

REPUBLIC OF BULGARIA
GRAND NATIONAL ASSEMBLY

COOPERATIVES ACT

Promulgated State Gazette No. 113/28.12.1999

**Chapter One
GENERAL PROVISIONS**

Definition

Article 1

A cooperative shall be a voluntary association of natural persons with variable capital and a variable number of members engaging in commercial activity along the lines of mutual assistance. Cooperative shall be corporate bodies.

**Chapter Two
COOPERATIVES**

Section I

Constitution

Constitution Procedure

Article 2

- (1) A cooperative shall be constituted by not fewer than seven capable natural persons whose constituent assembly shall resolve to constitute the cooperative, adopt its Statutes and elect its Managing Board and Control Board.
- (2) The Managing Board shall elect a President.
- (3) The Statutes shall establish:
 1. the name, registered address and the object of corporate activity;
 2. the eligibility, rights and obligations of its members;
 3. the managing bodies of the cooperative and their prerogatives;
 4. the decision-making procedure;
 5. the size of the members' subscription and shares;
 6. the manner of distributing profits and losses;
 7. the types of funds and dividends and the manner in which the latter are determined;
 8. the manner of disposal with cooperative property;
 9. the grounds and procedure for the termination of membership.
- (4) The Statutes may also establish labor and social security relationships between cooperative members and the cooperatives pursuant to current labor and social legislation.
- (5) The Statutes may further settle other matters insofar as they are not settled by the law.
- (6) The Memorandum of Incorporation and the Statutes shall be signed by the founding members.

Registration

Article 3

- (1) A cooperative shall be registered with the district court where its registered address is located, upon application by its Managing Board. The application shall have the following supplements:
 1. copies of the Memorandum of Incorporation and the Statutes;
 2. notarized specimens of the signatures of the cooperative's authorized representatives;
 3. affidavits by the President of the Managing Board and the members of the Control Board that they have not been subject to penalties banning them from occupying executive and financial management positions, and are not related to one another by marriage and are not direct relatives, brothers or sisters.
 4. certificates showing that each member of the Managing Board and Control Board has a clear conviction record;
- (2) Subject to registration shall be the data described in Article 2, para 3, items 1 and 3 (only the authorities) and item 7, as well as:
 1. the name and Civil ID Number of the President of the Managing Board.
 2. the amount of liability of the members of the cooperative, if the Statutes have made provision for such liability.

- (3) In the event of merger or acquisition of the cooperative, the court shall register the new cooperative or the changes under Article 37, para 1 subject to authorization by the Commission on the Protection of Competition in the chases where such authorization is necessary under the Protection of Competition Act.
- (4) The President of the cooperative shall request registration of any changes in the circumstances that are subject to registration within seven days of the respective decision of the General Meeting.

Incorporation

Article 4

A cooperative shall be incorporated on the day of its court-ordered registration. The registration shall be promulgated in the State Gazette.

Cancellation

Article 5

Should a cooperative fail to become a going concern within a year of its registration, it shall be struck from the register by the Court at the request of the Office of the Public Prosecutor if it has no property.

Liability for Actions Preceding Incorporation

Article 6

An act performed on behalf of a cooperative prior to the date of its incorporation shall give rise to rights and obligations on the part of the said cooperative if performed by the founders or by persons duly authorized by the founding members. Should a cooperative fail to be incorporated, all founding members shall bear joint liability.

Section II

Membership, Rights and Obligations

Membership

Article 7

- (1) Eligible for membership in a cooperative shall be any natural person over the age of 16 who has not been placed under prohibition and subscribes to its Statutes. Persons under the minimum age and ones placed under prohibition may become members of cooperatives with the written consent of a parent or legal guardian.
- (2) Everyone shall be free to be a member of more than one cooperative.

Admission of New Members

Article 8

- (1) The Managing Board shall accept new members by reviewing their applications in writing and making decision on them. Applications shall be reviewed by the Managing Board at its first meeting after receipt of the application. As an exception, applications may be examined at a second meeting if the first meeting was held within 14 days of receipt of the application.
- (2) The resolution of the Managing Board shall require the endorsement of the General Meeting.
- (3) A refusal by the Managing Board to approve an application may be appealed before the General Meeting within 14 days of receiving written notice of the refusal. Should the General Meeting overrule the Managing Board, the applicant shall be considered admitted as of the date of the General Meeting's resolution.
- (4) Should an applicant fail to appeal within the time established by para 3, or should the General Meeting confirm the refusal, the applicant shall not file a new application for membership until the expiry of one year.
- (5) A newly admitted member shall be recorded in the register of members. Entries in the register shall include the name and address of the member, date of beginning and termination of membership, the amount of contribution and the date of payment of the latter.

Rights of Members

Article 9

- (1) A member of a cooperative shall have the following rights:
 1. to participate in and benefit from the cooperative's activity;
 2. to participate in and vote at its General Meeting in person or by proxy;
 3. to be elected to its managing bodies;
 4. to require information from its managing bodies regarding their implementation of adopted resolutions and to require any information that may affect his interests;
 5. to seek the overturning of decisions or actions by the cooperative's bodies which contravene the law or its Statutes, or are inappropriate;

6. to receive dividends;
 7. to receive his share of the founding capital upon termination of membership as described in Article 14;
 8. to social and medical security in accordance with the law and Statutes.
 9. to constant access to the register of cooperative members.
- (2) A member of a cooperative engaged in the production of products for sale may be employed by the cooperative subject to his qualifications, age and the needs of the cooperative.

Obligations of Members

Article 10

- (1) A member of a cooperative shall observe its Statutes and the resolutions of its managing bodies.
- (2) A member under legal age or placed under limited prohibition shall pay his contribution to the capital with the consent of a parent or legal guardian.

Discipline

Article 11

- (1) A member may be given a reprimand or notice of expulsion for failure to carry out his obligations to the cooperative.
- (2) Such reprimand or notice of expulsion shall be issued by the Managing Board in a manner described in the Statutes of the cooperative.

Termination of Membership

Article 12

- (1) A member of a cooperative shall cease to be one upon any of the following occurrences:
 1. withdrawal from the cooperative;
 2. expulsion;
 3. death.
- (2) Membership shall be further terminated with the termination of the cooperative, except in cases of reorganization.
- (3) Members may relinquish membership by one-month advance notice in writing to the Managing Board.

Expulsion of Member

Article 13

- (1) The General Meeting shall be free to expel a member for violations of the law, the Statutes or the decisions of the cooperative's managing bodies.
- (2) The Managing Board shall be free to suspend a member prior to a final ruling on his expulsion by the General Meeting in the manner described in the Statutes. The said member shall be invited in writing to attend the meeting which shall rule on the matter.

Material Consequences

Article 14

- (1) The share of a former member shall be reimbursed to him or his heirs after the approval of the cooperative's annual balance statement if that former member had redeemed all his liabilities to the cooperative. In the case of outstanding debt of a terminating member, the cooperative may deduct such debt from money owed to him.
- (2) The right to reimbursement of a share shall expire by limitation after five years, and the right to dividend, after three years.

Section III

Managing Bodies of a Cooperative

General Meeting. Membership and Prerogatives

Article 15

- (1) The General Meeting of a cooperative shall consist of all members of the cooperative. A cooperative with more than 200 members shall be free to establish instead a Meeting of Plenipotentiaries elected pursuant to representation standards established by the Statutes, and the number of such plenipotentiaries shall not be less than seventy.
- (2) A Meeting of Plenipotentiaries shall enjoy all rights vested in a General Meeting.
- (3) The General Meeting shall:

1. adopt and amend the Statutes;
 2. determine the number of members of the managing and control boards and elect them by secret ballot.
 3. appoint expert auditors or specialized auditing company;
 5. approve the annual report of the Managing Board and, after hearing the report of the Control Board, the balance sheet and the distribution of income;
 6. approve the report of the Control Board;
 7. resolve on the joining or withdrawal from a cooperative association or commercial company;
 8. approve the annual balance statement of the cooperative;
 9. approve any cancellation of cash debts to the cooperative or their rescheduling;
 10. approve any disposal of cooperative-owned fixed assets;
 11. endorse the Managing Board' resolution on the admission of new members;
 12. expel members;
 13. resolve on collection of supplementary or one-time monetary contributions from the members;
 14. revoke resolutions or acts of the other managing bodies of the cooperative which it considers to be contrary to the law or the Statutes or to be inexpedient;
 15. adopt appropriate decisions by secret ballot in respect to the results from any auditing of the cooperative and on taking legal action against persons found to have committed violations.;
 16. approve any reconstruction or the termination of the cooperative or a filing for liquidation.
- (4) The General Meeting shall be competent to debate and resolve all matters pertaining to the cooperative and its activity even when not expressly authorized by the law or the Statutes.

Convocation

Article 16

- (1) A General Meeting shall be convened by the Managing Board by written invitation communicated by a procedure established by the Statutes. The invitation shall indicate the agenda, the day, time and venue of the General Meeting. A General Meeting shall not resolve on matters not indicated on the invitation except if attended by all members and upon their unanimous resolution to do so. The Managing Board shall ensure that all members of the General Meeting have access to any materials under consideration
- (2) A General Meeting shall be convened as follows:
 1. regularly, once a year, to hear the report on the cooperative's activity;
 2. extraordinarily, by a resolution of the Managing Board, or on a motion by the Executive Director and the Control Board or by one-third of the members of the cooperative or their plenipotentiaries, or by the Managing Board of a cooperative association of which the cooperative is a member, sent to the Managing Board and within 14 days of receipt of the said resolution.
- (3) Should the Managing Board fail to convene a General Meeting, as described in para 2, this shall be done by the Control Board or by one-third of the members of the cooperative, or by the Managing Board of the cooperative association of which the cooperative is a member.

Quorum

Article 17

- (1) A General Meeting shall be legitimate if attended by more than half of its members. A General Meeting convened to adopt the Statutes or to resolve on the reconstruction or liquidation of a cooperative shall be legitimate if attended by more than two-thirds of its members (plenipotentiaries).
- (2) In the absence of the required number of members, the meeting shall be postponed and shall be held seven days later with the same agenda. Should the required number of members again be not at hand, the meeting shall open one hour later regardless of the number of members attending.

Resolutions

Article 18

- (1) Resolutions of the General Meeting shall require a simple majority of the votes of the members or plenipotentiaries present, unless otherwise provided by the Statutes.
- (2) Resolutions pursuant to Art. 15 para 3 items 9, 10 and 16 shall require a majority of two-thirds of all members.
- (3) Voting at a General Meeting shall be by a show of hands, except when provided otherwise by the law or the Statutes. A General Meeting may resolve on holding a secret ballot on other matters as well.
- (4) Minutes shall be kept for each session of the General Meeting which shall be signed by the Chairperson of the Meeting and the clerk. The President of the Managing Board of the cooperative shall be responsible for the keeping of regular records of all General Meetings. Any resolutions adopted shall be recorded in the minutes and read at the end of the General Meeting.

Voting Rights

Article 19

Each member shall be entitled to one vote irrespective of the share in the capital they may possess. One individual may not represent more than three members at a General Meeting and representation shall be evidenced by notarized power of attorney.

Managing Board. Composition

Article 20

- (1) The members of a Managing Board shall be elected for a term of three years from among the members of the cooperative. A new Managing Board shall not have among its members more than two-thirds of the members of the incumbent Managing Board. The members of the Managing Board shall elect a President from among themselves.
- (2) Ineligible for election to the Managing Board shall be:
 1. anyone under 18 years of age, or anyone placed under a legal interdiction;
 2. anyone prohibited from occupying a managerial, accounting or materially liable post;
 3. anyone married to or directly related to, or a brother or sister of another member of the Managing Board or the Control Board.
- (3) In cooperatives of the handicapped, at least half of all members of the Managing Board shall be handicapped.
- (4) In the event of cancellation of membership or death of members of the Managing Board, vacancies thus occurring shall be filled in compliance with the requirements under para 2. The newly elected members shall serve the remaining time of the tenure of the Managing Board.

Prerogatives

Article 21

- (1) The Managing Board shall implement the resolutions of the General Meeting, direct the activities of the cooperative and perform any other functions entrusted to it by virtue of the law or the Statutes. It shall report to the General Meeting.
- (2) The Managing Board shall be free to appoint an executive director and other executives whenever allowed to do so by virtue of the Statutes. The functions and powers of the executive director and other senior managers shall be regulated by the Statutes.
- (3) The Managing Board shall be free to set up commissions, councils and other auxiliary bodies to assist it in its work.

Convocation

Article 22

- (1) The Managing Board shall be convened by its President at least once a month. The President shall further convene the Managing Board on a motion by one-third of its members or at the request of the Executive Director within seven days. Should he fail to do so, the Managing Board shall be convened by the Control Board.
- (2) A session of the Managing Board shall be legitimate if attended by at least two-thirds of its members.

Resolutions

Article 23

Resolutions of the Managing Board shall be passed by a show of hands and shall require a simple majority of its members, unless otherwise provided by the Statutes. Minutes shall be kept of the meetings of the Managing Board which shall be signed by all attending members of the Managing Board.

Liability

Article 24

Members of the Managing Board shall be jointly liable for any damages caused by them to the cooperative.

Court Representation

Article 25

In a judicial dispute between a cooperative and members of its Managing Board the cooperative may be represented by one or several persons elected by the General Meeting.

President of the Managing Board or Executive Director**Article 26**

- (1) The Managing Board may appoint an Executive Director.
- (2) The Executive Director shall attend the meetings of the Managing Board and shall have a consultative vote;
- (3) The Executive Director, or the President of the Managing Board if an Executive Director is not appointed, shall:
 1. represent the cooperative;
 2. organize the implementation of the resolutions passed by the General Meeting and the Managing Board;
 3. manage the day-to-day activities of the cooperative.
- (4) The Executive Director or the President of the Managing Board may engage in transactions involving property of the cooperative pursuant to a resolution of the Managing Board, or pursuant to a resolution of the General Meeting in the cases described in Article 15, para 3, item 10.
- (5) The Managing Board may intervene to halt execution or revoke actions undertaken by the Executive Director or the President of the Managing Board. In such case, the Executive Director or President shall call a General Meeting forthwith to settle the dispute.

Control Board. Composition**Article 27**

- (1) The members of a Control Board shall be elected for a period of three years from among the members of a cooperative. The Control Board shall elect a President from among its members.
- (2) Ineligible for election to the Control Board shall be any person prohibited by virtue of Art. 20 para 2 and any member of the cooperative who in the previous year has occupied a post of material or accounting responsibility or has sat on the Managing Board.
- (3) Article 20, para 2 and 4 shall apply to the members of the Control Board.

Prerogatives**Article 28**

- (1) A Control Board shall monitor the activities of the cooperative and report to the General Meeting.
- (2) A member of the Control Board shall be free to attend the meetings of the Managing Board and shall be entitled to a deliberative vote.
- (3) The Control Board shall convene the General Meeting whenever it finds essential violations of the law or the Statutes by the Managing Board as well as in the cases described in Article 16, para 3.
- (4) The provisions of Art. 24 shall apply further to the members of the Control Board.

Section IV**Property, Distribution of Income, Taxation****Property****Article 29**

- (1) Cooperative property shall consist of ownership rights and other material rights over amounts due, intellectual property, securities, company stock and other rights and obligations.
- (2) The property of the cooperative may only be managed by the members through the cooperative's managing bodies. The capital of the cooperative shall be distributed as shares among the members.
- (3) The property shares of the members of the cooperative shall be updated each calendar year subject to the capital in the preceding year and shall be recorded in the register of the members of the cooperative.
- (4) The property shares shall increase or decrease subject to funds allocated to investment, depreciation of the value of the property, amortization, restitution of property shares to individuals relinquishing membership.
- (5) individuals relinquishing membership shall be compensated for their property shares within three years.

Sources of Income**Article 30**

A cooperative shall have the following sources of income:

1. members' subscriptions;
2. members' paid-in capital;
3. additional capital contributions by members;
4. business earnings;

5. loans;
6. other income.

Payments by Members

Article 31

- (1) Each member of a cooperative shall pay a subscription contribution and his share of the called-up capital in an amount established by the Statutes. The Statutes may establish minimum and/or maximum amount of the share.
- (2) The sum total of paid-in capital shall form the start-up capital of the cooperative.
- (3) The property shares of the members shall form the capital of the cooperative.
- (4) Property and property rights over farm land may not serve as contribution to the capital of the cooperation and may not be transferred to it by members. The cooperative may use the farm land of its members under a lease contract in writing.
- (5) A member's share of capital shall be exempt from distraint or confiscation to meet obligations of that member.
- (6) Members shall be free to extend loans to a cooperative which shall not be considered part of its capital.
- (7) The interest rate on loans pursuant to para 6 shall be established by the cooperative's General Meeting.

Material Liability of Cooperative

Article 32

- (1) A cooperative shall be held liable to the extent of its assets.
- (2) A member of a cooperative shall be held liable to the extent of his share.
- (3) The Statutes of the cooperative may provide for its members to be held liable to a maximum amount that exceeds their share.

Distribution of Profit and Losses

Article 33

- (1) A cooperative shall keep its books in accordance with the Accountancy Act.
- (2) The distribution of income, profit and losses, the nature of a cooperative's cash funds and the manner in which they are maintained and spent shall be established by its General Meeting in compliance with the Statutes.
- (3) The amounts set aside for the different cash funds shall be charged to the cooperative's income. The residue income shall be distributed as dividend to members pursuant to a resolution by the General Meeting.

Cooperative Funds

Article 34

- (1) A cooperative shall maintain a contingency reserve and furthermore may maintain any other cash funds established by a resolution of the General Meeting.
- (2) The contingency fund shall hold an amount that may not be less than 20 per cent of the cooperative's capital. The General Meeting shall resolve on the amount to be held in that fund.
- (3) Any loss reported by a cooperative during a calendar year shall be charged either against its contingency reserve or against future profits by virtue of a General Meeting resolution.

Concessions

Article 35

The Cooperatives and cooperative associations shall be exempt from any fees for incorporation, restructuring, termination and liquidation.

Mutual Assurance Society

Article 36

- (1) The General Meeting may resolve on the establishment of a mutual assurance society for the members of the cooperative.
- (2) A regulation adopted by the Council of Ministers shall regulate the structure and operation of mutual assurance societies.
- (3) The cooperative may engage in depositary and crediting operations by resolution of the General Meeting and with the authorization of the Bulgarian National Bank and as provided for in a separate law.

Section V
Reconstruction, Termination, Liquidation
Reconstruction

Article 37

- (1) The terms of any merger or amalgamation of cooperatives shall be negotiable between their boards of directors subject to approval by their general meetings.
- (2) Any division of or separation from a cooperative shall require the approval of its General Meeting.

De Jure Membership

Article 38

Members of merging or amalgamating cooperatives shall acquire membership in the new cooperative; members of a dividing cooperative shall acquire membership in the newly formed cooperatives.

Liability Following Reconstruction and guarantees for creditors

Article 39

- (1) Cooperatives formed as a result of a division shall bear joint liability for the obligations of the terminated cooperative.
- (2) A cooperative formed as a result of a separation shall bear joint liability with the source cooperative for any obligations that may have arisen prior to that separation.
- (3) A resolution on merger shall be announced in writing by the Managing Board of the newly formed cooperative to the creditors of the merging cooperatives within one month of the adoption of such resolution. Creditors of the cooperative may demand redemption or guarantees within six months of receiving notice of the merger. The property of terminated cooperatives shall be managed separately for eight months after the adoption of the resolution for merger.
- (4) The Managing Board of the succeeding cooperative shall be liable in full to creditors under para 3 where such creditors had not been notified or the property of the terminated cooperative had not been managed separately.

Termination of Cooperative

Article 40

- (1) A cooperative shall be terminated:
 1. by a resolution of the General Meeting;
 2. by a district court ruling sought by the Office of the Public Prosecutor or the cooperative association to which the cooperative is a member whenever the cooperative:
 - a) pursues aims prohibited by law or engages in prohibited economic activity;
 - b) has been left with fewer members than the established minimum and has failed to gain the required number of new members within a period of six months.
 3. upon expiry of the term for which it had been set up or as otherwise provided for in the Statutes;
 4. upon merger with another cooperative;
 5. upon declaring insolvency.
 6. upon spin-off.
- (2) A terminated cooperative shall be placed in liquidation.

Liquidators

Article 41

- (1) Upon terminating the activity of a cooperative the General Meeting shall appoint a liquidator or a three-member board of liquidators and shall establish the liquidation period. A liquidator does not have to be a member of the cooperative.
- (2) In a court-ordered liquidation the liquidators and the liquidation period shall be established by the court.
- (3) Ineligible to serve as liquidators shall be any of the persons referred to in Art. 20 para 2.
- (4) Liquidators may be replaced by the body that had elected them.

Effect of Termination and Liquidation

Article 42

- (1) The decision on the termination of a cooperative and its placement into liquidation shall be subject to registration in the court register and to promulgation in the State Gazette.
- (2) The termination and liquidation of a cooperative shall take effect from the day of registration of the decision.

Rights and Obligations of Liquidators

Article 43

- (1) Liquidators shall have the rights and obligations of a Managing Board. A cooperative shall be represented by liquidator or, in the case of a board of liquidators, by a member thereof appointed by the General Meeting or the court.
- (2) Liquidators shall wind up the day-to-day operations of the cooperative, convert its property into cash, collect its receivables and settle its liabilities.
- (3) Liquidators shall be free to terminate contracts concluded by the cooperative prior to the announcement of its liquidation and shall pay compensation for relevant damages suffered. Such compensation shall be settled as part of the settlement with the cooperative's creditors.
- (4) The liquidators shall notify the respective tax administration of the liquidation already under way within seven days of termination of the cooperative.

Creditors' Claims

Article 44

- (1) The creditors of a cooperative in liquidation shall lodge with the liquidators all claims, regardless of origin, security or executability, within two month from the day of the promulgation referred to by Art. 42 para 1.
- (2) The liquidators shall invite all creditors of a known address by letter with return advice of delivery to lodge their claims.
- (3) Liquidators shall notify creditors of any disputed claims by the procedure established by the preceding paragraph. Should such a creditor file a claim within one month of receipt of the said notification, the liquidators shall enter such claims as disputed liabilities in the liquidation balance sheet.

Restitution of Shares

Article 45

Shares shall be restituted to members of the cooperative after all other debts have been redeemed.

Insolvency Procedure

Article 46

Where liquidators determine that the property of the cooperative is insufficient to satisfy all creditors, they shall apply for the opening of bankruptcy procedure.

Closing Down of Cooperative

Article 47

- (1) The liquidators shall report to the General Meeting on the final distribution of the property and the General Meeting shall then resolve on the closing down of the cooperative.
- (2) In a court-ordered termination, the liquidators shall submit their report to the court which shall order the closing down of the cooperative.
- (3) The liquidators shall request the court to register a resolution pursuant to paras 1 or 2 within seven days from its passage.

Disposal of Residue Assets

Article 48

Any residue assets from the liquidation of a cooperative shall be distributed among its members proportionally to each member's share, except when provided otherwise by its Statutes.

Perpetuation of Terminated Cooperative

Article 49

Should a cooperative be terminated by a resolution of its General Meeting, the latter may decide to continue its activity prior to the conclusion of the liquidation. The General Meeting shall then conduct an election pursuant to Art. 15 para 3 subparas 2 and 3, and shall register that resolution with the court.

Liquidators' Costs**Article 50**

All costs incurred by liquidators shall be approved by the General Meeting and shall be borne by the cooperative. The liquidators' emolument shall be paid prior to any other debts.

Liability of Liquidators**Article 51**

Liquidators shall bear joint liability for any damages caused to a cooperative.

Chapter Three**COOPERATIVE ENTERPRISE****Constitution****Article 52**

- (1) Every cooperative may establish a cooperative commercial enterprise on its own or jointly with other cooperatives.
- (2) The resolution for establishment of a cooperative enterprise or for participation in a joint cooperative enterprise shall be adopted by the General Meeting which shall determine the amount of capital or amount of share in the capital, as appropriate, and shall empower the Managing Board to establish or participate in the establishment of the enterprise.

Legal Regime**Article 53**

- (1) The cooperative enterprise shall be a sole proprietor limited company.
- (2) The joint enterprise of cooperatives may be a limited company or joint stock corporation.
- (3) A cooperative may not be a shareholder with unlimited liability in joint stock companies or trusts.
- (4) Article 35 applies to cooperative enterprises and joint enterprises of cooperatives.

Chapter Four**COOPERATIVE ASSOCIATIONS****Constitution****Article 54**

- (1) By virtue of a resolution of their general meetings cooperatives shall be free to join into a territorial, sectorial or other association.
- (2) To be constituted, a cooperative association shall require at least three cooperatives.
- (3) Cooperative associations shall be corporate bodies with the status of cooperatives.
- (4) Cooperative associations shall be free to form their own unions or federations.
- (5) In respect of all issues concerning cooperative associations that are not provided for under this Chapter, the provisions regarding cooperatives shall apply.

Functions**Article 55**

A cooperative association shall:

1. assist its members in the attainment of their goals and objectives;
2. evolve guidelines for the development of cooperative activity;
3. represent and protect the interests of its members before international, state, public and other bodies and organizations;
4. engage in any other functions established by its Statutes.

Managing Bodies**Article 56**

- (1) A cooperative association shall have the following managing bodies: a General Meeting, a Managing Board, and a Control Board. The members of the Managing Board shall be elected by the General Meeting for a term of three years.
- (2) If provided for by the Statutes, the Managing Board may elect from among its members an Executive Committee and may further establish that Committee's prerogatives and resolution-passing procedures.

- (3) The General Meeting of a cooperative association shall consist of the presidents of the Managing Boards of the constituent cooperative organizations. A General Meeting shall be held once every three years.

Cash Funds

Article 57

- (1) A cooperative association shall be free to set up cash funds for the purpose of mutual assistance, education, occupational training etc.
- (2) Cash funds pursuant to para 1 shall be set up by virtue of a resolution of the association's General Meeting. Moneys for replenishing these funds shall be collected from deductions from the profits of the constituent cooperatives.

Chapter Five

JUDICIAL CONTROL

Grounds and Procedure

Article 58

- (1) The district court where a cooperative has its registered address shall be free to enjoin any resolution or act of a cooperative's managing body should it find it in contravention of a law or the Statutes.
- (2) Such injunction may be sought by any member of the cooperative, by its Control Board, the cooperative association of which the cooperative is a member, or by the Office of the Public Prosecutor. Other members of the cooperative or of the Control Board may join in such action. They may choose to continue to seek the injunction even if the original authority that had sought it has since decided to withdraw it.
- (3) A member of the cooperative may file a suit pursuant to the preceding paragraph within two weeks of the day of the resolution or, in the case of a resolution passed in his absence, within two weeks of the day of finding out or receiving notification. In a suit seeking injunction of an act, the fourteen-day period shall commence on the day on which the member of the cooperative acquires knowledge thereof.
- (4) A cooperative's Control Board may seek an injunction within two weeks of the passage of a resolution or the committing of an act, and the cooperative association may seek such an injunction within two weeks of learning or being notified of the resolution or act..
- (5) In any case the injunction may not be sought later than three months after the adoption of the decision or commission of the act.

Court Ruling

Article 59

- (1) The court shall be free to annul a resolution or act entirely or in part, or to deny action thereon.
- (2) The court's ruling shall be subject to appeal by the generally established procedure.

Joining of Suit

Article 60

A member may seek an injunction for protecting his material and non-material rights violated by the bodies of the cooperative. Such injunctions may be joined with injunctions under Article 50.

Suspension of Execution

Article 61

The district court may suspend the execution of a resolution or act against which a suit has been lodged pending its own ruling.

Chapter Six

ACCOUNTING AND FINANCIAL CONTROL

Auditing

Article 62

The annual accounting reports of the cooperatives, the cooperative or joint cooperative enterprises and cooperative associations shall be certified by licensed auditor or auditing company under the Accounting Act.

Financial Control

Article 63

- (1) The specialized financial control bodies established with cooperative associations shall carry out financial auditing under the State Financial Control Act at the request of the Minister of Finance and under the direct control of the state financial control authorities.
- (2) Financial auditing of cooperatives, cooperative or joint cooperative enterprises and cooperative associations may also be carried out by the state financial control authorities under the State Financial Control Act.

SUPPLEMENTARY PROVISION

- § 1. (1) The rights of cooperatives and cooperative associations over any property confiscated, nationalized or re-distributed in any way whatsoever after 10 September, 1944, are hereby reinstated if the reinstatement application had been submitted prior to February 7, 1993..
- (2) Property shall be reinstated to the cooperatives from which it had been removed or to their successors, including to cooperatives that had been terminated but not officially removed from the registers that are eligible to resume their activity under Article 49 of this Act, irrespective of the manner in which this termination had been effected.
 - (3) Evidence of ownership of the property in the sense of para 1 shall be in the form of deeds, protocols, balance sheets, receipts for paid taxes, duties or insurance premiums, court decisions or other written evidence. Should such evidence be absent, ownership shall be claimed by the general procedure. No stamp duty shall be paid on legal proceedings connected with such claims.
 - (4) The state, the municipalities, the state and municipal companies, enterprises and organizations shall reinstate the cooperatives' property pursuant to para 1 to the eligible persons under para 2 if the request for that restitution is made within one year of the entry into force of this Act.
 - (5) The terms and procedure for the reinstatement of property shall be established by the Council of Ministers, unless provided for otherwise by another Act.

TRANSITIONAL AND CONCLUDING PROVISIONS

- § 2. Within nine months of the entry into force of this Act all cooperatives shall assure compliance of their Statutes therewith. The Managing Board shall apply for registration of all amendments to the Statutes adopted by the General Meeting within 14 days before the district court.
- § 3. Within nine months of the entry into force of this Act all cooperative associations shall assure compliance of their Statutes therewith. The Managing Board shall apply for registration of all amendments to the Statutes adopted by the General Meeting within 14 days before the district court.
- § 4. Within nine months of the entry into force of this Act all cooperatives and cooperative associations shall transform their cooperative and joint cooperative enterprises into commercial companies under Articles 52 and 53 and pursuant to the requirements under the Commerce Act.
- § 5. (1) The cooperatives and cooperative associations which have failed to register their amended statutes at their district court pursuant to the requirements contained in this Act and within the period of time established in § 2 and 3 shall be considered terminated.
- (2) Cooperative and joint cooperative enterprises that are not transformed and registered as commercial companies under §4 shall be considered terminated.
 - (3) The Managing Board of the cooperative, the cooperative association, the cooperative enterprise or joint cooperative enterprise that have failed to register amendments to their statutes with a view to compliance with the provisions of this Act, shall apply for liquidation at the district court within three months of expiration of the period of time under § 2, 3, and 4. The presidents and the members of the managing boards of cooperatives, cooperative associations, cooperative and joint cooperative enterprises that have failed to seek liquidation from the district court within the period of time specified above shall be subject to fine from 500 to 5 000 levs.
 - (4) The managing boards of the cooperative associations shall monitor ex-officio whether their member cooperatives and cooperative associations are in compliance with §2, 3, and 4 and shall seek their liquidations from the respective district court within the period of time described in para 3 in the event of non-compliance. Non-performance of obligations under this paragraph shall be subject to fine in an amount from 1000 to 10,000 levs.
 - (5) District public prosecutor's offices shall monitor compliance with the provisions of the above paragraphs and shall seek from the courts liquidation of non-transformed cooperatives, associations and enterprises and the imposition of the fines under para 3 and 4.
- § 6. Article 52, para 1 of the Accounting Act (promulgated, State Gazette no. 4 of 1991, amended, nos. 26/1992, 55/1993, 21,33, and 59/1996, 52/1997, 21/1998, 57, 81, and 83/1999) shall be complemented with item 6 as follows:
- “6. cooperatives.”

§ 7. In the Lease in Agriculture Act (promulgated, State Gazette no. 82 of 1996, amended, no. 35 of 1999) Article 8, para 3 and 6 and §3 of the Transitional and Concluding Provisions (new, State Gazette no. 35/1999) are hereby revoked.

§ 8. This Act hereby revokes:

1. The Cooperatives Act (promulgated, State Gazette no. 63/1991, amended nos. 34 and 35/1992, no. 63/1994, no. 59 and 103/1996, no. 52/1997, no. 52/1998, no. 81/1999).
2. The Facilitation of Mergers of Cooperative Associations Act (promulgated, State Gazette no. 54/1947, amended, no. 47 and 228/1948).

§ 9. The Council of Ministers shall be responsible for the implementation of this Act.

This Act has been passed by the 38th National Assembly on 16 December 1999 and the official stamp of the National Assembly has been affixed hereto.

President of the National Assembly: Yordan Sokolov.