

Adopted on April 30, 2002

ON AGRICULTURAL CREDIT CLUBS

**PART ONE:
GENERAL PROVISIONS**

Article 1: Subject of Regulation of the Law

This law regulates the status of agricultural credit clubs and legal relations connected to their activities, determines club formation, membership, governing principles, obligatory requirements and conditions on involving resources and providing credit, insurance and other services to club members, as well regulating, controlling and reporting procedures.

Article 2: Goals and Objectives of Agricultural Credit Clubs

1. The goals of agricultural credit clubs (hereinafter clubs) are:
 - a) Establish mechanisms for RA agricultural assistance by state, interested financial organizations, including international organizations, other countries, as well as for stimulating local investments,
 - b) Establish self-governing system of clubs of financial assistance,
 - c) Assist individuals with the similar economic interests who conduct agricultural activities with financial services,
 - d) Ensure the purposeful and efficient usage of credit means directed to agriculture development and their repayment through both individual and group guarantee principles,
 - e) Ensure financial sustainability of club members through mutual financial assistance,
2. The objectives of the clubs are to:
 - a) Satisfy the demand for credit means of people involved in agricultural activity in rural communities,
 - b) Develop a system of personal investment by club members,
 - c) Recover the damage and losses of club members through mutual assistance,
 - d) Provide other services that do not contradict with RA Legislation to club members through mutual assistance.

Article 3: Legal status of Clubs

The Club is a volunteer unit with status of legal entity created for mutual financial assistance and is based on the membership of individuals conducting agricultural activities.

The Club is a non-profitable non-commercial organization that:

- a) Provides members with services of mutual financial assistance that are not subject of entrepreneurial activity and are implemented on behalf of all members and through their subsidiary risks.
- b) Does not recognize the provision of loans from funds (Reserve) that are the ownership of member-clubs of the same union, formation of centralized reserve funds aimed at providing

mutual financial assistance to the members of clubs and other financial services as entrepreneurial activity.

The Club can be established according to the legal status of non commercial cooperative or union of legal entities.

Article 4. Own and Borrowed Loan Funds of the Club

1. Own funds of the Club are generated from:
 - a) Mandatory, as well voluntary payments by the members,
 - b) Grants, means provided by state and community budgets that are not subject to repayment,
 - c) Other sources that are not prohibited by law.Club's own means are divided into two parts: shared ownership and joint non-shared ownership.
2. Shared ownership of the club is share capital accumulated from mandatory and voluntary payments of the club members.

The investments by the club members to the shared ownership empower the members to participate in the club administration and use the services provided by club. There is no dividend payment on that type of investment.

Club's shared ownership is separately accounted funds of the members that remain to be the ownership of members and can be returned to the members, once they leave the club. However these funds cannot be possessed, disposed or used separately during the term of membership.

When a club member leaves his membership part of his share capital of the member that is accumulated during the course of its membership is considered to be the profit of the given member and is to be taxed according to RA legislation.
3. Joint/non-shared ownership of the club are:
 - a) Reserve funds aimed at covering the loans,
 - b) Reserve funds for mutual financial assistance,
 - c) Reserve funds accumulated from grants.

When a member leaves or is expelled from the club, he loses his ownership rights towards joint/non-shared ownership.

Non-shared ownership funds of the club are not shared among its members; they are possessed, disposed and used by the general decision of club members and can be shared only in case of liquidation of club among its members who are club members the moment of liquidation. Such funds are shared according to the number of shares each member acquires, except grants. In case of club liquidation, according to the given law, the right of grant reserve funds ownership passes to Club Fund and (or) Club Union, if the last ones are liquidated it passes to the state.

4. The Club can involve loan funds only from grants granted by Foundation of clubs, Clubs' Union, as well as international organizations, state and community budgets, determined by this law.

The Club cannot involve loan funds from legal entities and individuals that are not Club members, except in cases stipulated by this law.

The Club cannot provide loan funds to legal entities and individuals that are not Club members.

Article 5. Investments of Club Members

1. The Club member should make the minimum investments, the amount of which is determined by Club council decision. Besides minimum mandatory investments the Club member can also make volunteer investments.

Club investments are generated through:

- a) Mandatory minimum investments-only by cash,
- b) Volunteer investments-any material and non-material assets.

The minimum mandatory investment is the portion of loan amount determined by Club council decision, which forms the shared and joint funds of the club. The amount of minimum mandatory investment depends on the loan amount of the club member and is to be paid at the moment the loan is received.

2. The amount of minimum mandatory investments by members receiving loans is determined by two separate procedures:
 - a) The accumulation of reserve funds for mutual financial assistance, for club maintenance, as well as loan recovery is done from the disbursed loan with the amount determined by Club Charter, regardless of the amount of the member investment.
 - b) The amount of club shared investment is determined by the difference of actual investment of club member and the received loan amount, according to the amount determined by the Charter of the club.
3. Share capital generated from mandatory and voluntary investments of the club, as well as free reserve funds of joint ownership are used to provide loan to club members with the proportion determined by the Council of the club.

Article 6. Legal Regulation of Clubs Activities

The activities of the Clubs are regulated by this law, RA Legislation and other Legal Acts.

PART 2.
CLUB FOUNDATION AND MEMBERSHIP

Article 7. Establishment of the Club

The Club is established by the decision of the Founding meeting of minimum 10 individuals who are united with economic interest and conduct agricultural activities in the same or neighboring communities.

The meeting is planned and conducted by the initiative group consisted from businesses who want to become club members and for that reason had signed a contract on club foundation or the representative of the organization that was first given a grant or loan.

Article 8. Registration of the Club

The club is registered according to RA Law on Non-commercial Organizations.

The club acquires the status of a legal entity from the moment of its registration.

The club has its name, legal address, seal, bank account (accounts). It also can have a stamp, emblem and logo.

Article 9. The Charter of the Club

1. Besides the mandatory requirements determined by RA legislation the charter of the club can also include other provisions that do not violate the law.
2. The charter of the club should include the following amendments:

- a) Payment procedure of minimum mandatory investments by club members,
- b) Procedure of mutual loan provision to club members,
- c) Procedure of mutual financial assistance of club members,
- d) Procedure of other financial services provided for club members that do not violate the RA legislation.

Special conditions of the mentioned procedures-deadline, amount and other similar conditions are determined by the decision of club council.

Article 10. Club Membership

1. The club member can become legal entities and individuals who own land and (or) other basic agricultural means that:
 - a) Conduct their activities in the same or territorially close rural communities,
 - b) are engaged in agricultural production and most of the profit is received from that activity,
 - c) had given sufficient information following the procedure determined by supreme body of the club and registered their production and non-production property that is their ownership.
 - d) Gave sufficient information on their joint and share ownership in other organizations:
2. An individual can be a member only of one club, if the supreme governing body of the club does not determine other procedure:
3. An individual cannot become a club member if:
 - a) he is not legally capable at the moment of being a member
 - b) he has been recognized as insolvent,
 - c) amount of his current liabilities prevails the market value of his own property, being assessed by the method of assessment determined by club,
 - d) at the moment of membership his entire property was mortgaged for other liabilities:
4. An individual who has a share in joint ownership of land and other basic agricultural means can become a club member with the agreement of co-owners of the mentioned property.

Article 11. Termination of Club Membership

1. Club membership is terminated:
 - a) on the basis of the written request for leaving the club with the general meeting of the club,
 - b) in case of reformation of the club, or death of the club member, if his heirs or successor within three months period don't apply in written form to reregister the membership,
 - c) on the basis of this Article, point 2, as well as in case of substantial violation of responsibilities determined by Article 21. The substantiality of violations is determined according to the procedure stipulated by Article 2, point "c".
 - d) in case the requirements of Article 10, point 1 are not satisfied.
2. The basis for exclusion from the club membership are:
 - a) non-repayment of loan (loans) received from club and the corresponding interest within the time-frame determined by charter,
 - b) not making investment and other mandatory payments to the club within the time-frame determined by charter,
 - c) substantial and regular violations of not using the means received from club purposefully. The regularity of violations and the measurement of their substantiality is determined by the club charter,

- d) improper performance of requirements mentioned in this Article, point 1 at the moment of membership and (or) presentation of wrong, non-exhaustive information.

Article 12. Property Registered and Mortgaged in the Club

- 1. At the moment of membership and hereinafter the property that is the ownership of club members is registered also in a special registration book of the club and in case a club member generates an overdue liability towards the club, from that moment on the given ownership is considered to be a mortgaged property.
- 2. Club members should inform the Club about any transaction connected with their fixed property beforehand, according to the procedure determined by the club.

Article 13. Subordinate Responsibilities of Club Members

Club member investment that is interrelated to the loan (loans) amount he received from club at the given moment, is accumulated in the special investment accumulating account in the form of regular or lump-sum payments during the year, and at least once a year with the club council decision is capitalized to the entire sum of investment of the club by making changes in founding documents of the club: founding agreement, determining actual investment sum (amount) of each club member, in accordance with RA legislation.

The means of club members accumulated in the special accumulating account of charter capital (before their capitalization) are subordinated loans of club members, and the liabilities generated from them are subordinate liabilities of club members.

For the purposes of this law, the subordinated loans of club members satisfy the following requirements:

- a) they are disbursed without interest,
- b) with the sequence of completing club's liabilities they are subject to be fulfilled after all other liabilities of club are completed.
- c) they are subject to be added to the club's membership investment sum no later than once a year,
- d) in case of leaving the club membership, they are subject to be returned, according to the regulations of this law.

PART 3.

GOVERNING BODIES OF CREDIT CLUB

Article 14. Establishment Procedures of Governing Bodies of the Club

The governing bodies of the club are general meeting of club members (hereinafter referred as general committee), club council, president of the council (hereinafter referred as president), executive administrator of the club (hereinafter referred as administrator).

Members and the president of club council are elected by general meeting.

Administrator is appointed by the council decision and order of the president. Administrator and executive staff are considered to be hired employees.

The club that has less than 20 members doesn't elect a council and the authorities of the council are passed to the president of the club, who solely realizes the decisions of general meeting and requirements of this law.

The club with more than 20 members elects the council and president of the club.

The club that has from twenty-one to one hundred members delegates the authorities of the general meeting to the council: electing one council member from every three club members.

The club with more than hundred members elects one council member from every five club members.

Article 15. General Meeting

The supreme governing body of the club is the general meeting of club members or their authorized representatives.

The decisions of general meeting are made with “one person one vote” principle.

Among the exclusive authority of general meeting are:

- a) Adopting the charter of the club and documents (attachments) that are indivisible parts of the charter, making amendments and changes in them,
- b) Accepting and expelling a club member,
- c) Electing the president, council, monitoring meeting (chief monitor) and president of monitoring meeting from club members for three years, announcing non-confidence towards them and early terminating the authorities,
- d) Approving annual financial reports of the club, reports on budget and completion of the budget of the previous year,
- e) Approving the reports of the president and (or) council, monitoring meeting,
- f) Making a decision on becoming a member of the club union and leaving that membership,
- g) Making decision on having assigned club employees, including the necessity of having club administrator, as well as determining the way and amount of their salary payment.
- h) Giving information to the club on the production and non-production property that is the ownership of club members and determining the way of their registration,
- i) Taking off the overdue liabilities of the club members towards the club,
- j) Making decision on club reorganization and liquidation,
- k) Solving other questions determined by the charter of the club.

The general meeting cannot pass its exclusive authorities to the president, administration or governor.

The decisions of general meeting are made by open voting with the majority of votes of the credit club members that are present in the meeting, except the decisions concerning the points “a”, “c”, “d”, “e”, “f”, “g”, “i” that require minimum of 75 percent of the votes.

Article 16. The Procedures of Calling the General Meeting and Proceeding it

The general meetings can be called by the decision of the president, council, monitoring committees (chief monitor) of the club, minimum 1/4th of club members, as well as by the order of the Clubs’ foundation, if the capital the foundation had purposefully provided to the club form more than 50 percent of the club capital, as well as by the order of the Union of clubs, the member of which is the given club, in case the procedures stipulated by Article 32 of this law, that are determined by the union for mandatory completion by its members and requirements of norms regulating the club activity are violated.

The general meeting is called at least once a quarter. The general meeting of the first quarter is called no later than before March 1 of the current year.

The club members are informed about the meeting date, agenda, place and time no later than three days before the general meeting takes place.

There is a quorum in the general meeting if 2/3 of club members or their authorized representatives are present.

If the general meeting is not called within the determined time-frame, or if there is no quorum in the called meeting, a new meeting can be called no later than 7 days after the before called meeting. In case the new meeting is not called or there is no quorum in that meeting, the

authorities of the committee are passed to the council. Within that period the council cannot realize the authorities foreseen by following points of Article 14: “a”, “c”, “e”, “g” and “i”.

Article 17. Council of the Club

The council of the club is authorized to solve issues determined by charter and general meeting of the club.

Among the exclusive rights of the council are:

- a) club management and realization of decisions made by general meeting during the period between the general meetings within the framework of its authorization,
- b) discussion of credit business projects submitted by club members, including basis of their demand and decision making on loan disbursement, providing authorization to the president or administrator on giving the loan to the given club member, as well as signing additional investment contracts,
- c) monitoring of purposeful and efficient usage of loan given to the club members,
- d) making decision on involving loan capital with subsidiary responsibility of club members from Clubs’ foundation, Union of clubs and other individuals recommended by the Union and giving authorization to the president of the council or administrator concerning it,
- e) giving suggestion to the general meeting on involving loan capital from sources except Clubs’ foundation, Union of clubs and other individuals recommended by the Union, and for that capital, except the cases determined by this law, taking the subsidiary responsibility by club members ,
- f) according to the procedure determined by this law, making a decision on regulations and conditions of mutual assistance that exist in the club,
- g) determining the annual plan of mutual financial assistance,
- h) making a decision on buying operating capital needed to club members for production and provision of guarantee for realization of agricultural production,
- i) development and presentation to the general meeting of the annual activity project, financial report of the previous year, report on fulfilling the budget, planning next year budget,
- j) calling the general meeting.

The council of the club cannot pass its exclusive authorities to the president or administrator:

The council implements its activities through sessions. There is a quorum if minimum 2/3 of council members are present. Each member of the council has the right for one vote. In case of equal number of votes the suggestion of president of the club is final.

Regular sessions of the council are called minimum once a quarter. Special sessions of the council are called by the request of the president of the club, its monitoring committee (chief monitor) or minimum 1/5 of club members, as well as Union of clubs the member of which is the given club.

The decisions of council are made with more than half of the votes of the present members.

Article 18. The President of the Club

The president of the club:

- a) calls the sessions of the council,
- b) leads the council activities,
- c) prepares the issues discussed in the general meetings and council sessions by preparing inquiries and other needed documents that justify the drafts of the relevant decisions,
- d) based on the authorities given by council, signs annual contracts on loan given to the club members, additional investments, mutual insurance, as well as contracts on including

- loan capital from Foundation of clubs, Union of clubs and other individuals recommended by the union,
- e) council hires and fires pay-roll employees of the club, including the administrator,
 - f) monitors the activities of administrator and executive staff of the club,
 - g) presents the interests of the club in the state and local self-governing bodies, court and while dealing with other organizations,
 - h) can sign any civil and legal transaction that is necessary or targeted for the club for implementing its main activities determined by this law,
 - i) realizes other authorities provided by general committee and council.

With his agreement and the decision of the council the president at the same time can also be the administrator. The president is responsible in front of the club for the loss he causes to the club by its non-legal actions according to the RA legislation.

Article 19. Administrator and its Subordinate Executive Staff

According to the procedures determined by this law, the administrator can be appointed by the club council or president.

In the case he is appointed by the president, the president with the consent of the council, signs a contract with the administrator.

The administrator reports to the general meeting, council and the president of the club.

The administrator organizes the current activities of the club through his subordinate executive staff, as well as by the order of the president makes negotiations with relevant organizations and signs contracts on behalf of the club.

The administrator participates in the general meetings, council sessions with non-voting right, gives suggestions concerning their agenda, discussed issues, reminds the club members about the consequences of violating or not fulfilling the requirements stipulated by the charter of the club and contracts.

The administrator, according to the charter of the club, can be given all or partial authorities of the president, as well as other authorities determined by the employment contract.

Article 20. Chief Monitor and Monitoring Committee

The club that has less than twenty members has chief monitor. The club with more than twenty members elects its monitoring committee consisting from three members.

The chief monitor or monitoring committee:

- a) monitors the fulfillment of the decisions made by general meeting, council and president of the club,
- b) monitors the lawfulness of financial activities of the club, checks the initial documents of the realized transactions, as well as solves other issues determined by the charter of the club,
- c) gives conclusion on annual financial reports of the club, annual report of the council, fulfillment of the budget of the previous year and draft budget of the current year.

The chief monitor or the president and member of the monitoring committee simultaneously cannot be a member of the council, president of the club, administrator.

PART 4.
RIGHTS AND RESPONSIBILITIES OF CLUB MEMBERS

Article 21. Rights and Responsibilities of Club Members

The member of the club has the right to:

- a) participate in club governance himself or through authorized person,
- b) elect and be elected in the governing bodies of the club,
- c) receive loans from the club aimed at productive activities according to the procedures determined by the club,
- d) receive financial assistance for the losses and damages caused to himself and his property, according to the procedure and amount determined by the club,
- e) first get the loan if at the moment of loan application, actual investments he made prevail the requested loan amount.,
- f) use other services provided by club to its members,
- g) get acquainted with financial reports on club's activities and any question connected with its activities,
- h) according to the procedure determined by the club raise issues on presented suggestions aimed at improving club's activities, as well as records on its gaps and violations to the discussion of the supreme body. If the club is a member of the Union of clubs, demand the participation of the authorized representative of the Union of clubs in the session where the raised issues are discussed, as well as the written conclusion of the Union concerning the raised issues,
- i) leave the membership of credit club by informing the administration one month beforehand in written form, and return all debts, if there are any, before the discussion of this issue in the general meeting.

2. The member of the club should:

- a) fulfill the requirements of club charter, decisions of the governing bodies of the club,
- b) according to the procedure and time-frame determined by the club, as well as contracts signed with the club carry the responsibilities towards the club, including mandatory investment payments,
- c) return loan capital received from the club and corresponding generated payments according to the procedure and time-frame determined by the club,
- d) not mortgage his property registered in the club in other places.

According to RA legislation, procedures determined by the charter of the club, the member of the club carries the responsibility for not fulfilling his liabilities or fulfilling them improperly.

Article 22. Subsidiary Responsibility of the Club with Liabilities of Club Member

1. Non-returned overdue loan capital received by the club member, payment of the interest generated from that capital, payment of mutual financial assistance and other uncovered liabilities, except overdue investment liabilities, are subject to repayment by the member who received the loan through the personal investment capital he invested in the club.

In case the investment capital is not enough, the repayment is made through:

- a) reserve funds that are the co-ownership of the club, formed from investments of the club members,
- b) in case the reserve funds are not enough they are covered through share capital of club members according to proportion of their investment,

- c) other fixed capital by the decision of the club council.
2. Covering the overdue liabilities of the club member through the means mentioned in the point 1 of this Article does not free the given club member from covering his overdue liabilities. Making the member free from covering overdue liabilities is the exclusive authority of the supreme body of the club. The supreme body of the club can make such a decision if the club does not have overdue liabilities, and (or) if that decision would not cause a non-time covering of the club's liabilities.
3. The member that has overdue liabilities cannot receive new loan from the club.
4. After covering the debt using the sources mentioned in this Article, point 1, subpoints "a", "b" and "c", if the member with overdue liabilities voluntarily wants to leave the club or is expelled from the club the portion of the uncovered loan liabilities and other overdue liabilities is covered through selling his own property that is registered in the club and other property that is his mortgage in auction with the following sequence:
 - a) movable property of production importance,
 - b) fixed property of production importance,
 - c) agricultural lands,
 - d) property of non-production importance, except the property that cannot be charged according to RA legislation.
5. The club is responsible for the liabilities of its members towards the third parties if the club, according to the procedures determined by the law, had given the authorization, to the given member to act from the name of the club.
6. If the overdue loan and other liabilities are not covered, after two times organizing auction for selling the mortgaged property, the club is entitled to directly sell the property, also acting as a buyer.

Article 23. Subsidiary Responsibilities of Club Members for Club Liabilities

The club members with the extent to their investments, carry subsidiary responsibility for the club liabilities, if such liabilities are generated from Clubs' foundation, Union of clubs or other individuals based on the recommendation given by the decision of the Union of Clubs, that are determined by this law. The members of the club carry equal subsidiary responsibility for club's other liabilities in the cases determined by law by the decision of supreme body.

PART 5. FINANCIAL AND ECONOMIC ACTIVITIES OF THE CLUB AND FINANCIAL REPORTS

Article 24. The Annual Program and Budget of the Club

The annual program and budget of the club is determined by the supreme governing body of the club by December 1 of the year before next budgetary year. During the year they are mandatory revised by the decision of the council of the club once a quarter and if necessary, can be revised with other frequency. The determined annual program and budget of the club should be fulfilled by the president, executive staff of administrator.

While preparing the annual program and budget the demand of the club members for loan capital in the reporting and current year and expenses needed for ensuring the activities of the club are considered as a basis.

The demand for loan capital of the club and the amount of their acceptable expenses are determined by the annual program and budget of the club.

Article 25. Contractual Relations of the Club and its Members

The following activities are regulated between the club and its members through contract:

- a) provision of loans,
- b) realization of mandatory minimum investments,
- c) participation in services of annual program of mutual financial assistance.

Legal relations between the club and its members related to the loan are regulated by the articles of the Part 46 and 47 of RA civil code, this law and the contract signed between the parts.

The club cannot refuse providing the loan on the basis of former inability of the given member to conduct agricultural activities, if the member implementing the business plan or individuals he involved by him in the implementation of the plan have the corresponding required professional skills or experience.

For each period the interests of the loan provided by the club are calculated exclusively towards the remained unpaid portion of the loan that exist at the moment.

The provision of loans by the club is regulated also by the provision determined by the club that determines:

- a) requirements of purposeful usage of provided loans, including business plan,
- b) minimum and maximum amount of the provided loans,
- c) requirements presented to the club member receiving the loan,
- d) procedure of calculating and repaying loan interests,
- e) time-frame of loan provision, fines and penalties for its overdue amount and interests,
- f) conditions determined at the moment the loan becomes overdue and its prolonging conditions
- g) if needed, conditions to use with the decision of the club, the conditions of loan amount, accrued interests in Armenian dram with its foreign exchange rate,
- h) if needed with the club's decision, insurance requirements with loan mortgage and other guarantees,
- i) concession procedure of main amount of loan and its generated liabilities,
- j) form of loan application, ways and time-frame of its discussion, procedures and time-frame of presenting the decision of denial to the club member,
- k) basis of refusing the application.

3. The club with the special procedure determines:

- a) requirements of providing loan to individuals that had conducted actual agricultural activities before receiving the loan
- b) requirements of providing loan to individuals that had not conducted actual agricultural activities before receiving the loan.

Overdue interests of the loan received from the club, unpaid investment amount, as well as that of mutual financial assistance are capitalized in the united account of the liabilities of the given member towards the club on the 30th day since the loan became overdue, and their repayment is realized according to the procedure determined by this law.

Article 26. Mutual Assistance Activities of the Club

1. Annual program of the club on mutual assistance is the part of the program of club's annual activities. For the project of mutual assistance, according to the contracts the club members make one-time or regular payments. The amount of payments is determined considering the existing remained reserve funds of mutual financial assistance.

- Means needed for mutual assistance of club members are accrued in the reserve of mutual financial assistance that is the joint ownership of the club. The reserve funds of mutual financial assistance, without considering the time-frame planned in the annual project for providing assistance, remain in that reserve and can be spent only for repayments determined by annual program by the rules for mutual assistance.
2. Part of mutual assistance fee and mandatory investment payment to the club is determined by the decision of the council. In special cases with the decision of general meeting, shared investments of the club members can serve as a source of payment for mutual financial assistance.
 3. Free capital of reserve funds of mutual financial assistance can be used for giving the loan to the club members.
 4. The clubs with similar rules for mutual financial assistance and annual program can centralize their reserve funds for mutual financial assistance in the general reserve of Union of clubs for mutual financial assistance.
 5. The following is determined by the club's annual program of mutual assistance:
 - a) types of case that are subject to mutual financial assistance in the given year,
 - b) minimum and maximum amounts that are subject to mutual financial assistance in special cases .
 6. Losses and damages caused by Force Major, including natural disasters that caused damaged to agricultural cultures (frost, hail etc), epidemic diseases that affected agricultural animals are not subject to mutual financial assistance.

Article 27. Mutual Financial Assistance

1. Mutual financial assistance is determined by the club with the maximum amount predetermined for the given case. Mutual financial assistance is realized through monetary or non-monetary means depending on the need for acceptable and efficient recovery of the loss or damage.
2. The mutual financial assistance is provided by the decision of the council, that also determines the amount of assistance. The basis for decision is application of the club member, certificate (act) given by the committee formed by the council for which the conclusion of expert (experts) of Union of clubs, also if needed, conclusion on the amount of generated losses and damages given by professional organizations, authorized state and local self-governing bodies can serve as a basis.
3. The assistance for the damages and losses caused to property determined by the annual program for mutual financial assistance is given only to for the losses of the property that is the ownership of the club member and (or) is registered in the registration book of the club.

Article 28. Financial Reports of the Club

The president of the council, starting from the end of financial year till March 1 of the next year submits financial reports of the reporting period, as well as a report on fulfillment of the annual budget determined by the council for approval of the general meeting and (or) council.

Financial reports, as well as the report on fulfillment of the annual budget is presented to the general meeting or council with the conclusion of the president of monitoring committee.

Financial reports of the club are provided to each club member with his first request. Financial reports can be provided to other people according to the procedures determined by the charter – with the decision of the council.

PART 6.
FOUNDATION ASSISTING THE ACTIVITIES OF THE CLUBS

Article 29. Formation of foundation of clubs and their goals

1. According to the Articles 123 and 124 of RA Civil Code, one united foundation of agricultural clubs' assistance can be created (Clubs' foundation), that aims at assisting the formation of initial financial capital of agricultural clubs, organization of their purposeful activities and establishment of self-governing system.
2. The founders of foundation of clubs are organizations providing loans and grants to the clubs.
3. For efficient achievement of its goals, the Union of clubs cooperates with the Clubs' union. The Foundation of clubs delegates to the Union of clubs the authority of monitoring the purposeful usage of capital it gave to the clubs.
4. Financial capital invested in the Foundation of clubs is considered to be the ownership of Foundation. The Foundation of clubs uses that capital for the purposes determined by its charter.
5. Each year the Foundation of clubs publicizes the report on the usage of its financial capital.

Article 30. Governing Bodies of Foundation of Clubs

1. Board of directors and the president are the governing bodies of the Foundation of clubs.
2. The Board of Trustees of Foundation of clubs consists of representatives of organizations and individuals that had made financial investments in the foundation. The president of the Clubs' union is included in the Board of Trustees with the right of decisive vote.
3. Board of Trustees of Foundation of Clubs is entitled to:
 - a) accept the charter of foundation that is the only founding document of the foundation,
 - b) make changes and amendments in the charter of foundation,
 - c) appoint and fire the director of foundation,
 - d) determine the procedure for using the foundation means,
 - e) make a decision on reformation of the foundation - formation of another foundation from foundation, unification or unification of a foundation with another foundation, as well on the liquidation of the foundation.

PART 7.
CLUBS' UNION

Article 31. Creation of Clubs' Union

1. In order to present and protect their common interests, coordinate their activities the clubs can create Union of Agricultural credit clubs (Clubs' Union).
2. The Clubs' union operates according to the Articles 125-127 of RA Civic Code.
3. The Clubs' union has status of non-commercial non-profit organization.

Article 32. Principles of Activities of Clubs' Union

1. Clubs that are members of the Clubs' union maintain their property independence and the rights of legal entity.
2. Property given to the Clubs' union by the clubs is the ownership of the union. The Clubs' union uses that property for the purposes determined by its charter.
3. The Clubs' union is not responsible for the liabilities of its members. Agricultural credit clubs that are members of Clubs' union carry subsidiary responsibility towards its liabilities to the extent and procedure determined by the charter of Clubs' union.

Article 33. Governing Bodies of Clubs' Union

1. Governing bodies of the Clubs' union are:
 - a) general meeting
 - b) board of directors
 - c) executive leadership.
2. The general meeting of the Clubs' union approves the charter of the union that determines the authorities of governing bodies of the union.

Article 34. The Rights and Responsibilities of Members of Clubs' Union

1. The member of Clubs' union has the right to use all services provided by Clubs' union.
2. The member of Clubs' union has the right to leave the Clubs' union according to the Article 127, point 2 of RA Civil Code. In case the member-club voluntarily leaves or is expelled from the Clubs' Union, it cannot claim back the payments it had made.
3. The member of Clubs' union is obliged to follow mandatory requirements for the membership determined by the charter of the union.
4. The member of Clubs' union can be expelled from the union in cases and according to the procedures determined by the charter of the union. In this case rules on leaving the Clubs' union are applied to the given member.

Article 35. Functions authorized to Clubs' Union by the Clubs

Agricultural credit clubs authorize the Clubs' union to:

- a) ensure the necessary actions for clubs' accounting and financial reports and (or) their fulfillment (service) by the union – by authorizing to the responsible person according to the law,
- b) determine the ideal procedure and rules for the loans that are used by the clubs,
- c) determine the ideal procedure and rules for mutual financial assistance by the clubs,
- d) according to the requirements of Article 9 of this law, determine the general rules for record book keeping for property registration,
- e) provide legal and consulting services to the club members,
- f) solve disagreements between its members, as well as club members by forming an intermediary court or in some other way,
- g) establish the centralized united reserve fund for mutual financial assistance that is the general ownership of the clubs with similar rules of mutual financial assistance,
- h) apply disciplinary procedures towards its club members, apply fines (except monetary fines), stop or deprive their membership for violating the decisions on mandatory norms for clubs' activities determined by the union,

- i) determine mandatory and guiding economic norms for regulating the economic activities of the clubs in order to ensure the protection of interests of club members, decrease their risks and provide with financial stability, deprive
- j) control the activities conducted by the clubs towards mandatory procedures and rules determined by legislation, this law, Clubs' union for its member clubs, including norms regulating their activities, charter of the clubs and the mandatory fulfillment of requirements of rules and procedures determined by the charter through determining appropriate reporting forms,
- k) organize trainings necessary for clubs' activities, provide with consultations,
- l) submit report to the Foundation of clubs on using the means provided by the Foundation of the clubs, according to the procedure determined by itself,
- m) conduct other necessary transactions coordinating the activities of the clubs determined by the charter of the Clubs' union.