the extent of the share payments each member shall have right to one vote. In the statutes of the co-operation can be provided one member of the co-operation to represent up to three members of the co-operation at the general meeting on the basis of written letter of proxy.

Management council. Members

Art. 20. (1) (amend. SG 13/03; amend. – SG 41/07) The members of the management council shall be elected among the members of the co-operation for a period of 4 years. The number of mandates, which one member of the co-operation can exercise as a member of the managing council shall be set out in the co-operation statutes.

(2) (amend. SG 13/03) As chairman and members of the management council cannot be elected persons who:

1. are under 18 years of age and under judicial disability;
2. are deprived from the right to take managerial, accounting or materially responsible position;
3. are in marriage, in kinship of direct line or are brothers or sisters with a member of the management council;

4. (new – SG 13/03) have been discharged from the management council due to systematic not fulfilment of their functions;
 5. (new – SG 13/03) are in procedure for announcing insolvent or are not restored in their rights announced insolvent debtors sole entrepreneurs or partners in general partnership;
 6. (new – SG 13/03) have been convicted for intentional crimes of general character and have not been rehabilitated.
- (3) (revoked – SG 41/07)
 - (4) (amend. SG 13/03) At leaving or death of members of the management council the members of the council shall be filled up with the elected runners-up observing the requirements of para 2. The new members shall exercise the rest of the mandate of the management council.
 - (5) (new – SG 13/03; revoked – SG 41/07)

Powers

Art. 21. (1) The management council shall implement the decision of the general meeting and direct the activity of the co-operation. It shall implement also other activities determined with the law and the statutes. The management council shall report to the general meeting about its activity.

(2) (revoked – SG 13/03; new – SG 41/07) Preliminary decision of the management council shall be required for:

1. a loan contract with third persons and granting collaterals in favour of third persons;
2. court or out-of-court settlement with which liabilities are admitted or a debt is being remitted;
3. disposition transactions with tangible assets, except for those of Art. 15, par. 4, item 10;
4. a contract for renting real estates with a balance value, exceeding 5 per cent of the total balance value of the long term assets as of 31 December of the preceding year;
5. contracts for a credit, for joint activity, for undertaking exchange liabilities;
6. establishment of a mortgage on long term assets of the co-operation;
7. other transactions of disposition of property of the co-operation, provided in its statutes.

(3) The management council shall be able to form its bodies - commissions, councils etc. to facilitate its activity.

(4) (new – SG 13/03) The management council can stop the execution of decisions or actions of the chairman of the co-operation. In this case the management council shall summon the general meeting in one month term.

Summoning

Art. 22. (1) (amend. SG 13/03) The management council shall be summoned to session by its chairman at least once in the month. The chairman shall be obliged to summon it at request by one third of its members or by the control council in 7 days term. If does not do so the management council shall be summoned by the control council.

(2) The sessions of the management council shall be lawful when at least two thirds of its members are present.

Taking of decisions

Art. 23. (suppl. SG 13/03) The decisions of the management council shall be taken with open vote and with simple majority unless the statutes provide other. For the sessions of the management council record shall be kept which shall be signed by the members of the management council present at the session. The member of the management council, who does not agree with the decisions, shall enter his reserve in the record.

Responsibility

Art. 24. (1) (prev. text of Art. 24 – SG 41/07) The members of the management council shall be jointly responsible if they have guiltily caused damages to the co-operation.

(2) (new – SG 41/07) The members of the management council, who fail to fulfill their obligations, can be released before the term by the general meeting following a proposal of the chairman, of the management or of the control council or of one tenth of the co-operators.

Representation at court disputes

Art. 25. (suppl. SG 13/03) At court disputes between the co-operation and a member of the management council the co-operation shall be represented by the chairman, and when the dispute is between the co-operation and its chairman by one or several persons elected by the general meeting.

Chairman of the co-operation

Art. 26. (amend. SG 13/03) (1) (amend. – SG 41/07) The chairman of the co-operation shall be elected among the members of the co-operation for a term of four years. He shall be also chairman of the management council and participate in its work with equal vote.

(2) The chairman of the co-operation shall:

1. represent the co-operation;
2. organise the fulfilment of the decisions of the general meeting, of the management council and of the bodies of the co-operative union, in which it participates;
3. manage the current activity of the co-operation;
4. conclude and terminate the employment contracts, punish and reward workers and employees of the co-operation and determine their remuneration;
5. fulfil other functions, determined in the statutes according to the law.

(3) (amend. – SG 41/07) The chairman of the co-operation shall conclude transactions under Art. 21, par. 2 on the basis of preliminary decision of the management council and in the cases of art. 15, para 4, item 10 - on the basis of preliminary decision of the general meeting.

(4) At leaving on his will the chairman of the co-operation shall be obliged to send advance notification to the management council in term of at least three months. Within the term of the notification the management council shall summon the general meeting for election of new chairman of the co-operation.

Termination of the authorities of the chairman of the co-operation ahead of time

Art. 26a. (new – SG 13/03) The authorities of the chairman of the co-operation shall be terminated ahead of time:

1. at submitting of resignation;
2. at durable objective impossibility to fulfil his obligations;
3. when he systematically does not fulfil or breach the requirements of the law and the statutes;
4. when he misuses the trust and derogates the reputation of the co-operation;
5. upon caused damages by his activities.

Control council, Members

Art. 27. (1) (amend. – SG 41/07) The members of the control shall be elected among the members of the co-operation for a term of 4 years. The control council shall elect among its members its chairman.

(2) Members of the control council cannot be persons pointed out in art. 20, para 2 as well as cooperators who take or have taken during the previous year materially responsible or accounting position in the co-operation or have been members of the management council.

(3) Art. 20, para 2 and 4 shall be applied for the members of the control council.

Powers

Art. 28. (1) The control council shall check the activity of the co-operation and report about its work to the general meeting.

(2) The members of the control council can participate in the sessions of the management council with consultative vote.

(3) (amend. SG 13/03) When significant breaches of the law or of the statutes admitted by the management council are found and in the cases of art. 16, para 4 the control council shall summon the general meeting.

(4) (revoked – SG 41/07)

Liability of the members of the control council

Art. 28a. (new – SG 41/07) (1) The members of the control council shall be liable jointly for culpably damages caused by them to the co-operation.

(2) The members of the control council, failing to fulfill their obligations, can be released before the term by the general meeting following a proposal of the control council of the co-operation or of the management council of the territorial or of the national co-operative union, of which the co-operation is a member.

Guarantee

Art. 28b. (new – SG 41/07) The chairman and the members of the management and the control councils shall provide guarantee for their activity as such in the amount, set by the general meeting, but not less than three times their gross remuneration for the occupied position.

Non-competition clause

Art. 28c. (new – SG 41/07) (1) The chairman or a member of the management council of a co-operation cannot:

1. carry out trading transactions on his/her or somebody else's behalf within the scope of activity of the co-operation;
2. participate or take a position in managing bodies of a trading company, which is not corporate or inter-corporate enterprise in the meaning of this law, when the company carried out competitive activity to the co-operation.

(2) The restrictions of para 1 shall not apply, when the general meeting of the co-operation has given explicit preliminary consent for that.

(3) The explicit preliminary consent of the general meeting shall be required, when the co-operation undertakes a liability toward a single trader or a trading company, where the owner, manager or a member of the management body of the company is a spouse, a linear or collateral relative within the third civil degree of the chairman or if a member of the management council of the co-operation.

Section IV.

Possessions, distribution of incomes (title amend. SG 13/03)

Possessions

Art. 29. (1) The possessions of the co-operation shall consist of right of ownership and other real rights, receivables, rights over the subjects of intellectual property, securities, share participation in companies and other rights and obligations.

(2) (amend. SG 13/03) The possessions of the co-operation shall be managed only by the co-operators through its bodies.

(3) (revoked – SG 13/03; new – SG 41/07) The amounts, received from the sale of immovable properties and long term tangible assets of the co-operation, can be used for other purposes only upon covering of all debts towards the state and payment of share contributions to former member-co-operators.

(4) (revoked – SG 13/03)

(5) (amend. SG 13/03) The share instalments shall be paid to left co-operators during three years term.

Sources of resources

Art. 30. Sources of resources for the co-operation shall be:

1. the entering payments of the members;
2. share payments of the members;
3. additional and purposed payments of the members;
4. revenues from the activity;
5. loans;
6. other revenues.

Payments of the members

Art. 31. (amend. SG 13/03) (1) Each member of the co-operation shall obligatory make entering and share payment which extent, order for payment and form shall be determined in the statutes. The statutes can determine minimum and/or maximum extent of the share payment. When the share payment is not pecuniary, it shall be valued by three experts, determined by the management council of the co-operation.

(2) The sum of the share payments shall form the initial share capital of the co-operation.

(3) Upon decision of the general meeting the members of the co-operation can make additional and purposed payments, which shall not affect their share payments. In the decision shall be determined the objective and the order for payment, as well as the term for returning them.

(4) (amend. – SG 41/07) The member of the co-operation shall choose the way using of his lands by:

1. letting them under lease or rent to the co-operation or to other individuals or corporate bodies;

2. farming them individually and using production services from the co-operation or other companies or individuals;

3. (amend. – SG 41/07) conceding to joint use to the co-operation with a written contract, which shall not be subject to certification by a notary and entering.

(5) The share payment of the co-operator shall not be subject to distraint and compulsory execution for his liabilities.

(6) The members of the co-operation can concede to it funds in the form of loan which shall not affect the share payments.

(7) The extent of the interests of the loans of para 6 shall be determined by the general meeting of the co-operation.

Proprietary responsibility of the co-operation

Art. 32. (1) The co-operation shall be responsible for its liabilities with its possessions.

(2) (amend. SG 13/03) The members of the co-operation shall be responsible for its liabilities up to the extent of their share payments.

(3) In the statutes of the co-operation can be provided that the members of the co-operation shall be responsible for its liabilities up to certain sum above the extent of their share payment.

Distribution of the profit and the loss

Art. 33. (1) The accounting activity of the co-operation shall be implemented according to the Law for the accounting.

(2) The general meeting of the co-operation shall distribute the profit and the loss and determine the kind of the pecuniary funds and the extent of the payments for them, the order and the way for accumulation and spending in compliance with the statutes.

(3) (suppl. SG 13/03) The extent of the profit shall be reduced with the extent of the deductions for the funds of the co-operation. The residual of the profit shall be distributed upon a decision of the general meeting for dividends of the members and for other purposes, connected with the activity of the co-operation.

Funds

Art. 34. (1) (suppl. SG 13/03) The co-operation shall obligatory form fund "Reserve" and fund "Investments". It can form also other funds upon a decision of the general meeting.

(2) The extent of fund "Reserve" cannot be less than 20 percent of the extent of the share capital. The concrete extent shall be determined by the general meeting.

(3) When the co-operation finishes the calendar year with loss it shall be covered upon a decision of the general meeting of the co-operation with resources from fund "Reserve" or remains for redemption during the following years.

(4) (new – SG 13/03) The extent of fund "Investments" cannot be less than 10 percent of the extent of the share capital. The concrete extent and the ways for its formation shall be determined by the general meeting.

Financial alleviations

Art. 35. The co-operations and the cooperative unions shall be exempt from any fees in connection with their establishment, transformation, termination and liquidation.

Mutual benefit fund

Art. 36. (1) Upon decision of the general meeting mutual benefit fund can be formed for the members of the co-operation.

(2) (amend. SG 13/03) The structure and the activity of the mutual benefit funds shall be provided with regulation approved by the general meeting.

(3) The co-operation shall, upon decision of the general meeting and with decision of the Bulgarian National Bank under conditions and by order provided in a special law, be able to implement deposit - credit activity.

Section V. Transformation, termination, liquidation

Transformation

Art. 37. (1) The conditions for merger and joining of co-operations shall be negotiated by their management councils and approved by the general meetings.

(2) The split of the co-operation as well as separation from it shall be decided by the general meeting.

Membership by right

Art. 38. (amend. SG 13/03) The members of the co-operations that have merged or joined shall become members of the new co-operation and the members of the co-operation that has split or separated - members of one of the newly formed co-operations.

Responsibility at restructuring and satisfaction of the creditors

Art. 39. (1) At separation the newly formed co-operations shall be jointly responsible for the liabilities of the terminated co-operation.

(2) At separation the newly formed co-operation shall be jointly responsible for the liabilities of the co-operation from which it has separated, that has occurred till the moment of separation.

(3) The decision for merger and incorporation shall in one month term after its approval shall be notified in writing by the management council of the newly formed co-operation to the creditors of the merging or joining co-operations. In 6 months term after receiving of the notification the creditors of the co-operation shall be able to require execution or security according to their rights. The possessions of the terminated co-operations shall be separately managed till the elapse of the 9 months term after the decision for joining or merger.

(4) The management council of the co-operation - legal successor of the, shall bear full proprietary responsibility before the creditors of para 3 when they have not been notified or the possessions are not managed separately.

Termination of the co-operation

Art. 40. (1) The co-operation shall be terminated:

1. upon decision of the general meeting;
2. with decision of the regional court at request by the prosecutor or at request by the cooperative union where the co-operation is a member when:
 - a) it pursuits purposes prohibited by the law or implements activity prohibited by the law
 - b) it has remained with members which number is below the established minimum and in 6 months term the number of its members has not increased;
3. at expiry of the term for which it has been formed or in other cases provided in the statutes;
4. at merger with or joining in another co-operation;
5. it is announced insolvent;
6. it has split.

(2) The terminated co-operation of para 1, items 1, 2 and 3 shall be announced liquidated.

Liquidators

- Art. 41. (1) At termination of the activity of the co-operation the general meeting shall appoint one liquidator or liquidation commission of three persons and determine term for liquidation. As liquidators can be appointed persons who are not members of the co-operation.
- (2) (amend. - SG 34/06, in force from 01.10.2006) In the cases under art. 40, para 1, item 2 the Registry Agency shall appoint a liquidator, determine the term of the liquidation and the remuneration of the liquidator.
- (3) The persons of art. 20, para 2 cannot be liquidators.
- (4) The body appointed the liquidators shall be able to change them.

Effect of termination and liquidation

- Art. 42. (1) (amend. - SG 34/06, in force from 01.10.2006) The decision for termination of the co-operation and for announcing it in liquidation shall be entered in the commercial register.
- (2) (amend. - SG 34/06, in force from 01.10.2006) The termination and announcing in liquidation of the co-operation shall have effect from the moment of registration of the decision.

Rights and obligations of the liquidators

- Art. 43. (1) The liquidators shall have then rights and the obligations of the management council. The co-operation shall be represented by the liquidator and when a liquidation commission has been appointed - by its member determined by the general meeting or by the court.
- (2) The liquidators shall finish the current activity of the co-operation, turn its possessions into money, collect the receivables and fulfil its liabilities.
- (3) The liquidators can terminate the contracts concluded by the moment of announcing in liquidation paying the indemnification for the damages. The indemnification shall be paid together with the rest of the creditors.
- (4) (amend. - SG 105/05, in force from 01.01.2006) The liquidators shall be obliged to notify the corresponding territorial directorate of the National Revenue Agency about the started liquidation in 7 days term after the date of the termination of the co-operation.

Presenting of receivables

- Art. 44. (1) (amend. - SG 34/06, in force from 01.10.2006) The creditors of a co-operation announced in liquidation shall present their receivables regardless of their origin, securing and exigibility to the liquidators in two months term after the date of the registration in the commercial register of the decision of art. 42, para 1.
- (2) The liquidators shall be obliged to invite the creditors with known address with a registered letter to present their receivables.
- (3) The liquidators shall notify the creditors about the disputed receivables by the order of para 2. If they do not present a claim in one month term after the receiving of the invitation the liquidators shall record the receivables in the liquidation budget as disputable.

Returning of the shares

- Art. 45. (amend. SG 13/03; amend. – SG 41/07) (1) Takings of member-co-operators, arising out of the contributions made under Art. 31, para 3 and 6, shall compete between themselves with the takings from third persons and shall be payable proportionally.
- (2) The property, which remains after satisfying the creditors, shall be distributed between the co-operators.

Opening of insolvency procedure

Art. 46. When the liquidators establish that the possessions of the co-operation is insufficient all the creditors to be satisfied they shall be obliged to require insolvency procedure.

Deleting of the co-operation

- Art. 47. (1) After the ultimate distribution of the possessions the liquidators shall give an account to the general meeting which shall take decision for deleting of the co-operation.
- (2) (revoked - SG 34/06, in force from 01.10.2006).

(3) (suppl. SG 13/03, amend. - SG 34/06, in force from 01.10.2006) The liquidators shall be obliged in 7 days term after the adoption of the decision of para 1 to require its entry in the commercial register.

Distribution of the assets

Art. 48. At termination of the co-operation with liquidation the remainder of its assets shall be distributed among the members of the co-operation proportionally to their share payments unless the statutes stipulate other.

Restoration of the activity

Art. 49. (amend. SG 13/03, amend. - SG 34/06, in force from 01.10.2006) When the co-operation has been terminated by the general meeting it can decide till the end of the liquidation the co-operation to restore its activity. In this case the general meeting shall make election according to art. 15, para 4, items 2, 2a and 3. The decision shall be entered in the commercial register.

Maintenance of the liquidators

Art. 50. The resources for maintenance of the liquidators shall be approved by the general meeting and they shall be for the account of the co-operation. The remuneration of the liquidators shall be paid before all other receivables.

Responsibility of the liquidators

Art. 51. The liquidators shall be jointly responsible before the co-operation for the damages guiltily caused by them.

Chapter two. "A" EUROPEAN COOPERATIVE SOCIETY (NEW - SG 104/07)

Establishment

Art. 51a. (new – SG 104/07) (1) A European Cooperative Society seated in the Republic of Bulgaria shall be established under the order of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE), further referred to as "Regulation (EC) No 1435/2003", and shall be registered in the commercial register.

(2) The seat of the European cooperative society referred to in Para 1 shall be the populated place, where its headquarters are situated.

(3) Where a company, participating in the formation of a European Cooperative Society, has its seat in the Republic of Bulgaria, the official on the registration at the Registry Agency shall appoint an expert under Art. 26, Para 2 of Regulation (EC) No 1435/2003 and Art. 262k of the Commercial Law shall apply.

(4) An European Cooperative Society with a seat in another Member State may not be formed through a merger, where a participant in the merger owns land in the Republic of Bulgaria. An European Cooperative Society with a seat in the Republic of Bulgaria owning land may not move its seat in another Member State. This provision shall apply with regard to the conditions arising of the accession of the Republic of Bulgaria to the European Union.

(5) The managing body of the merger participant with a seat in the Republic of Bulgaria, respectively the European Cooperative Society with a seat in the Republic of Bulgaria, shall submit a statement about the compliance with the requirements under Para 4.

General Meeting

Art. 51b. (new – SG 104/07) (1) If the managing body does not summons a general meeting within one month from submission of the request of the supervisory body, it shall be summonsed by the regional court at the seat of the European Cooperative Society.

(2) The provision of Art. 17 shall apply to the quorum of the general meeting of the European Cooperative Society.

Annual Financial Report

Art. 51c. (new – SG 104/07) The annual financial report, as well as the consolidated financial report, if drawn up by the European Cooperative Society, shall be subject to independent financial audit and shall be submitted for publication to the commercial register.

Expert in Case of Transformation by Change of the Legal Form

Art. 51d. (new – SG 104/07) In case of transformation of a cooperative with a seat in the Republic of Bulgaria into a European Cooperative Society or of a European Cooperative Society with a seat in the Republic of Bulgaria into a cooperative the official on registration at the Registry Agency shall appoint an expert under Art. 35, Para 5 and Art. 76, Para 5 of Regulation (EC) No 1435/2003 and Art. 262k of the Commercial Law shall apply.

Termination

Art. 51e. (new – SG 104/07) The regional court at the seat of the European Cooperative Society, including upon request by the prosecutor, shall wind up the society in case of violation of Art. 73, Para 1 and 2 of Regulation (EC) No 1435/2003, if the breach was not eliminated within the term specified by the court.

Chapter three. COOPERATIVE ENTERPRISES

Establishment

Art. 52. (1) (suppl. SG 13/03) Each co-operation can create co-operative enterprises or form with other co-operations inter-co-operative enterprises for implementing economic activity or sole owned stock holding company.

(2) The decision for establishing cooperative enterprises or participation in inter-cooperative enterprise shall be taken by the general assembly, which shall determine the capital or the share in the capital and empower the management council to implement or to participate in the establishing of the enterprise.

Legal regime

Art. 53. (1) The cooperative enterprise shall be sole owned company with limited liability.

(2) The inter-cooperative enterprise can be company with limited liability or stock holding company.

(3) The co-operation cannot participate as unlimited liable partner in joint or joint stock companies.

(4) For the cooperative and inter-cooperative enterprises art. 35 shall be applied.

Chapter four. COOPERATIVE UNIONS

Establishment

Art. 54. (1) (suppl. SG 13/03) The co-operations shall, upon decision of their general meetings, unite in territorial, sector, national and other unions.

(2) (amend. SG 13/03) For the formation of the union shall be necessary at least seven co-operations.

(3) The co-operation union shall be a corporate body with the statute of co-operation.

(4) The co-operation unions can establish their unions and federations.

(5) For the issues not provided in this chapter shall be applied respectively the rules for the co-operation.

Functions

Art. 55. (1) (prev. art. 55 – SG 13/03) The co-operative union shall:

1. assist its members in achieving the objectives and the tasks of its members;
2. develop directions for development of the co-operative activities;
3. represent and protect the interests of its members before the international, the public and other bodies and organisations;
4. implement also other functions provided in the statutes.

(2) (new – SG 13/03) The co-operations and the co-operative unions shall be obliged to fulfil the decisions of the bodies of the co-operation unions, in which they participate.

Bodies

Art. 56. (1) (amend. SG 13/03) Bodies of the co-operative union shall be: the general meeting, the management council, the chairman and the control council. The members of the management council, the chairman and the members of the control council shall be elected by the general meeting for a term of 4 years.

(2) In the statutes can be provided the management council to elect from its members an executive committee defining its powers and the order for taking decisions.

(3) (amend. SG 13/03; suppl. – SG 41/07) The general meeting of the co-operative unions shall be summoned annually by the end of April and shall consist of proxies, elected by the general meetings of its members under conditions and by order, determined in its statutes.

(4) (new – SG 13/03; suppl. – SG 41/07) The general meeting can authorise the management council to fulfil certain authorities of his except the authorities of art. 15, para 4, items 1, 2, 2a, 5, 6, 8a, 11, 14, 15 and 16.

(5) The general meeting of the national unions shall be summoned once in 4 years.

Funds

Art. 57. (1) At the co-operative union can be established also pecuniary funds for mutual benefit, for education, for qualification etc.

(2) (amend. SG 13/03) The funds of para 1 shall be established under a decision of the general meeting of the union. The resources of this funds shall be collected from deductions of the profit of the members of the union.

Chapter five. COURT SUPERVISION

Grounds and order

Art. 58. (1) The decisions and the actions of the bodies of the co-operation contradicting the law or the statutes can be repealed with a claim presented to the regional court at its headquarters.

(2) The claim can be presented by each member of the co-operation, by the control council, by the cooperative union where the co-operation is a member or by the prosecutor. To the claim can join also other members of the co-operation and of the control council. They can maintain the claim even if it has been withheld.

(3) The member of the co-operation can present a claim in two weeks term after the day of the decision, and if he has not been present at taking the decision - after the day if knowing or notification. When repealing of action is required the term shall start from the day of knowing it.

(4) The control council of the co-operation can present the claim in two weeks term after taking the decision or implementing of the action and the cooperative union of para 2 - after the day of knowing or notification.

(5) In each separate case the claim can be presented not later than 3 months after taking the decision or implementing of the action.

Court decision

Art. 59. (1) The court can repeal entirely or partially the action or reject the claim.

(2) The court decision shall be subject to appeal by the general order.

Joining to the claim

Art. 60. The member of the co-operation can present a claim for protection of his proprietary and non proprietary rights that are infringed by the bodies of the co-operation. The claim can be joined with the claim of art. 58.

Stopping of the execution

Art. 61. The court can stop the execution of the appealed decision or action till decreeing decision about the case.

Chapter six. ACCOUNTING AND FINANCIAL CONTROL

Audit control

Art. 62. (revoked – SG 99/01)

Financial control

Art. 63. (amend. SG 92/00) (1) (prev. art. 63, amend. SG 13/03; suppl. – SG 41/07) The financial control of the co-operations, the co-operative and the inter – co-operative enterprises and the co-operative unions shall be implemented at every three-year period by the specialised financial control bodies of the national co-operative unions. Annually, the financial control bodies shall prepare analysis of implemented inspections, which shall be submitted to the Minister of Finance, to the Minister of Interior and to the Minister of Justice.

(2) (new – SG 13/03, amend. - SG 33/06; suppl. – SG 41/07) At performing control activity of para 1, chapter two, section four "Follow up measures" and chapter three "Proprietary liability" of the Law of the state financial inspection and Chapter Thirty One of the Code of Civil Procedure "Proceedings on financial deficit" shall be applied.

(3) (new – SG 41/07) The financial control of para 1 of co-operations, the co-operative and the inter – co-operative enterprises and the territorial and national unions shall be carried out upon request of the chairman, of the management council or of one tenth of the members of the co-operation (the union).

(4) (new – SG 41/07) The co-operations, the co-operative and the inter – co-operative enterprises, the territorial and national unions shall assist the financial control bodies of para 1.

(5) (new – SG 41/07) In case of identified violations related to spending resources, allocated from the state or from the municipality budgets, off-budget accounts or funds, under international contracts or European Union programs, as well as by the state enterprises of Art. 62, par. 3 of the Commercial law, the financial control bodies of para 1 shall notify the State Financial Inspection Agency.

(6) (new – SG 41/07) Every member-co-operator shall have the right to request at his/her expense a financial audit from the independent financial auditing. The management of the cooperation and the union, of which the co-operation is a member, shall be obliged to provide assistance and shall provide the required information for the audit implementation.

(7) (new- SG 41/07) On the grounds of the audit of para 6 the member-co-operator may set up a claim on behalf of the co-operation against the persons, having caused damages to the co-operation.

Additional provisions

§ 1. (1) Restored shall be the right of ownership of the co-operations and of the cooperative unions over their taken away, taken by the state or redistributed in any way property after September 10, 1944 if the claim for this has been made before February 7, 1993.

- (2) The ownership shall be restored to the co-operations from which it has been taken or to their legal successors, including the terminated but not deleted co-operations which have then right to restore their activity by the order of art. 49 of this law regardless of the way in which they have been terminated.
- (3) The right of ownership in the properties of para 1 shall be established with notarial acts, records, balance sheets, slips for paid tax, fees, court decisions and other written evidence. When such are lacking the right of ownership shall be established by the general claim order. The procedures of these cases shall be exempt from state fees.
- (4) The state, the municipalities, the state and the municipal companies, enterprises and organisations shall concede the non given property declared by the order of para 1 to the rightful claimants of para 2 if the claim for this has been made in one year term after this law enter into force.
- (5) The conditions and the order for returning the property shall be determined by the Council of Ministers as far as they have not been provided in another law.

Temporary and concluding provisions

§ 2. In 9 months term after this law enters into force the co-operations shall be obliged to comply their statutes with its provisions. In 14 days term after the amendments of the statutes are approved by the general meeting the management council shall require entering in the register of the regional court of the circumstances subject to entering.

§ 3. In 9 months term after this law enters into force the cooperative unions shall be obliged to comply their statutes with it provisions. In 14 days term after the approval of the amendments of the statutes by the general meeting the management council shall require entering in the register at the regional court of the circumstances subject to entering.

§ 4. In 9 months term after this law enters into force the co-operations and the cooperative unions shall be obliged to transform the cooperative and the inter - cooperative enterprises they participate in into commercial companies according to art. 52 and 53 observing the requirements of the Commercial law.

§ 5. (1) (revoked – SG 13/03)

(2) (revoked – SG 13/03)

(3) (revoked – SG 13/03)

(4) The management councils of the co-operative unions shall officially monitor whether the co-operations and co-operative unions participating in them fulfil their obligations of §2, 3 and 4 and shall be obliged at non fulfilment to require their termination by the corresponding regional court within the term of para 3. At non fulfilment of this obligation they shall be punished with fee from 1000 to 10 000 levs.

(5) The regional prosecutor's office shall monitor the fulfilment of the obligation of the previous paras and shall be obliged to require from the court termination of the non transformed co-operations, unions and enterprises as well as the imposition of the fees of para 3 and 4.

§ 6. In art. 52, para 1 of the law for accounting (prom. SG 4/91; amend. and suppl. SG 26/92, SG 55/93, SG 21, 33, 59/96, SG 52/97, SG 21/98, SG 57, 81, 83/99) item 6 shall be created:

"6. The co-operations."

§ 7. In the Law for the lease in agriculture (prom. SG 82/96; amend. SG 35/99) art. 8, para 3 and 6 and §3 of the transitional and concluding provisions shall be repealed.

§ 8. This law shall repeal:

1. The Law for the co-operations (prom. SG 63/91; amend. SG 34, 55/9, SG 63/94, SG 59, 103/96, SG 52/97, SG 52/98, SG 81/99);
2. The Law for facilitating the merger of cooperative associations (prom. SG 54/47; amend. SG 47, 228/48).

§ 9. The implementation of this law shall be assigned to the Council of Ministers.
The law was passed by the 38th National Assembly on December 16, 1999 and is affixed with the official seal of the National Assembly.

Temporary and concluding provisions of the Law of amendment and supplement of the Law of the co- operations - SG 13/11 Feb 2003

§ 39. (1) The right of ownership in property of co-operations and co-operative unions, restored their activity, taken by the state or under revoked normative acts, shall be restored if till the day this law enters into force this property is state or municipal property. This provision shall not apply for pending procedures of §1 of the additional provisions.

(2) There shall be legal succession of the co-operative unions which have existed by 1959 and which have restored their activity since 1960.

§ 40. In one year term after this law enters into force the co-operations and the co-operative unions shall be obliged to comply their statutes with its provisions.

§ 41. In § 5 of the transitional and concluding provisions para 1, 2 and 3 shall be revoked and the pending procedures under these paras shall be terminated.

§ 42. The mandate of the members of the management and the control councils, when not expired, shall not be terminated with the entering of this law into force.

The law was passed by the 39th National Assembly on January 29, 2003 and is affixed with the official seal of the National Assembly.

Temporary and concluding provisions To THE LAW OF AMENDMENT AND SUPPLEMENTATION OF THE LAW OF THE COROPRATE INCOME TAX LEVYING

(PROM. SG 102/05, IN FORCE FROM 20.12.2005)

§ 36. The law shall enter in force from 1st of January 2006, except § 30, item 13 and § 33, which shall enter into force on the day of their promulgation in the State Gazette.

Temporary and concluding provisions TO THE TAX-INSURANCE PROCEDURE CODE

(PROM. – SG 105/05, IN FORCE FROM 01.01.2006)

§ 88. The code shall enter in force from the 1st of January 2006, except Art. 179, Para 3, Art. 183, Para 9, § 10, item 1, letter "e" and item 4, letter "c", § 11, item 1, letter "b" and § 14, item 12 of the transitional and concluding provisions which shall enter in force from the day of promulgation of the code in the State Gazette.

Temporary and concluding provisions TO THE LAW OF THE COMMERCIAL REGISTER

(PROM. – SG 34/06, IN FORCE FROM 01.10.2006)

§ 56. This law shall enter into force from the 1st of October, with the exception of § 2 and § 3, which shall enter into force from the day of the promulgation of the law in State Gazette.

Temporary and concluding provisions TO THE LAW ON AMENDMENT AND SUPPLEMENTATION OF THE ACCOUNTANCY LAW

(PROM. – SG 105/06, IN FORCE FROM 01.01.2007)

§ 61. This Law shall enter into force from 1 January 2007, except § 48, which enters into force from 1 July 2007.

Temporary and concluding provisions TO THE LAW ON AMENDMENT AND SUPPLEMENTATION OF THE LAW OF CO-OPERATIONS

(PROM. – SG 41/07)

§ 24. Within up to one year after entering of this law into force the co-operations shall be obliged to adjust their statutes with its provisions. Within 14 days after adoption of the amendments to the statutes by the general meeting the chairman of the co-operation shall state for entering into trade register the circumstances subject to entry.

§ 25. With entering of this law into force the mandate of the chairmen and of the members of the management and control councils of co-operations, when it has not expired, shall be 4-year, as from the date of the election.

§ 26. The co-operations and the co-operative unions, having constructed buildings and constructions with their own resources until 13 July 1991, shall have the right to claim re-certification of the buildings and the attached to them terrains before the state or the municipality. The claim shall be placed before the respective regional governor or municipality mayor not later than 31 December 2007. In case of

existence of the mentioned circumstances, the property shall be re-certified and shall be submitted in possession of the co-operation or of the co-operative union.

§ 27. (1) Rights of a restored co-operation in the sense of para 1 of the Supplementary provision and of para 1 of the revoked Law on the co-operations (prom. - SG 63/91, amend. – SG 24 and 55/92, SG 63/94, SG 59 and 103/96, SG 52/97, SG 52/98, SG 81/99, revoked – SG 113/99) shall have a co-operation entered into the court register after 7th August 1991 with a name, seat and scope of activity of the existed co-operation, of which at least 7 co-operators are members, having been its members as of the date of seizure, nationalization or re-distribution of the property of the co-operation.

(2) Paragraph 1 shall apply also to a co-operative union, restored from minimum two co-operations, having been its members as of the date of seizure, nationalization or re-distribution of the property of the union.