

LAW OF THE REPUBLIC OF KAZAKHSTAN ON NON-PROFIT ORGANIZATIONS, No. 142-II 3KP

January 16, 2001 (unofficial translation)

CHAPTER 1 GENERAL PROVISIONS

Article 1. Subject of Regulation of This Law

The subject matter to be regulated by this Law is the relations arising in connection with creation, activities, reorganization and liquidation of non-profit organizations. The peculiarities of legal status, creation, activity, reorganization and liquidation of political parties, trade unions are regulated by special laws.

Article 2. Concept of a Non-Profit Organization

Non-profit organization is a legal entity whose main goal is not deriving a profit and which does not distribute the net income between its participants.

Article 3. Legislation On Non-Profit Organizations

1. The legislation of the republic of Kazakhstan on non-profit organizations is based upon the Constitution and consists of the Civil Code of the Republic of Kazakhstan, the present Law and other legislative acts.

2. The effect of the law applies to activities of non-profit organizations of any organizational-legal form, to branches and representations (separated subdivisions) of foreign and international non-profit organizations established and operating within the territory of the Republic of Kazakhstan.

3. This Law and other legislative acts regulate the peculiarities connected with the establishment, activities, restructuring and liquidation of certain non-profit organizations.

Article 4. Activity Goals of Non-Profit Organizations

Non-profit organizations can be established in order to achieve social, cultural, scientific, educational, charitable and managerial goals; to protect rights, legal interest of citizens and organizations; to resolve disputes and conflicts; to meet the spiritual and other needs of citizens; to protect citizens' health; to protect the environment, to develop physical culture and sports; to render legal assistance as well as for other purposes directed to ensure social welfare and interests of their members (participants). Goals of activities of non-profit organizations are determined by their founding documents.

Article 5. Rights and Duties of Non-Profit Organizations

1. To accomplish the Bylaws goals, non-profit organizations have the right:

- 1) To open accounts in banks in the manner stipulated by the law;
- 2) To have a seal, stamps and forms with the full name of an organization in the State and Russian languages as well as a logo (symbol) registered in the manner stipulated by the law;
- 3) To own or manage an isolated property as well as to have their own balance sheet or budget;
- 4) To purchase and implement property and personal non-property rights;
- 5) To set up other legal entities unless otherwise is stipulated by other legislative acts;
- 6) To establish branches and representations;
- 7) To enter associations and unions as well as participate in their activities;
- 8) To utilize funds to accomplish the Bylaws goals;
- 9) To act as a plaintiff and defendant in court;
- 10) To be subject to other rights not contradicting the legislation of the Republic of Kazakhstan.

2. Non-profit organizations are obliged to:

- 1) Abide by the legislation of the Republic of Kazakhstan;
- 2) Pay taxes and other obligatory payments to the budget in the manner specified by the law;
- 3) Compensate liabilities via the use of their property (with the exception of institutions);
- 4) Bear responsibility in accordance with the legislative acts of the Republic of Kazakhstan.

Article 6. Forms of Non-Profit Organizations

Non-profit organizations can be established in the form of an institution, public association, joint stock company, consumer cooperative, foundation, religious associations, an association of legal entities in the form of association (union) and in other forms stipulated by legislative acts.

Article 7. Title and Location of Non-Profit Organizations

1. The title of a non-profit organization includes its name and an indication of its organizational-legal form. Also it can include other additional information provided for by the legislation.

The title of non-profit organizations shall not use names that contradict requirements of the law or norms of public morals. They also shall not use proper names of individuals if they do not coincide with the names of participants or if participants have not obtained permission from these individuals (their heirs) to use a proper name.

2. The location of a non-profit organization is the place where its permanent body is situated.

3. The title and location of a non-profit organization is indicated in the founding documents.

CHAPTER 2: ORGANIZATIONAL-LEGAL FORMS OF NON-PROFIT ORGANIZATIONS

Article 8. Institutions

1. An institution is an organization established and financed by its founder to accomplish managerial, social, cultural or other functions of a non-profit nature. The rights of the institution to the property assigned to it are determined in compliance with civil legislation.

2. Depending on a type of ownership institutions are divided into state and private.

3. Peculiarities of the legal status of certain types of institutions are determined by legislative acts.

Article 9. State Institution

1. A state institution is an institution established in compliance with the Constitution and laws of the Republic of Kazakhstan or by the decisions of President of the Republic of Kazakhstan, the Government of Republic of Kazakhstan and Akims of the capital, oblasts, city of the national status and maintained only at the expense of the public budget unless otherwise is stipulated by legislative acts. The property of a state institution is attached to it for operational management purposes.

2. Liability of a state institution is regulated by the civil legislation.

3. A state institution cannot establish, as well as act as a founder (participant) of another legal entity except for those institutions to which the right to own, use, and dispose of state property was assigned in a stipulated manner.

4. Civil transactions concluded by state institutions are subject to the registration a manner determined by the Government of Republic of Kazakhstan.

Article 10. Private Institution

1. A private institution is an organization that is not a part of state structure, established by individuals and/or non-state legal entities to accomplish managerial, social, cultural or other functions of a non-profit nature.

2. The property of a private institution is assigned to it for operational management functions.

3. A private institution compensates its liabilities via its money available. In the event of insufficient funds, a founder bears liabilities of the private institution.

Article 11. Public Association

1. Public association is an organization established as a result of voluntary association of citizens to achieve common goals that do not contradict legislation

2. Members (participants) of public associations have no ownership rights on property transferred by them to these associations including membership fees. They are not liable for obligations of public associations in which they participate as members (participants) and the associations are not liable for obligations of their members.

3. The law of the Republic of Kazakhstan, "On Public Associations" regulates the peculiarities of the legal status of public associations.

Article 12. Foundation

1. A foundation is a non-profit non-membership organization set up by citizens and (or) legal entities on the basis of voluntary property contributions that pursues social, charitable, cultural, educational, and other public-benefit goals.

2. When creating a foundation, a Board of Trustees, – permanently acting collegial body of management, is formed by a decision of founders (founder). It appoints an executive body of a foundation, controls over the compliance of foundation's activity with the Bylaws goals, as well as carries out other authorities established in the Bylaws of a foundation. The majority of members of the Board of Trustees of a foundation cannot be individuals related to each other by marriage or blood cognation. They also cannot be full time employees of the foundation.

3. The executive body of a foundation acts on the basis and for the fulfillment of decisions of the supreme managerial body and the permanently acting Board of Trustees and reports to them. The head and members of the executive body of the foundation are liable jointly for the losses incurred to the foundation resulting from the decisions made by them in violation of founding documents of the foundation, this Law and other legislative acts of the Republic of Kazakhstan. Persons who voted against, or abstained, or were absent in a meeting when such decisions were made are relieved of the obligation to compensate for the losses.

4. The foundation must have a manager and an accountant who do not relate to each other by marriage, blood cognation or kinship. One and the same person cannot hold both positions at the same time. The manager on the basis of founding documents and decisions of the executive body of the foundation has the right to make transactions on behalf of the foundation. The Bylaws of the foundation can identify spheres of activities of other authorized persons who can act independently and conclude transactions. The manager of the foundation has the right to represent the foundation in court, governmental agencies and other organizations without power of attorney.

5. Property transferred to the foundation by its founders is the ownership of the foundation. Founders of the foundation have no property rights on the property of the foundation. The founders of a foundation can be expelled for non-fulfillment of responsibilities by the decision of general meeting in the order defined by the Bylaws.

6. The foundation is obliged to conduct an audit of its financial activities within the time frame specified in the Bylaws. A reviser or an auditor conducts audits. The Bylaws determines the procedure for the election of an auditor. Auditors are chosen in the manner defined by the legislation of the Republic of Kazakhstan.

7. The foundation is obliged to annually publish reports on the use of its property in official publications.

Article 13. Types of Foundations

1. Depending on the number of founders as well as the sphere of activities, there can be a private, corporate, public and state foundations created. Depending on activity goals, foundations can be social, charitable, cultural, educational and other.

2. A private foundation is a foundation established by one individual or several individuals – members of one family at the expense of his (their) own means. A private foundation can also be created upon officially notarized will of an individual. Property of a private foundation is formed at the expense of single and/or regular inpayments from an individual (founder) or several individuals – members of one family (founders), property received upon will, and other sources provided for by Article 35 of this Law that correspond to activity goals of the private foundation.

3. A corporate foundation is a foundation established by one legal person or several legal persons – profit and (or) non-profit organizations at the expense of such organizations. Property of a corporate foundation is formed at the expense of single and/or regular inpayments of one or several legal entities – profit and/or non-profit organizations (founders), as well as other sources provided for by Article 35 of this Law that correspond to activity goals of a corporate foundation.

4. A public foundation – is a foundation established by individuals who are not members of one family, and/or legal persons – public associations. Property of a public foundation is formed at the expense of single and/or regular inpayments of legal entities – public associations and individuals, as well as other sources provided for by Article 35 of this Law that correspond to activity goals of a public association. Property of a public foundation cannot be formed at the expense of inpayments of members of one family – the only participants of this foundation.

5. A state foundation is a foundation established at the decision of state bodies that obtains the right of ownership, use and disposal of state property, and carry out goals and objectives of the foundation at the expense of state budget. Property of a state foundation is formed in the manner established by Law at the expense of state budget of the Republic of Kazakhstan and other sources provided for by Article 35 of this Law that correspond to activity goals of a state foundation.

6. Relationships occurring from creation, activities, reorganization and (or) liquidation of foundations that exist at the expense of obligatory payments determined by the legislation of the Republic of Kazakhstan, are not regulated by this Law.

Article 14. Consumer Co-operatives

1. A consumer cooperative is a voluntary association of citizens established on the basis of membership to meet material and other needs of participants implemented via joint contribution of their property or other assets. In cases stipulated by legislative acts, legal entities can enter into consumer cooperatives.

2. Agricultural consumer cooperatives may be set-up to meet material and other needs not only of their members but other citizens who reside in rural areas.

3. Members of a consumer cooperative jointly liable for its obligations within the limits of the non-contributed part of an additional contribution of cooperative members.

4. Revenues received by the consumer cooperative cannot be distributed within its membership and must be directed towards the goals of the Bylaws.

5. Members of a consumer cooperative are obliged to compensate for a loss that arouse with additional contributions within three months after the annual balance sheet is approved. In the event of non-fulfillment of this obligation the cooperative may be liquidated in a court procedure at the demand of creditors.

6. Special legislative acts regulate peculiarities of legal regulation of consumer cooperatives including agricultural consumer cooperatives.

Article 15. Religious Association

1. A religious association is a voluntary association of citizens who join together on the basis of commonality of their interests to meet spiritual needs in a manner stipulated by legislative acts.

2. Participants (members) of a religious association do not maintain their rights on the property transferred by them to this organization, including membership fees. They are not liable for the obligations of a religious association and a religious association is not liable for the obligations of its members.

3. The law determines peculiarities of the legal status of a religious association.

Article 16. Non-Profit Joint Stock Company

1. A non-profit joint stock company is a legal entity that issues shares with the aim of attracting funds to conduct its activities whose income used exclusively for the development of this company.

2. A non-profit joint stock company has no right to issue preference shares, derivative and converted securities.

3. The founding agreement of a non-profit joint stock company deemed to be entered into by means of signing this agreement by every founder or its authorized representative.

4. A company created as a non-profit organization, cannot be reorganized into a profit organization as well as a company created as a profit organization, cannot be reorganized into a non-profit one.

Article 17. Other Organizational-Legal Forms of a Non-Profit Organization

1. Non-profit organizations may be set up in other organizational-legal forms.

2. Notary Chambers, bar associations, chambers of commerce and industry, auditor's chambers, cooperatives of apartment owners and other non-profit organizations can be set up in other organizational-legal forms.

3. Peculiarities of the legal status of other organizational and legal forms are defined by legislative acts.

Article 18. Association of Legal Entities in the Form of an Association (Union)

1. In order to coordinate the entrepreneurial activities and to provide and protect joint property interests and other interests, profit organizations can, on the basis of agreement between themselves, as well as jointly with non-profit organizations create associations in the form of associations (unions).

2. Non-profit organizations can voluntarily join in associations (unions) of these organizations.

3. Members of an association (union) maintain their independence and rights of the legal entity.

4. An association (union) is not liable for the obligations of its members. Members of an association (union) is subsidiary liable for its obligations in the amount and procedure stipulated by the founding documents of the association (union).

5. Members of association (union) have the right to leave the association (union) at their own discretion at the end of the fiscal year unless otherwise stipulated by the founding documents. In this case, a member of the association (union) is subsidiary liable for its obligations proportionate to his/her contribution for two years prior the cessation.

A member of the association (union) may be expelled from it by a decision of members of the association (union) in cases and in the manner stipulated by the founding documents of the association (union). Rules relative to cessation from an association (union) are applied with respect to responsibility of the expelled member of the association (union).

6. A new member can join the association with consent of the members of the association (union). The admission of a new member to the association (union) may be contingent upon his subsidiary liability for obligations of the association (union) that arouse prior to his admission.

7. The name of an association (union) should contain an indication of the main subject of activities of the members of an association (union) and should include the words "association" or "union".

CHAPTER 3: ESTABLISHMENT, RESTRUCTURING, AND LIQUIDATION OF A NON-PROFIT ORGANIZATION

Article 19. Establishment of a Non-Profit Organization

1. A non-profit organization can be set up through its establishment as well as a result of the reorganization of an existing non-profit organization.

2. The establishment of a non-profit organization (with the exception of public and religious associations) through its creation is implemented by the decision of founders (a founder). Public and religious associations are created on the initiative of a group of citizens of the Republic of Kazakhstan comprising not less than 10 people, who convene the founding meeting (congress, conference) at which point the Bylaws is adopted and its bodies are formed.

3. The legal capability of a non-profit organization as a legal entity begins at the moment of its registration with the state. The legal capability of a non-profit organization in the sphere of activity that is subject to licensing begins at the moment of obtaining the license.

Article 20. Founders of a Non-Profit Organization

1. Individuals and/or legal entities can be founders of a non-profit organization depending on its organizational and legal forms, unless otherwise stipulated by this Law and other legislative acts of the Republic of Kazakhstan.

2. A non-profit organization may be founded by one individual, with the exception of establishment of a consumer cooperative, associations (unions) and other cases envisaged by legislative acts on certain types of non-profit organizations.

Article 21. Founding Documents of a Non-Profit Organization

1. The founding documents of non-profit organizations are as follows:

- 1) For an institution – Provisions (Bylaws) approved by an owner (-s), and the decision of an owner (-s) on the creation of an institution;
 - 2) For a foundation, consumer cooperative, non-profit joint stock company, association of legal entities in a form of an association (union) and other organizational-legal forms – Bylaws approved by founders, as well as founding agreement;
 - 3) For a public association and religious association – Bylaws.
2. A non-profit organization and its founders (participants) oblige to implement requirements of its founding documents.
3. In the event of contradictions between the founding agreement and Bylaws of a non-profit organization, the following should be applied:
- 1) Conditions of the founding agreement if they refer to internal relations of founders;
 - 2) Conditions of Bylaws if its application may be significant for relations of a legal entity with third parties.

Article 22. Bylaws of a Non-Profit Organization

1. The Bylaws of a non-profit organization should envisage:

- 1) Title, including the organizational-legal form, subject and goals of activities of a non-profit organization;
- 2) Location of a non-profit organization;
- 3) Structure, procedure of formation and competence of managerial bodies of a non-profit organization;
- 4) Rights and duties of members (participants) of a non-profit organization;
- 5) Conditions and procedure of admission of members to a non-profit organization and succession from it (in case if a non-profit organization has membership);
- 6) Sources of the formation of property of a non-profit organization;
- 7) Procedure of introducing changes and additions in the founding documents of a non-profit organization;
- 8) Conditions of reorganization and cessation of activities of a non-profit organization;
- 9) Procedure of the utilization of property in case of liquidation of a non-profit organization.
- 10) Information on branches and representative offices.

2. The Bylaws of a non-profit organization may include other provisions that do not contradict the legislation of the Republic of Kazakhstan.

3. If a non-profit organization is created by one individual, its Bylaws must determine the procedure of property formation and the use of income.

4. Provisions of subsections 4) and 5) of Point 1 of this Article are not applied to foundations. Bylaws of a foundation, along with data contained in Point 1 of this Article, should contain an information on bodies of the foundation, procedure of appointment and dismissal of officials of the foundation, fate of the property of the foundation in the event of its liquidation.

5. Bylaws of a consumer cooperative, along with data contained in Point 1 of this Article, should contain data concerning the size of contributions of cooperative's members, procedure of making a contribution by members of a cooperative and their responsibility for violation of their contribution obligation. It should also contain data concerning the structure and competence of managerial bodies, and their decision making procedure, including issues upon which decisions are made unanimously or by a qualified majority of votes, and procedure of compensation of losses incurred by members.

6. Bylaws of a bar association should contain a procedure of suspending membership; procedure of establishment and activities of legal consultation service offices, sources of formation of property and procedure of disposing it. It should also contain the procedure of paying membership fees, procedure of rendering free legal assistance and the order of rendering legal assistance by attorneys assigned by courts, preliminary investigating bodies. The Bylaws should also contain procedure of conducting lawyer's accreditation, disciplinary responsibility of members of a bar association and interned lawyers and procedure for their accountability, procedure for filing petitions on revoking an attorney's license.

7. The founding documents of an association (union) should also contain provisions on composition and jurisdiction of its bodies, their decision making procedure and procedure for property distribution that remains after the liquidation of an association (union).

8. Changes and additions in the Bylaws of a non-profit organization are made by a decision of its supreme body (general meeting, congress, conference, and founder). A managerial body of a foundation makes changes and additions to the Bylaws of a foundation, if such a right is given to this body according to the Bylaws.

9. Bylaws of a non-profit joint stock company should also contain data proving that this company is a non-profit organization, provisions on election procedure, non-payment of dividends and other requirements established by legislative acts of the Republic of Kazakhstan.

Article 23. Founding Agreement

1. A founding agreement is an agreement of founders on the establishment of a non-profit organization. It defines procedure of joint

activities for its creation, conditions of transferring its property to the ownership (operational management) of a non-profit organization, and participation in its activities. It also defines conditions and procedure of management of the activities of a non-profit organization and exit of founders from its structure, unless otherwise provided for in the legislative acts on certain types of non-profit organizations. Upon agreement of founders, the founding agreement can contain other conditions that do not contradict the legislation of the Republic of Kazakhstan.

2. The founding agreement is signed by all founders or persons authorized by them.

3. If a foundation or a private institution is established by one person a founding agreement is not needed.

Article 24. Branches and Representations of a Non-Profit Organization

1. A non-profit organization can set up branches and open representations on the territory of The Republic of Kazakhstan in accordance with the laws of the Republic of Kazakhstan. Public and religious associations as well as institutions can set up their structural subdivisions in compliance with legislative acts regulating such organizations.

2. A branch of a non-profit organization is a separated subdivision of a non-profit organization located outside of its place of existence, and carries out all or part of its functions including the functions of representation.

3. A representation of a non-profit organization is a separate subdivision of a non-profit organization located outside of its place of existence that protects and represents interests of a non-profit organization, and concludes transactions on its behalf and performs other legal actions.

4. Branches and representations are not legal entities. A non-profit organization assigns property to a branch or a representation office that is created by it. A branch or a representation office operates on the basis of provisions determined by the non-profit organization. The property of a branch or representation is recorded on a separate balance sheet and on the balance sheet of the non-profit organization that created it.

5. Heads of branches and representations of non-profit organizations (with the exception of public and religious associations) are appointed by the authorized body of a non-profit organization and operate on the basis of power of attorney. Heads of structural subdivisions (branches and representations) of public associations are elected in the manner established by the Bylaws of the public association and Provisions on its branch or a representation. Heads of structural subdivisions (branches and representations) of a religious association are elected or appointed in the manner established by the Bylaws of this religious association and Provisions on its branch or a representation.

6. A branch and a representation carry out its activities on behalf of the non-profit organization that created them. A non-profit organization that created a branch or a representation is liable for activities of its branch or representation.

7. Branches and representations of a non-profit organization are subject to record registration, and in case of change of its title – to re-registration. The legislation on registration of legal entities regulates the procedure and terms of record registration and re-registration.

Article 25. Reorganization of a Non-Profit Organization

1. A non-profit organization can be reorganized in the manner established in the Civil Code of the Republic of Kazakhstan, this Law and other legislative acts.

2. Reorganization of a non-profit organization can be done in a form of merging, acquisition, splitting, separation, transformation and other forms provided for by legislation.

3. A non-profit organization is deemed reorganized, except for the reorganization in a form of acquisition, from the moment of state registration of a newly established organization (organizations). When one non-profit organization is joining another organization, the first one is considered reorganized from the moment of entering a record into the state register of legal persons on termination of the joint organization's activity.

4. State registration of a newly created organization at the result of reorganization of an organization (organizations), and entering a record on termination of activity of the reorganized organization (organizations) into the state register are carried out in the procedure established by the legislation on state registration of legal entities.

Article 26. Liquidation of a Non-Profit Organization

1. A non-profit organization can be liquidated voluntarily (at the decision of the owner of property or a body authorized by the owner, as well as at the decision of a body of a legal person authorized to do that according to the founding documents) or compulsorily (by court's decision) on the basis and in the procedure established by the Civil Code of the Republic of Kazakhstan, this Law and other legislative acts.

2. Founders (participants) of a non-profit organization or body that made a decision on the liquidation a non-profit organization are obliged to immediately inform the Ministry of Justice department that carry out registration of legal entities on that in writing. The Founders or the body that made the decision to liquidate a non-profit organization appoint a liquidation commission and, in accordance with the Civil Code of the Republic of Kazakhstan and this Law, define liquidation terms.

3. Authority to manage property and affairs of a non-profit organization are transferred to the liquidation commission at the moment of its appointment. The liquidation commission acts in court on behalf of the non-profit organization under liquidation.

Article 27. Procedure of Liquidation of a Non-Profit Organization

1. The liquidation commission publishes information on the liquidation of a legal entity. It also publishes the procedure and time frame for filing claims by its creditors in official publications of the central body of justice. The time frame to file claims should not

be less than two months starting from the moment of publication on liquidation of a non-profit organization. The liquidation commission undertakes measures to identify creditors and obtain arrears as well as informs the creditors in writing on the liquidation of a non-profit organization.

2. Upon expiration of the time frame to file claims by creditors the liquidation commission prepares an intermediate liquidation balance sheet which contains data on the property of the non-profit organization under liquidation, list of claims filed by creditors and results of their consideration. The owner of the property of a non-profit organization or the body that made the decision to liquidate the non-profit organization approves the intermediate liquidation balance sheet.

3. In the event of insufficiency of funds of the non-profit organization (except for state institutions) to satisfy creditors claims the liquidation commission sells the property of a non-profit organization at a public auction in the manner determined by rulings of the court.

4. Payments of money to creditors of a non-profit organization under liquidation are made by the liquidation commission in sequential, prioritized manner determined by article 51 of the Civil Code of the Republic of Kazakhstan in compliance with the intermediate liquidation balance sheet starting on the day of its approval.

5. Upon completion of payments to creditors the liquidation commission prepares the liquidation balance sheet which is approved of the owner of the property of a non-profit organization or the body that made the decision to liquidate a non-profit organization.

6. In the event of insufficiency of money of the institution under liquidation to satisfy creditors claims the latter has the right to appeal to court with a petition concerning satisfaction of the remaining part of the claims at the expense of the owner of the property of this institution.

Article 28. Property of a Non-Profit Organization Under Liquidation

1. When liquidating a non-profit organization, property that remains after satisfaction of creditors' claims, is directed for purposes indicated in the founding documents unless otherwise established in the legislative acts. If a non-profit organization had tax or other privileges and carried out its activity not only on fees of members and/or founders and income from its activity but also received public givings, governmental or non-governmental grants, the property remaining after the satisfaction of creditors, cannot be shared among members, founders, officials of the organization and hired personnel. It must be used for goals stated in the Bylaws of the organization. If the Bylaws does not contain such provisions the remaining property are transferred to a non-profit organization with the same goals.

2. In case of liquidation of a consumer cooperative or a member's withdrawal from the cooperative he has the right to single out his portion in the property of a consumer cooperative which is proportionate to his contribution. In case of withdrawal from an agricultural consumer cooperative, its member has the right to single out his portion in the property of the agricultural consumer cooperative and receive its cost, or, upon consent of all members of the cooperative to obtain property in kind which is proportionate to the member's contribution.

In the event of death of a member of a consumer cooperative his inheritors have a priority right to be accepted as members of that cooperative, unless otherwise established in the Bylaws of the cooperative. In the latter case the cooperative pays the inheritors a share of the property of the consumer cooperative which is proportionate to his contribution.

3. Founders retain the ownership rights on the property of an institution.

4. Property of a non-profit joint stock company remained after the settling with creditors, is distributed among all stockholders proportionately to nominal cost of stock belonging to them.

Article 29. Completion of Liquidation of a Non-Profit Organization

Liquidation of a non-profit organization is considered complete, and a non-profit organization is considered as nonexistent after the relevant entry is made in the state registry of legal entities.

Article 30. Record on Termination of Activities on a Non-Profit Organization

An entry of cessation of activities of a non-profit organization is made in the state registry of legal entities by a body in charge of state registration of legal entities provided the following documents are submitted:

1. Application concerning an entry on liquidation (in the event of voluntary liquidation) or cessation of activities of a non-profit organization signed by a person authorized by a non-profit organization;
2. Decision of the relevant body concerning liquidation or cessation of activities of a non-profit organization;
3. Founding documents of a non-profit organization and certificate of state registration;
4. Liquidation balance sheet or act of transfer or separation balance sheet;
5. Document concerning destruction of the seal (stamp) of a non-profit organization;
6. Certificate from tax inspection bodies certifying the absence of debts to the budget (except for bankruptcy);
7. Payment receipt certifying the payment of liquidation registration fee (as well as re-registration) and a document certifying the publication of data on liquidation of a legal entity.

Article 31. State Registration and Re-registration of Non-Profit Organizations

State registration and re-registration of non-profit organizations is implemented in the manner defined by the legislation on state registration of legal persons.

CHAPTER 4: ACTIVITIES OF NON-PROFIT ORGANIZATIONS

Article 32. Types of Activities of a Non-Profit Organization

1. A non-profit organization can carry out one type of activity or several types of activities not prohibited by laws of the Republic of Kazakhstan and which correspond to the goals of the activities of a non-profit organization envisaged in its founding documents.
2. Laws of the Republic of Kazakhstan can define restrictions on types of activities in which non-profit organizations of certain organizational and legal forms are entitled to be engaged.
3. Certain types of activities can be carried out by non-profit organizations on the basis of license only.

Article 33. The Right of a Non-Profit Organization to Entrepreneurial Activities

1. A non-profit organization can be engaged in entrepreneurial activities only in as much as it corresponds with its Bylaws goals.
2. Laws of the Republic of Kazakhstan can define restrictions on entrepreneurial activities for non-profit organizations of certain organizational-legal forms.
3. A non-profit organization should keep accounting records of its revenues and expenditures of all of its related entrepreneurial activities.
4. Taxation of entrepreneurial activity of a non-profit organization is carried out in accordance with the tax legislation of the Republic of Kazakhstan.
5. Revenues from entrepreneurial activities of non-profit organizations cannot be distributed between members (participants) of non-profit organizations and are directed towards their Bylaws goals. Public and religious associations, foundations are allowed to utilize their funds for charitable purposes.

Article 34. Property of a Non-Profit Organization

1. A non-profit organization can have facilities in its ownership or operational management which are necessary in its activities, envisaged by its Bylaws as well as organizations established at the expense of its funds with the exception of certain types of property which in compliance with legislative acts cannot belong to non-profit organizations. A religious association has ownership rights on property, purchased or created by it at the expense of its own funds donated by citizens, organizations, or transferred by the state and purchased on other grounds which do not contradict legislative acts. An institution has no right to independently alienate or dispose in any other way the property attached to it and property purchased at the expense of funds earmarked to it according to its budget.
2. A non-profit organization (except for institutions) is liable for its obligations by all its property.

Article 35. Sources of Formation of Property of a Non-Profit Organization

1. Sources of formation of property of a non-profit organization in the form of money or other forms are as follows:
 - 1) Revenues from founders (participants, members);
 - 2) Voluntary property contributions and donations;
 - 3) Revenues (income) from sales of commodities, works, services in cases determined by the legislation;
 - 4) Dividends (income, interest) received from shares, bonds, other securities, and deposits;
 - 5) Other inpayments not banned by law.
2. Legislative acts can define restrictions on sources of revenues for non-profit organizations of certain types.
3. Procedure of revenues from founders (participants, members) is defined by the founding documents of a non-profit organization.

Article 36. Conflicts of Interest

1. Transactions between a non-profit organization and interested persons related to disposal of the property of the organization presuppose conflict of interest.
2. Interested persons are members of the managerial body of a non-profit organization as well as persons who by reason of their relations with the organization can influence the disposal by the organization of its property who conclude transactions with its organization in person or through a representative.
3. Conflict of interest is also presupposed when a non-profit organization concludes transactions with the relatives of interested persons as well as their creditors.

Article 37. Resolution of Conflicts of Interest

The authorized body of a non-profit organization must approve a transaction in which conflict of interest is presupposed. The interested person should inform the authorized body of such a transaction before its conclusion. The interested person should be responsible for compensation of all losses incurred by a non-profit organization as a result of the transaction concluded while there was a presence of conflict of interest provided that the authorized body did not approve the transaction.

In addition to compensation of losses the interested person as such should also return to the non-profit organization all the revenue obtained by this person as a result of a conclusion of such a transaction.

In the event of losses arising as a result of the actions of several interested persons, they should bear joint responsibility before the non-profit organization.

CHAPTER 5: MANAGEMENT BY A NON-PROFIT ORGANIZATION

Article 38. Basis for Management by a Non-Profit Organization

Structure, authority, formation procedure, and term of office of the management bodies of a non-profit organization, their decision making procedure and making speeches on behalf of a non-profit organization are determined by the legislation and the founding documents of a non-profit organization.

Article 39. Management Bodies of a Non-Profit Organization

1. Management bodies of a non-profit organization except for state institutions in compliance with its founding documents are as follows:

- 1) The supreme managerial body (general meeting, congress, conference, founder) has the right to make decisions on any issues of the activities of a non-profit organization;
- 2) The executive managerial body (collegial or a one person structure) carries out day-to-day management of the activities of a non-profit organization with the exception of issues which according to the founding documents of a non-profit organization are the exclusive authority of the supreme management body and accountable to this body (supreme management body);
- 3) The controlling body (collegial-revision commission, one-man structure/reviser) elected or appointed by the management bodies of a non-profit organization;
- 4) Other bodies in accordance with founding documents of a non-profit organization.

2. The exclusive authority of the supreme management body of a non-profit organization are the following issues:

Adoption, introduction of changes and additions in the founding documents of a non-profit organization;

Voluntary restructuring and liquidation of a non-profit organization;

Determination of authority, organizational structure, procedure of formation and cessation of duties of the management bodies of a non-profit organization;

Determination of procedure and periodicity of submitting financial reporting of the executive bodies as well as conclusions and their approval by the controlling bodies;

Adoption of decisions within the limits defined by legislative acts concerning participation of a non-profit organization in the establishment or in the activities of other legal activities including their branches and representations. The founding documents of a non-profit organization can define other issues of the activities of this organization as the exclusive authority of the supreme management body.

According to the legislative acts and by the founding documents of a non-profit organization, other issues of activity of this organization can be referred to as the exclusive competence of the supreme body of management.

3. A non-profit organization has no right to make payments of rewards to the members of its supreme management body for the execution of prescribed functions, with the exception of compensation of expenditures directly related to the participation in the work of the supreme management body

4. Legislative on labor, insurance, and social provisioning is applicable to employees (staff) of non-profit organizations.

CHAPTER 6: THE STATE AND NON-PROFIT ORGANIZATIONS

Article 40. The State and Non-Profit Organizations

1. The state encourages formation and active work of non-profit organizations. Non-profit organizations can be provided with tax, customs and other benefits in compliance with legislation.

2. Non-profit organizations according to their goals of activities can cooperate with state bodies (agencies), conclude agreements with them and perform certain works for them (state social order), envisaged by legislation.

Article 41. Control of the Activities of a Non-Profit Organization

1. A non-profit organization conducts accounting and statistical reporting in the manner defined by legislation of the Republic of Kazakhstan.

2. A non-profit organization provides information concerning its activities to the bodies of state statistics and tax authorities, founders and other persons in compliance with laws of the Republic of Kazakhstan and founding documents of the non-profit organization.

3. The size and structure of revenues of a non-profit organization as well as information concerning the size and composition of the property of a non-profit organization, its expenditures, number and composition of employees, payment of their salary and wages, use of free labor (volunteers) of a non-profit organization can not be subject of a profit secret.

Article 42. Suspension of the Activities of a Non-Profit Organization

1. The activities of a non-profit organization can be suspended for a period from three up to six months by the ruling of the court on the basis of the representations of the Prosecutors office in cases of violation of the Constitution and laws of the Republic of Kazakhstan or in cases of repeated commitment of actions by a non-profit organization that go beyond the subject and goals of the activities defined by its charter.

2. In the event of suspension of the activities of a non-profit organization stipulated in Point 1 of this Article, it is forbidden to be engaged in activities envisaged by the founding documents. The suspension also applies to its right to use bank accounts with the exception of contractual payments, compensation of losses incurred as a result of its activities, and payments of penalties.

If within this specified time frame of the suspension of its activities the non-profit organization rectifies violations that caused suspension of its activities, upon expiration of the above period the non-profit organization can resume its activities. In the event of failure on the part of the non-profit organization to rectify violations, bodies of the Prosecution office have the right to appeal to court for its liquidation.

3. A court that made a decision on the suspension has the right to withdraw this restriction ahead of time if a non-profit organization eliminated violations and filed an application to court on that.

Article 43. Responsibility of a Non-Profit Organization, Individuals and Legal Entities

1. Violation of the legislation inflicts responsibilities of a non-profit organizations in the manner defined by laws of the Republic of Kazakhstan.

2. Individuals and legal persons including governmental officials shall entail responsibilities for violation of the legislation on non-profit organizations.

President of the Republic of Kazakhstan

N. Nazarbaev

Astana, January 16, 2001

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