Concerning the mortgage of immovable property  
Edict of the President of the Republic of Kazakhstan,  
having authority of law, of December 23, 1995 № 2723

In accordance with Article 1 of the Law of the Republic of Kazakhstan,
dated December 10, 1993 Concerning the Temporary Delegation of Additional
Powers to the President of the Republic of Kazakhstan and the Heads of Local
Administrations, I issue this Edict:

CHAPTER 1. GENERAL PROVISIONS

Article 1. The
Fundamental Terms and Definitions

The terms and
definitions employed in this Edict shall have the following meanings:

1) trustee
means an entity which carries out registration of mortgages in a non-judicial
procedure;

2) pledger
means the entity whose immovable property or the share therein are subject to
mortgage;

3) pledge
holder means an entity whose interests relating to the principal are secured
with a mortgage;

4) mortgage of
immovable property (hypotheca) means a type of pledge under which the pledged property
of share therein remain in the possession and use of the pledger or a third
party;

5) mortgage
agreement means an agreement of parties to establish the principal obligation;

6) immovable
property (immovables) means land plots and also buildings, installations and
any other assets firmly attached to land, that is the items the translocation
whereof is impossible without unreasonable damage to their assignment;

7) the
principal obligation means a debt or any other liability which is fully or
partially secured with mortgage;

8) realisation of mortgage means selling of the property which is
mortgaged.

Article 2. The
Sphere of Application of This Edict

1. This Edict
shall regulate relations which emerge in applying the mortgage of property as a
means of securing obligations. The general rules concerning pledge, which are
contained in the Civil Code of the Republic of Kazakhstan shall apply to
mortgage of property, unless this Edict sets forth different rules. In the case
of contradiction between this Edict and other legislative acts in respect of
regulating mortgage of property, the provisions of this Edict shall apply.

2. The rules
of this Edict on mortgage arising by virtue of an agreement, shall apply to
mortgage arising on the basis of a legislative act.

3. Special considerations in mortgaging of land plots and rights
relating thereto may be stipulated in land legislation.

Article 3. The
Limits of Securing of the Principal Obligation with Mortgage

1. Mortgage
shall secure payment to the pledge holder of the principal amount of debt under
a credit agreement or any other obligation, in full or to the extent stipulated
in the mortgage agreement.

Unless it is
otherwise stipulated in the agreement, a mortgage established to secure a
credit agreement, shall also secure the payment of interest to the creditor,
which is due the creditor for use of the loan.

2. Unless it
is otherwise stipulated in the agreement, a mortgage shall secure the claims of
the pledge holder in the volume they have at the moment of their satisfaction,
including the following:

1)
indemnification from losses inflicted by a failure to execute, delay, or by any
other improper execution of the principal obligation;

2) forfeit
(fine, penalty) for a failure to execute, delay in execution or any other
improper execution of the principal obligation;

3) interest
for unlawful use of somebody else's monetary resources, as stipulated in the
principal obligation or legislative acts.

3. Mortgage
shall also secure the following:

1)
indemnification of court expenses and other costs incurred by imposition of
claims on pledged property;

2)
reimbursement of costs associated with realisation of mortgage.

4. When a mortgage agreement stipulates the total fixed amount claimed
by the pledge holder, secured with the mortgage agreement, the liabilities of
the debtor to pledge holder in excess of that amount shall not be deemed to be
secured with the mortgage, except for the requirements stipulated in paragraph
3 of this Article and Article 4 of this Edict.

Article 4.
Securing with Mortgage of Extra Costs of Pledge Holders

In the cases where the pledge holder in accordance with the terms of
the mortgage agreement or by virtue of necessity to retain pledged immovable
property is forced to incur the costs associated with its maintenance and
security or with repayment of liability of the pledger relating to taxes,
levies, utility payments associated with that immovable property, the
reimbursement to the pledge holder of such needed costs shall be secured at the
expense of the pledged immovable property.

Article 5.
Mortgage of Immovable Property Which is in Common Ownership

1. A mortgage
agreement shall be concluded in writing, signed by the pledger and pledge
holder as well as the debtor where the pledger is not the debtor (estate
guarantor).

2. A mortgage
agreement shall be subject to state registration. The right to mortgage shall
be subject to state registration. The right of mortgage shall emerge from the
moment of registration of the mortgage agreement.

3. The
notarial certification of a mortgage agreement shall be carried out at the
discretion of the parties.

4. The rights of the pledge holder may be confirmed (documented) with
the issue of the mortgage certificate.

CHAPTER 2. A MORTGAGE AGREEMENT

Article 6.
Pro-forma of the Mortgage Agreement

1. A mortgage
agreement shall be concluded in writing, signed by the pledger and the pledge
holder and also by the debtor where the pledger is not the debtor (estate
guarantor).

2. A mortgage
agreement shall be subject to state registration. The right to mortgage shall
emerge from the moment of registration of the mortgage agreement.

3. Notarial
certification of a mortgage agreement shall be carried out at discretion of the
parties.

4. The rights of the pledge holder may be confirmed (documented) by
issuing of the mortgage certificate.

Article 7. The
Contents of the Mortgage Agreement

1. The
following must be indicated in the mortgage agreement:

1) name
(commercial name) and residential address (location) of the pledger and pledge
holder, as well as of the estate guarantor where the pledger is not the debtor;

2) the essence
of the principal obligation, its amount and deadlines for execution;

3) the list
and location of pledged immovable property;

4) the title
of the right by virtue of which immovable property are subject to mortgage (the
right to own, the right to business authority and other);

5) other
conditions on which according to application of either party consensus must be
reached in the mortgage agreement, and which are not prohibited by legislation.

2. When the principal obligation is subject to execution by parts, the
deadlines must be indicated in the mortgage agreement or periods of the
relevant payments and their amounts, or conditions which allow to determine
those amounts.

Article 8. The
Consequences of Violating the Rules for Alienation of Pledged Immovable
Property

1. When
alienating immovable property pledged under a mortgage agreement in violation
of the rules contained in paragraph 2 of Article 315 of the Civil Code of the
Republic of Kazakhstan, the pledge holder shall have the right at the pledge
holder's discretion to claim the following:

1) recognition
as invalid of the transaction to alienate immovable property;

2) premature
execution of the principal obligation and imposition of claim upon pledged
immovable property, irrespective of to whom it belongs.

In the latter
case, if it is proved that the acquirer of the pledged property at the moment
of its acquisition knew or should know that the immovable property is alienated
in violation of the rules, such acquirer shall bear the responsibility for the
failure to execute the obligation secured with the mortgage jointly with the
pledger, within the limits of the value of the indicated immovable property.

2. When the
pledger issues the mortgage certificate, the alienation by the pledger of
pledged immovable property shall not be allowed.

When the pledger alienates immovable property, the consequences shall emerge
which are stipulated in paragraph 1 of this Article.

Article 9.
Transfer of Rights Under a Mortgage Agreement

Transfer of rights under a mortgage agreement shall be carried out in
compliance with the rules for assignment of claims, and in the case of issuing
of mortgage certificate, - in the procedure established by Article 16 of this
Edict, and it shall be subject to state registration.

Article 10.
Warning of the Pledge Holder of the Rights of Third Parties In Respect of the
Mortgaged Item

When concluding a mortgage agreement, the pledger shall be obliged to
warn the pledge holder on all the rights of third parties in respect of the
mortgaged item, which are known to the pledger at the moment of the agreement
registration, even when those rights are not registered in accordance with the
established procedure. A failure to comply with that right shall to the pledge
holder the right to claim a premature execution of the principal obligation or
alteration of the terms of the mortgage agreement.

Article 11.
Supplements to Mortgage Agreements

Documents which defined the terms of the mortgage and/or conditions
which are necessary for the exercise by the pledge holder of the pledge
holder's rights under that agreement may be attached to the mortgage agreement.

CHAPTER 3. THE MORTGAGE CERTIFICATE

Article 12.
The Concept of the Mortgage Certificate

1. The
mortgage certificate shall be an order security certifying the following rights
of its legitimate owner:

1) to receive
execution of the principal obligation;

2) to impose
claims upon pledged immovable property for the purposes of receiving the
execution of the principal obligation.

2. The
mortgage certificate shall be compiled in one copy and it shall be passed to
the pledge holder.

3. The note on issuing of the mortgage certificate shall be made upon
all copies of the mortgage agreement.

Article 13.
Contents of the Mortgage Certificate

1. The
mortgage certificate must contain the following:

1) the words
Mortgage Certificate, included in the title of the document;

2) the name
(commercial name) and residential address (location) of the pledger;

3) the name
(commercial name) and residential address (location) of the pledge holder;

4) the name
(commercial name) and residential address (location) of the debtor, where the
debtor of the principal obligation is not the pledger;

5) the date
and place of conclusion of the mortgage agreement;

6) the
indication of the amount of the principal obligation and interest, if any;

7) the
indication of the date of repayment of the principal obligation and of
interest, if any, and if that amount and/or interest are subject to repayment
in instalments, - the dates or periods for the relevant payments and amount of
each of them or conditions which allow to determine them;

8) the list
and location of pledged immovable property;

9) the title
of the right by virtue of which the property which is subject to the mortgage
is held by the pledger;

10) the
indication of whether mortgage certificates exist in relation to the immovable
property which is mortgaged or to part of that property, whether that immovable
property or its part is leased, encumbered or not encumbered in any other
manner;

11) signature
of the pledger;

12) the issue
date of the mortgage certificate.

2. A failure to comply with the requirements established in paragraph 1
of this Article, as well as existence of erasures and corrections shall render
the mortgage certificate invalid.

Article 14.
The Terms of Exercising the Rights and the Execution of Obligations Under a
Mortgage Certificate

1. In the
exercise of the rights stipulated in this Edict or the mortgage agreement, the
owner of the mortgage certificate shall be obliged to present it to the
pledger.

2. The pledger
which executed the principal obligation shall have the right to claim the
transfer to the pledger of the mortgage certificate, and where the obligation
is executed part-by-part, the note in the mortgage certificate of execution of
the appropriate part of the obligation.

3. When the
mortgage certificate is held by its legitimate owner, or in the mortgage
certificate there is not mention of any partial execution of the principal
obligation, that shall witnesses, unless it is proved otherwise, that
obligation or accordingly its part are not executed.

4. Holding of
the mortgage certificate by the pledger shall witness, unless it is proved
otherwise, that the obligation secured by the mortgage is executed.

5. The rules of Article 133 of the Civil Code of the Republic of
Kazakhstan shall apply to execution of obligations under mortgage certificates.

Article 15.
Registration of a Mortgage Certificate

Issue of a mortgage certificate and its subsequent transfer to other
owners shall be subject to local state registration where the immovable
property which is subject to mortgage is located, in accordance with the
procedure established for registration or the rights to immovable property.

Article 16.
Transfer of Rights Under Mortgage Certificates

1. Transfer of
rights under the mortgage certificate shall be carried out by way making on it
of the transfer note for the benefit of the other entity and transfer of the
mortgage certificate to that entity. In the transfer note the name of the
entity to which the rights are transferred under the mortgage certificate, must
be indicated clearly and adequately. Blank transfer notes in a mortgage
certificate shall be deemed to be invalid.

A transfer
note must be signed by the pledge holder which is indicated in the mortgage
certificate, and where that signature is not the first one, - by the owner of
the mortgage certificate indicated in the preceding transfer note.

2. The
transfer of the rights under a mortgage certificate to any other entity shall
mean the transfer thereby to the same entity of the rights under the principal
obligation.

The legitimate
owner of a mortgage certificate shall have all the rights which ensure from its
contents, including the rights of the pledge holder and the rights of the
creditor in relation to the principal obligation.

3. An owner of
a mortgage certificate shall be deemed to be legitimate one when the rights of
the owner in respect of the mortgage certificate are based on a complete
sequence of transfer notes on it.

An owner of a
mortgage certificate shall be deemed to be illegitimate if it is proved that
the certificate was lost by an entity which made transfer notes, as a result of
theft or in any other manner against the will that entity, of which the owner
knew when acquiring the mortgage certificate or should have known.

4. Notes on a mortgage certificate which prohibit its transfer to any
other entities shall be invalid.

Article 17.
Restoration of the Rights Under a Lost Mortgage Certificate

1. Restoration
of the rights under a lost mortgage certificate shall be carried out by the
court in accordance with the procedure established by procedural legislation.

2. The rights
under a mortgage certificate which [certificate] was transferred by the pledge
holder to a third party, may be restored if all the transfer notes are
identified which were made on the lost mortgage certificate.

3. On the basis of the court decision, the pledger shall issue the
duplicate of the mortgage certificate with the note on it A duplicate.

Article 18.
Pledge of a Mortgage Certificate

1. A mortgage
certificate may be pledged by way of its transfer to any other entity to secure
a credit agreement or any other obligation between such an entity and the
legitimate owner of the mortgage certificate.

2. When an
obligation secured with a pledge of a mortgage certificate is not executed, the
pledge holder of the mortgage certificate shall have the right to claim the
transfer to that pledge holder of the rights under the principal obligation
secured by the mortgage, in accordance with the procedure, on the terms and
with the consequences stipulated in Article 16 of this Edict. In the case of
refusal to transfer those rights, the pledge holder of the mortgage certificate
may claim the transfer to the pledge holder of such rights in the judicial
procedure.

3. A pledge
holder of a mortgage certificate, to whom the rights relating to the mortgage
certificate are transferred by the court, shall have the right to impose a
claim upon the mortgaged item in accordance with the terms of the mortgage
certificate and the principal obligation.

Amounts
received from realisation of mortgages shall be used to repay the debt to the
pledge holder of the mortgage certificate, and an outstanding amount shall be
transferred to the entity which pledged the mortgage certificate, subject to
requirements of Article 36 of this Edict.

4. With the consensus of the pledge holder of a mortgage certificate
and the pledger of the mortgage certificate, in the mortgage certificate the
special-purpose pledge transfer note may be made, which gives to the pledge
holder the right to sell mortgaged property upon expiry of a definite term in
order to withhold the amount of obligation secured with the pledge of the
mortgage certificate out of received money.

Article 19.
Termination of a Mortgage Certificate Validity

1. Validity of
a mortgage certificate shall cease as follows:

1) when the
rights ensuing from it are executed;

2) when it is
voluntarily transferred to the pledger;

3) if the
requirement ensuing from it are not claimed from the debtor in relation to the
principal obligation, prior to expiry of one month after the arrival of the
date of execution of the principal obligation;

4) in the case
of loss of the mortgaged item.

2. When validity of a mortgage certificate ceases on the bases
stipulated in subparagraphs 3 and 4 of paragraph 1 of this Article, the rights
of the owner of the mortgage certificate in respect of execution of the
principal obligation shall remain.

CHAPTER 4. REALISATION OF A MORTGAGE

Article 20.
The Methods of Mortgage Realisation

In the case of
the debtor's a failure to execute the principal obligation, the pledge holder
shall have the right to satisfy the pledge holder's claims as follows:

1) by way of selling
the mortgage in the judicial procedure;

2) by
realisation of mortgage in the judicial procedure where it is stipulated in
legislative acts or in the mortgage agreement, or subsequent agreement of the
parties;

3) by conversion into the pledge holder's own property of pledged
assets in the case of announcement of the sale as invalid, in accordance with
Article 32 of this Edict.

Article 21.
Realisation of Mortgage in the Judicial Procedure

1. Realisation
of mortgage in the judicial procedure shall be carried out in accordance with
the court decision in pursuance of the pledge holder's action. In that case,
selling of immovable property which is the mortgaged item, shall be carried out
by way of selling from public auctions in the procedure established by
procedural legislation.

2. Imposition
of claims upon the property pledged under a mortgage agreement may be denied if
the violation of the principal obligation committed by the debtor is extremely
insignificant and therefore, the amount claimed by the pledge holder is in
disproportion with the value of the pledged property.

3. Adopting
the decision to impose claims upon immovable property pledged under the
mortgage agreement, the court must define and indicated in its decision the
following:

1) all amounts
which are subject to payment to the pledge holder out of the value of the
pledged property, except for the amount of expenditures on security and
realisation of immovable property, which are identified upon completion of its
realisation. In the case of amounts calculated as percentage, also the amounts
used as the base for calculation of percentage must be shown, the rate and the
period during which they are assessed;

2) mortgaged
immovable property out of which value the claims of the pledge holder are
satisfied;

3) the initial
selling price of pledged immovable property for its realisation;

4) steps to
secure the safety of immovable property until the moment of its realisation, if
necessary.

4. In the
following cases: by request of the pledge holder, the court, if there are good
reasons, shall have the right to defer its decision the implementation of its
decision to impose claims upon pledged immovable property for a period up to
one year:

1) where the
pledger is a citizen, irrespective of what immovable property is pledged by him
under the mortgage agreement, provided the pledge is not associated with the
performance by that citizen of entrepreneurial activities;

2) where the
mortgaged item is a land plot which is part of land of agricultural
designation.

The deferral
of the realisation of pledged immovable property shall not impact the rights
and obligations of the parties under the main obligation and it shall not
exempt the debtor from reimbursement of losses of the creditor, which increased
during the period of the deferral, of interest and forfeit due the creditor.

If the pledger
within the limits of time granted to the pledger by a deferral satisfies the
claims of the pledge holder, the court in pursuance of the pledger's petition
shall abolish that decision.

5. A deferral
of realisation of a mortgage shall not be allowed in the following cases:

1) if it may
entail a significant deterioration of financial position of the pledge holder;

2) if in respect of the pledger or pledge holder a case is instituted
to recognise as bankrupt.

Article 22.
Termination of Realisation of a Mortgage

The debtor and/or pledger which is a third party (estate guarantor),
shall have the right at any time until the sale of the pledged item takes
place, to terminate the imposition on it of claims and its realisation, upon
executing the obligation secured with the pledge or that part of it whose
execution is deferred. An agreement to restrict this right shall be invalid.

Article 23.
Reimbursement of Costs Associated with Realisation of a Mortgage

Costs incurred by the pledge holder, associated with the realisation of
a mortgage shall be reimbursed to the pledge holder out of the value of pledged
property.

Article 24.
The Procedure for Realisation of a Mortgage in the Non-Judicial Procedure

1. Realisation
of a mortgage in the non-judicial procedure shall be carried out by way of
holding auctions of pledged property, to be organised by a trustee.

2. The trustee
shall be appointed by the parties in the mortgage agreement. In the case where
in the mortgage agreement the trustee is not appointed, it shall be appointed
by the pledge holder.

3.
Satisfaction of the pledge holder's claims in the non-judicial procedure shall
not be allowed in the following cases:

1) consent of
any other entity or body was required for mortgaging immovable property;

2) the
mortgaged item is immovable property which has major historic, art or cultural
significance for the society;

3) the
mortgaged item is immovable property which is in common ownership, or some of
its owners do not provide the written consent to satisfaction of the pledge
holder's claims in the non-judicial procedure.

In the indicated cases, claims upon pledged property shall be imposed
only upon the court's decision.

Article 25.
Requirements to Holding of Non-Judicial Auctions

1. Prior to
holding of an auction, the following procedures must be executed:

1) the trustee
shall compile the note of non-execution of an obligation, register it at the
body where the mortgage agreement was registered and hand it to the pledger.
Where the possibility of direct handing of the notice does not exist, the note
shall be send to the pledger by registered mail to the pledger's address as
indicated in the mortgage agreement;

2) in the
event that the claims ensuing from the notice of non-execution of obligation
are not satisfied, but not earlier that two months from handing in or
dispatching of the indicated notice to the pledger (subparagraph 1 of this
paragraph), the trustee shall compile the notice of auction of pledged
property, register it with the body where the mortgage agreement was
registered, hand it to the pledger, and also to pledge holder and officially
publish the announcement of the auction in compliance with Article 28 of this
Edict;

3) from the
moment of the first publication of the announcement of the auction any
transactions in relation to the immovable property put to the auction shall be
prohibited, and if they are committed, then they shall be recognised as
invalid;

4) from the
moment of the first publication of the announcement of the auction and until
the moment of their holding there must be not less than one month.

2. Upon
receiving the notice of non-execution of obligation, the pledger shall have the
right to appeal to the court with the action on the invalidity of the bases for
realisation of the mortgage.

The pledge
holder shall have the right to appeal to the court with the petition to be
granted a delay in the realisation of the mortgage on the terms stipulated in
paragraph 4 of Article 21 of this Edict.

The petitioning with the action (application) of the court shall
suspend the course of the period stipulated in subparagraph 2 of paragraph 1 of
this Article.

Article 26. Contents
of the Notice of Non-Execution of Obligation

The notice on
non-execution of obligations must contain the following:

1) name
(commercial name) and residential address (location) of the pledger;

2) name
(commercial name) and residential address (location) of the pledge holder;

3) brief
outline of unexecuted obligations;

4) the
break-up of the total of the principal obligation;

5) the
break-up of the total of any other levies, costs and expenditures which must be
paid by the pledger before the potential sale of pledged immovable assets;

6) suggestion
of full repayment of all liabilities within two months from the moment of
receiving of the notice;

7) warning of
the possibility of auction sale of mortgaged immovable property;

8) name (commercial name), residential address (location) and the
telephone number of the trustee.

Article 27.
Contents of the Notice of Holding Auction

The notice of
holding auction must contain the following information:

1) name
(commercial name) and residential address (location) of the pledger;

2) name
(commercial name) and residential address (location) of pledge holder;

3) brief
outline of unexecuted obligations and total amount of all liabilities of the
pledger to pledge holder which are subject to satisfaction at the expense of
the mortgage;

4) name,
description and parameters of the mortgaged immovable property which is subject
to mortgage and which is put to auction;

5) time and
place of holding the auction;

6) name (commercial name), residential address (location) and telephone
number of the trustee.

Article 28.
Announcement of Auction and Its Publication

1. Not less
than one month prior to holding of the auction, the trustee shall publish in
the periodical press the announcement of the auction.

2. Auction
announcements must contain the following information:

1) name,
description and parameters of the immovable property put to auction;

2) exact
location of the immovable property;

3) amount of
the guarantee advance payment of participants of the auction, if such amount is
stipulated among the terms of the auction;

4) the
procedure and deadlines for payment of the purchase price;

5) time and
place of holding the auction;

6) name
(commercial name) and residential address (location) of the trustee who
conducts the auction, his telephone number for questions and payment details.

One copy of the announcement of the auction shall be posed, if possible
and there are no impediments thereto, in an salient place directly upon
immovable property which is put to the auction, not later than one month prior
to the date of the auction.

Article 29.
Organisation and Conducting of Auctions

1. Auctions
shall be organised and held by the trustee.

2. Auctions
shall be held in the populated area (town, district, settlement, aul, village)
where the property is located.

3. Auctions shall be appointed on any week days in time from 9 to 18
hours.

Article 30.
Participants of Auctions

Any legal
entities and physical persons shall have the right to participate in auctions,
including pledger and pledge holder.

The trustee shall not participate in the auction.

Article 31.
Guarantee Advance Payment and Payment of the Purchase Price

1. Prior to
beginning of the auction, the trustee shall have the right to demand from each
of the auction participants of the guarantee advance payment or any other proof
of the participant's ability to pay the total of the intended purchase price.
Prior to the completion of the auction, the trustee shall have the right to
demand from the participant which offered the final price, an immediate payment
of that entire amount in cash, a bank cheque or by any other method established
by the legislation of the Republic of Kazakhstan for settlements, or to demand
proofs of the participant's ability to pay the indicated price after the
completion of the auction by methods and within deadlines indicated in the
announcement of the auction.

2. In the
event that the buyer refuses to pay immediately or has no proof of the ability
to pay within the deadlines stipulated in the auction announcement, the buyer
shall be excluded from participants of the auction, and the auction shall
continue. If it is impossible to continue the auction, and also in the case of
the buyer's failure to pay for the property purchased in the auction, new
auction shall be appointed, which shall be carried out in the procedure
established by this Edict.

3. The pledge
holder participating in the auction shall be exempt from making the guarantee
advance, and also in the case of winning the auction, from payment of the
purchase price within the amount of the principal obligation.

4. The
guarantee advances of participants shall be subject to refund upon completion
of the auction. A guarantee advance of the participant which won the auction
shall be reckoned against the purchase price.

The guarantee advance payments of a participant which won the auction
but failed to pay the purchase price, shall remain at the disposal the trustee
and it shall be used by the trustee in accordance with the procedure
established in Article 36 of this Edict.

Article 32.
Announcing an Auction as Invalid

1. The trustee
shall announce auction as invalid in the following cases:

1) less than
two buyers arrived at the auction;

2) the entity
which won the auction failed to pay the purchase price within the established
period.

2. Auctions
must be announced invalid on the following day after one of the events
mentioned in paragraph 1 of this Article took place.

3. When
auctions are announced as invalid because of participation in them of less than
two buyers, the pledge holder shall have the right either to turn the pledged
property into the pledge holders ownership at its current value as established
by the decision of the court or trustee on the basis of evaluation of the state
body for appraisal of property, or to demand appointment of new auction.

Within ten
days after announcement of an auction as invalid on a basis stipulated in
subparagraph 2) of paragraph 1 of this Article, the pledge holder shall have
the right to acquire pledged immovable property in agreement with the pledger.

Such an
agreement shall be subject to the rules for purchase and sale, and the mortgage
agreement in that case shall be terminated.

4. Announcements of new auctions shall be published in accordance with
Article 28 of this Edict.

Article 33.
The Right to Appeal to the Court

The pledger as
well as the debtor in respect of the principal obligation where the debtor is
not the pledger, within 3 months shall have the right to challenge the results
of the auction in a court of law in the place of location of the immovable
property in the case of violation of the procedure for conducting of auctions.

Submission of the action application shall not suspend the commission
of acts which ensue from results of the auction.

Article 34.
Transfer of Immovable Property to the Buyer

After the
completion of an auction and payment by the Buyer of the final price and of all
the other payments which are required from the Buyer, the trustee shall hand to
the Buyer the document of purchase of the immovable property at the auction,
which must contain the following information:

1) basis for
holding the auction;

2) place and
time of the auction;

3) name,
description and parameters of the property purchased at the auction, its
location;

4) name
(commercial name) and residential address (location) of the pledger which was
the preceding owner of the property;

5) name
(commercial name) and residential address (location) of the Buyer;

6) purchase
price paid by the Buyer;

7) name
(commercial name) and residential address (location) of the trustee who
conducted the auction.

The Document
on Purchase of immovable property at an auction shall be certified with the
signature of the trustee.

Where the trustee is a legal entity the signature of its representative
shall be certified by the seal of that legal entity; where the trustee is a
physical person, his signature shall be certified in the notarial procedure.

Article 35.
The Refusal of the Pledger to Transfer Immovable Property

In the case of
the pledger's refusal to transfer to the Buyer immovable property purchased by
the Buyer at the auction, including the unwillingness to free residential
premises, the Buyer shall have the right to appeal to the court in the place of
the property's location.

All court expenses which emerge in that case, shall be reimbursed by
the pledger out of resources received from selling of the mortgage.

Article 36.
Distribution of Auction Receipts

The trustee
shall distribute receipts from the auction in the following procedure of
priority:

1) to cover
expenditures and costs of conducting the auction;

2) to pay the
principle obligation secured with the mortgage;

3) to pay
deferred obligations secured with secondary pledges and overpledges, and also
of any other encumbrances of immovable property in accordance with the priority
procedure established by legislative acts;

4) to repay to the pledger the remaining amount.

CHAPTER 5. CESSATION OF A MORTGAGE

Article 37.
Bases for Cessation of a Mortgage

1. A mortgage
shall cease on the bases stipulated in Article 322 of the Civil Code of the
Republic of Kazakhstan, unless it is otherwise stipulated in this Edict. In
that case, when a mortgage ceases as a result of execution by the debtor of the
principal obligation, and also of execution of the mortgage agreement either by
way of selling of pledged immovable assets, or by way of turning it into
ownership of the pledge holder, the latter shall issue to the pledger within 15
days after the commission of the indicated acts, a written document which
witnesses the cessation of the mortgage registered by the body which registered
the mortgage agreement.

2. When selling pledged property at an auction in the non-judicial
procedure at a price which is lower than the amount of the principal
obligation, and also in the case of transfer of pledged property into ownership
of the pledge holder, the principal obligation shall cease simultaneously with
the cessation of the mortgage.

Article 38.
Effect of This Edict

This Edict shall enter into force from the 1st of January, 1996.

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| President of the Republic of Kazakhstan | N. Nazarbaev |