

THE COOPERATIVE SOCIETIES ACT

and

MODEL RULES

for

local cooperative societies

HELSINKI 1955

PELLERVO-SEURA

KULUTUSOSUUSKUNTIEN KESKUSLIITTO

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## Introduction

A new law to govern co-operative societies came into force in Finland on January 1, 1955.

This law, The Co-operative Societies Act, repealed and replaced the earlier Law on Co-operation which was promulgated on July 10, 1901 and took effect on September 1 of the same year. As soon as the 1901 Act came into force, the Pellervo Society began to draw up model rules for various types of co-operative societies, issued handbooks on the establishment and management of co-operative societies and gave personal instructions on the society management through its advisors. As a result co-operative societies to serve various purposes grew up at a rapid pace among farmers in rural areas and among industrial workers and other consumers in towns, and to some extent also among artisans.

When, according to the old law a co-operative society had been established and its rules duly adopted by the memorandum of association, the rules had to be approved officially by the appropriate provincial government, after which the co-operative society was entered in the Trade Register. But it came to be the practice that before approving the rules of a co-operative society, the provincial governors requested a statement regarding the new society concerned from the Pellervo Society, which thus had the opportunity to ensure that the rules of all co-operative societies were in accordance with the Law on Co-operation.

In 1902 50 co-operative societies had been entered in the Trade Register. By 1930 the number of co-operative societies had increased to 1 930, 3 273 in 1920, rising to 6 452 in 1930, and

7 660 in 1940. On the termination of the old Law on Co-operation in 1954, there were 9 377 co-operative societies listed in the Trade Register. However, this does not indicate the actual number of co-operative societies, since some of the discontinued societies had not furnished the proper notification to the Trade Register. In 1954 a total of 5 800 co-operative societies were in operation with an aggregate membership of 1 791 600 and an annual turnover amounting to 243 milliard marks.

Right from the beginning of co-operation in Finland, co-operative stores, co-operative dairies and co-operative credit societies have formed the main categories of co-operative societies. Taking the first category there are at present 493 co-operative stores which are members of two separate national movements. The advisory and educational federation of the »neutral» movement is the Yleinen Osuuskappojen Liitto (General Co-operative Union) with 375 co-operative stores and 496 000 individual members, the total sales of local societies amounting to 75.2 milliard marks in 1954. SOK, Hankkija and certain other societies are their wholesale concerns. The central federation of the other, »progressive» movement is the Kulutusosuuskuntien Keskusliitto (Central Union of Consumers' Co-operative Societies) with 118 local distributive societies, 532 000 individual members, and annual sales of 59.9 milliard marks in 1954. OTK is the Co-operative Wholesale Society of the progressive movement.

The second category comprises the Central Society Valio and 372 co-operative dairies with 103 000 members, owning a total of 622 000 cows, and in 1954 supplying in all 1 288 million kilos of milk.

The third prominent category is that of the Central Bank OKO and 594 co-operative credit societies or rural banks with have 267 200 members, the sum of loans granted amounting to 59.2 milliard marks, and that of deposits totalling 54.5 milliard marks.

There are the Producers' Meat Central Society and 12 co-operative slaughter-house societies with 102 800 individual members and suppliers of 45.5 million kilos of marketed meat.

Characteristic of Finnish Co-operation is that local societies in their respective fields have established national federations which cover the whole country, many of them forming the largest wholesale concerns within their respective spheres of activity. The significance of co-operative stores and their wholesale societies in the economic life of Finland is indicated by the fact that they control 31.9 per cent of the national retail trade and 25.8 per cent of the wholesale trade. Co-operative dairies market 82 per cent of all milk supplied for sale. Co-operative slaughter-house societies and their provincial member associations market 78 per cent of the cattle supplied for slaughter, and co-operative credit societies have granted 46.6 per cent of all agricultural credit.

In addition to these main groups, co-operation has been successfully applied for the sale of forests and timber by the Co-operative Society Metsäliitto (Forest Union). There are also co-operative societies for importing and purchasing machines (Machinery societies), and Breeding societies to foster the development of pedigree animals. Telephone and electricity societies have been established for the maintenance of telephone systems and for the distribution of electric power. Insurance business has been outside the scope of co-operation, because according to the old law co-operative societies were not allowed to engage in the field of insurance. In spite of this there has been within this field time honoured collaboration which is still dominated by those insurance enterprises that are themselves based on mutuality (co-operation). Special legislation is provided to meet their case, as is also for general housing co-operative societies in urban districts which likewise are not co-operative undertakings in the legal sense of the term.

If the aforesaid development be taken into consideration, and with it the simultaneous social and economic progress which has taken place in Finland, one could expect the Co-operative Societies Act to have been amended several times in order to correspond to the changed conditions. But in fact only two minor amendments were made during the time the Act of 1901 was in force, because it was originally drawn up along comparatively broad lines and therefore could easily be applied according to the development which had taken place. This Act comprised only 36 sections.

There were nevertheless deficiencies in the Law on Co-operation of 1901, and therefore before long the Pellervo-Society suggested its thorough revision. The main defect of the old Act was that it did not provide a complete code regarding co-operative societies, and in many essential particulars merely referred to appropriate sections of the Joint Stock Companies Act. This caused difficulties in the interpretation of the law. In the long run it became more and more necessary to amend the provisions relating to the supplementary liability of members: by this is meant members' liability to assume responsibility within prescribed limits for their co-operative society's obligations and indebtedness, after it has been adjudged bankrupt, if its own funds should prove inadequate for meeting its obligations.

The amalgamation tendencies of co-operative societies having become ever more extensive with a view to rationalisation and higher development, the absence of provisions regarding fusion proved a direct obstacle to further progress.

As the proposals for the revision of the Law on Co-operation made by the Pellervo Society in collaboration with its affiliated central organisations and also those made by the Kulutusosuuskuntien Keskusliitto, did not lead to any result, the Pellervo Society jointly with its member federations and KK drew up a proposal for an entirely new law which was submitted

to the Government in 1944. A committee was appointed by the Government to examine this proposal; but in the end the committee drew up a completely new formula which was submitted to the Government in August 1952. On March 6, 1953 with this new proposal as a basis, the Government introduced a bill for a law on co-operative societies which the Diet approved on October 30, 1953, and which was confirmed and signed by the President of the Republic on May 28, 1954. This new Act came into force, as previously mentioned on January 1, 1955.

This new Act has shown recognition of the general co-operative principles which have become firmly established during the past decades. To determine the sphere of application of the Act there is a definition of the term »Co-operative Society» in its legal aspect. The Act defines a co-operative society as »an association in which membership and capital are not fixed in advance, and which carries on economic activities to support the economy or occupation of its members in such manner that members participate therein by availing themselves of the association's services». Membership in a co-operative society is open in the sense that the number of members may not be limited by rules in advance, and that members shall be free to resign from the society at will. A provision may be included in the rules that anyone fulfilling the conditions of admission to membership shall be admitted. Members are not personally liable for the society's debts, unless such a liability which in the Act is called supplementary liability, has been specifically laid down in the rules. Such a liability may be limited or unlimited; in the latter case it shall be fixed as a specified amount per member or share or as a certain proportion of the society's debts. By virtue of the new Act this supplementary payment may be collected from members after the co-operative society has become bankrupt or has been placed in a state of liquidation in order to avert bankruptcy. In the rules there may also be a provision that a member

shall pay to the society, apart from his share which is compulsory, an entrance fee, and even other payments following enrolment. Further it may be prescribed that the general meeting of a co-operative society shall have the power to include in the rules a provision by virtue of which special payments may be collected from members for special needs laid down in the rules during the operative life-time of the co-operative society. The entrance fee and special payments may, if so prescribed in the rules, be returnable to members. The provision concerning a special payment has been accepted by producers' societies in the form of members' loan. For the strengthening of its financial position a co-operative society shall, in addition to the share capital accumulated through the shares being paid, acquire a reserve fund which shall be increased until it is equivalent to three times the share capital. The reserve fund shall be used solely to cover such losses which cannot be covered by undivided surplus, other funds, or the share capital. The entire surplus shall belong to the society, unless the rules prescribe that it shall be used for other purposes. If any surplus be distributed to members, it shall be divided, if not otherwise prescribed in the rules according to the extent each member has made use of the society's services. During the society's time of existence no portion of the assets shall be distributed to any member except for that amount which is due to him as a dividend out of surplus.

Power to pass resolutions is exercised by the members attending a general meeting. Each member shall have one vote at the meeting; however if the rules specifically prescribe that a majority of the members shall consist of co-operative societies or other corporations, then each such collective member may be allowed more than one vote. The motion for which the majority of votes is given shall be deemed as the decision of the general meeting, unless otherwise provided for by law or by the rules of the co-operative society. Regarding amendments to rules, the law

has adopted the general and compulsory provision that no amendment may be made except by a qualified majority or on still more strict conditions.

The executive organ of a co-operative society shall be the Board of Directors elected at the general meeting. It shall represent the co-operative society and conduct its business transactions. Included in the law are detailed provisions regarding the Board's position and duties, the delegation of its powers to a special manager or managing director, and the right to sign for the firm. It may be laid down in the rules that another organ may be appointed to supervise the management and to conduct certain administrative tasks jointly with the Board of Directors. This body is, in many large societies, the Board of Administration to which may be entrusted the election of the Board of Management. For the inspection of the management of a co-operative society the general meeting of the society shall elect at least two auditors and their deputies for each financial year. The Act contains detailed provisions regarding the duties, qualification and disqualification of auditors. The Act also contains detailed provisions concerning the invalidity of a resolution made by the co-operative society, the granting of discharge to the organs of administration and auditors, the liquidation and dissolution of the society, and the fusion of co-operative societies.

The model rules which originally were drawn up by the Pellervo Society for local societies have been supplemented according to the needs of local units, jointly by the Pellervo Society and the respective central organisations. Four examples of such model rules have been included in this book. The model rules for co-operative dairies have been drawn up following the discussions between the Pellervo Society and Valio, the Central Federation of Co-operative Dairies. The model rules for co-operative credit societies have been prepared by the Central Union of Co-operative Credit Societies, and those for the SOK-movement

by its general Union, YOL, jointly with the Pellervo Society and the model rules for the KK-movement by the latter union. In addition the Pellervo Society has prepared and still continues to draft model rules for several other types of co-operative undertakings. As these patterns are model rules, local societies may agree to exceptions to such rules, but it has been ascertained that in practice co-operative societies approve the model rules, appreciating that not only are they a result of long deliberations, but also that they have been approved by their own central organisations.

A co-operative society is established by a written agreement, which shall embody the rules of the co-operative society. There shall be at least five founders, or if collective members shall form the majority, at least three. At the establishment of a co-operative society the founders are in regular contact with the respective central organisation which gives practical advice on the founding and other initial procedures. According to the Co-operative Societies Act a notification of establishment shall be made to the Trade Register, also of the alteration of rules, changes in the constitution of the administrative organs and the names of the persons entitled to sign for the firm. The Trade Register is kept at the Patent and Registry Office for the whole country. The establishment of a co-operative society and the alteration of the rules come into force only from the date on which they have been entered in the Trade Register. If the rules have been drawn up in compliance with the Co-operative Societies Act and the business intended is of such a nature as is legally permissible, the application for registration cannot be rejected. The Pellervo Society and the respective central co-operative organisations are today as far as the rules are concerned, in close contact with the Registry Office, as previously they were with the provincial administrations (governors).

# The Cooperative Societies Act

Given in Helsinki, May 28, 1954.

## Chapter I.

### *General Provisions*

#### § 1.

A cooperative society is a corporation whose number of members and amount of capital are not fixed beforehand, and whose object is, in order to support its members' domestic economy or trade or other enterprise (business), to carry out economic activities such that the members participate in the activities by making use of the corporation's services.

#### § 2.

Individuals as well as corporations and foundations may be members of a cooperative society.

#### § 3.

The members of a cooperative society shall not be personally liable for the society's debts, except as far as such liability, hereinafter called liability to supplementary payments, has been prescribed in the manner provided for in this Act.

## Chapter 2.

### *Formation of a Cooperative Society*

#### § 4.

Promotors of a cooperative society shall number at least five. If, however, the by-laws of the society provide that a majority of its members shall consist of cooperative societies or other corporations, not more than three promotors are needed.

A memorandum of association shall be set up; it shall contain the by-laws of the society. The memorandum shall contain the full names and domiciles of as well the persons elected to the first board of directors or, in case the board of directors is to be elected by a supervisory board, to the supervisory board, as the auditors. If any of the promotors contributes to the assets of the society with more shares than one, the number of his shares shall be stated, too.

The memorandum of association shall be dated, and signed by the promotors.

#### § 5.

There shall be stated in the by-laws of the society:

- 1) the firm-name of the society;
- 2) the municipality in Finland which shall be the society's domicile;
- 3) the society's objects;
- 4) the amount of one share, and the manner in which, and the time when, it shall be paid;
- 5) the manner in which the board of directors shall be organized, and the period for which it shall be elected;
- 6) the date of closing the society's accounts;
- 7) the time when the ordinary general meeting of the society shall be held, and, in case there shall be several such meetings annually, the matters which shall be handled at each of them; and
- 8) the manner in which notices for calling general meetings of the society shall be given and other notices of the society or of the council of representatives shall be served on the members.

#### § 6.

A member may be, by the by-laws, entitled or, according to grounds prescribed therein, obliged to take part in the society with more shares than one.

#### § 7.

The by-laws may provide:

- 1) that the general meeting shall be entitled to levy extraordinary payments for a purpose, prescribed in the by-laws and appearing during the society's existence, provided that the basis of such payments and the highest annual amount to be collected from one member shall also be stated;
- 2) that the members shall pay to the society entrance fees or other payments on ground of joining the society, provided that the amount of such payment or basis of its calculation shall be stated, too; and
- 3) that the members shall, as to the creditors of the society, be liable to supplementary payments, provided that the by-laws shall also state, whether such liability shall be limited or unlimited, and, in the former case, the extent of the liability, too.

A payment mentioned in paragraphs 1) and 2) of subsection 1, may also be prescribed to be refunded to the member.

#### § 8.

If the society is formed for a determined period of time only, or if non-members shall also be allowed to make use of its services, that shall be stated in the by-laws.

#### § 9.

The by-laws may provide that the decisive authority of the members shall, in all or some matters, be used, in stead of a general meeting of the society, by a council of representatives to be elected by the members; and the by-laws shall, then, contain necessary provisions in regard to the manner in which the council of representatives shall be elected, the tasks of the council, the number and the period of office of the members to be elected to the council, and the manner in which the council shall be supplemented in case a representative's seat is vacated before the expiration of his period.

## § 10.

If the society shall have an organ to supervise the society's administration or to take care of some administrative tasks besides the board of directors, the by-laws shall state such organ's duties, how it shall be elected, and the number and the period of office of its members; so also, if necessary, how they shall be convened to a meeting and how other notices shall be served on them.

## § 11.

The by-laws may prescribe that elections shall in certain cases be proportional; and the by-laws shall, then, contain necessary provisions concerning the formation of electoral groups, executive and supervising organs, and other matters, pertaining to such elections.

The council of representatives shall always be elected proportionally. If it be necessary to form electoral districts for different regions, the seats in the council of representatives may be allotted among such districts according to the number of members in each district, or to the aggregate number of their shares in the society, or to the extent in which the members in each district have made use of the society's services.

## § 12.

A notification of the formation of a cooperative society shall be delivered to the Trade Register, in observance of provisions thereof elsewhere. Such notification shall be signed by all members of the board of directors.

If the Register Authority is satisfied that the memorandum of association has been drawn up according to this Act, and that the by-laws of the society are in compliance with the provisions of this Act, and that the intended activities of the society are legally permissible, the society shall be entered to the Trade Register.

## § 13.

If no notification of the formation of a cooperative society has been delivered to the Register Authority within two years from the date of memorandum, the society shall not be entered to the Trade Register on basis of such memorandum.

## § 14.

Before the society has been entered to the Trade Register, it cannot acquire rights or incur liabilities, nor can it appear before courts or administrative authorities.

If any one acts on behalf of the society before it has been entered to the Trade Register, he shall be liable for any obligation thus arising as for his own debt. If such persons be more than one, they shall be liable jointly and severally. If a contract has been made expressly on behalf of a cooperative society to be formed, and if the society, within three months from the date on which it was entered to the Trade Register, has taken over the responsibility for such contract, and if the consideration has been used for the benefit of the society, the persons who acted on behalf of the society shall be free from liability.

## § 15.

After the society has been entered to the Trade Register, no one who has subscribed to the memorandum of association or has been, upon his own application, admitted to membership in the society, shall be entitled to refuse to pay the payments due from him, even if it be established that the memorandum of association is void either because it violates §§ 4 or 5 of this Act or for any other reason.

### Chapter 3

#### *Cooperative Societies Carrying on Money-lending Business*

## § 16.

If a cooperative society's activities comprise money-lending business, such additional provisions shall be included to the by-laws as are deemed necessary by the Ministry of Finance on basis of the character and extent of such business.

The by-laws of such society may deviate from the provisions in §§ 33 and 34, hereinafter, in regard to the size of the society's capital reserve and the manner of forming the same.



## § 17.

A cooperative society carrying on money-lending business shall not be entitled to grant credit to non-members, except in case the borrower is the State, a municipality, a congregation, another corporation of public law, or an association formed by several such corporations, or in case the society re-lends money granted by the State for a specified purpose.

## § 18.

There are provisions elsewhere thereon whether cooperative societies carrying on money-lending business and the central funds of such societies shall be entitled to accept deposits.

## Chapter 4

### *The Members of a Cooperative Society*

## § 19.

Any one who wishes to join a cooperative society shall make a written application thereof to the board of directors. The application shall be decided upon by the board of directors, except in case the by-laws provide that the competence in such matters shall rest with the general meeting, the council of representatives, or the supervisory board.

If the by-laws of the society provide that any one who is eligible to membership shall be admitted to the society, and if such provision has been entered to the Trade Register, the admission of a person who according to such provision is eligible to membership shall not be refused, except in case there is, on basis of the character and extent of the society's business or for some other reason, special reason to such refusal.

## § 20.

A member shall be entitled to resign from the society by a written notice to the board of directors.

The by-laws may provide that a member shall not be entitled to resign within a specified time, not more than three years, from his joining the society.

## § 21.

A member may, for reasons stated in the by-laws, be expelled from the society. A member who, in spite of a reproach given to him, has not fulfilled his duties as a member, may be expelled even if such reason to expulsion be not mentioned in the by-laws.

Except when the by-laws provide otherwise, the same organ of the society which is competent to admit new members shall decide on matters of expulsion.

If the competence to expel members rests with any other organ of the society than the general meeting, the expelled member shall be entitled to submit the decision to expel him to the general meeting by a written notification to the organ which made the decision, within one month after he was, by means of a certified extract from that organ's minutes, notified about his expulsion. The organ which had expelled the member shall be entitled to submit its decision upon its own initiative, too, to the general meeting.

Except when the by-laws provide otherwise, a resolution of the general meeting to expel a member may be challenged by such member at a court of law. Such action shall be initiated within three months from the resolution.

## § 22.

A member who has made a notice of resignation, shall be deemed, if, according to the by-laws, there is no hindrance to his resignation, to have resigned from the society at the time of the arrival of the said notice to the board of directors or to the person whom the board has appointed to receive such notices.

If a member has been expelled, his membership shall be deemed to have ceased as soon as the general meeting has resolved upon the matter, or the time mentioned in subsection 3 of § 21 has expired without any claim, mentioned in the said paragraph, having been presented by the expelled member.

## § 23.

Membership in a cooperative society shall not be transferred to another person.

If a member has assigned the right to his share to another person, a written notice to the society about the assignment shall have the same effect as if the assignor had then given a notice of resignation.

If the assignee applies for membership within six months from the assignment and if the application is accepted, the share payments of the assignor shall, notwithstanding any provisions in the by-laws concerning share payments, be allowed as payments on the assignee's share, up to the extent the assignor would have been entitled to get his share payments refunded by the society. In such case, the assignee shall also be entitled to the other economic benefits the assignor would have had if his membership had continued. If the assignee does not apply for membership, as herein provided, or if his application is refused, he shall have no other rights than those belonging to the assignor as a resigning member.

## § 24.

Notwithstanding that a member's membership has ceased because of his death, his heirs and other successors shall be entitled, after having given notice thereof to the board of directors, to make use of the deceased's rights in the society for one year's time after the death, not longer, however, than until one of his successors may have acquired membership as provided for in § 25.

## § 25.

If a deceased member's heir or other successor, whom the right to the deceased's share has been transferred to, is, upon his own application made within one year from the death, admitted to the society, the share payments of the deceased shall be allowed as payments on the successors share, and he shall also be entitled to the other economic rights which the deceased, as a member, would have had if he had still been alive.

The by-laws of the society may prescribe that the successor whom the right to the deceased's share has been transferred to shall be entitled to admission to the society, in case he is even otherwise

eligible to membership. If he wishes to make use of this right, the society shall be notified thereof within the time mentioned in subsection 1.

## § 26.

If a member wishes to increase or, by on assignment to another person or otherwise, to reduce the number of his shares in the society, the provisions in regard to joining the society or resigning from it shall apply, with the necessary modifications.

## § 27.

The board of directors shall keep a register of the members of the society. The register shall contain each member's full name and domicile, the number of his shares, and the date on which he joined the society or his membership ceased. If the members of the society are liable to supplementary payments, the members and, in case the extent of the liability depends on the number of a member's shares, even the shares shall be catalogued in running numerical order.

The members and creditors of the society, and other persons who show it to be in their interest, shall have access to the register of members.

## Chapter 5

### *Shares, Capital Reserve, and Surplus*

## § 28.

Each share shall be of equal amount.

The share capital consists of the amounts paid up on the shares.

## § 29.

The by-laws of the society shall prescribe whether the amount of a share shall be paid in one or more instalments, and within which time it shall be fully paid.

The by-laws may prescribe that one half of the value of the share shall in the first place be paid off in the manner that the

surplus accruing to the member during the time mentioned in subsection 1 shall be used for that purpose.

The by-laws may prescribe that the part of the amount of the share mentioned in subsection 2 shall be taken from the surplus accruing to the member during his membership, without any other liability for the member in regard to the said part.

### § 30.

When a member's membership has ceased, the amount paid up on his share shall be refunded to him or to the person whom his rights have been transferred to. Such refund shall take place one year after the date of the first balance-sheet after the termination of the membership. The refund shall take place only to the extent the assets of the society, according to the said balance-sheet, suffice thereto without touching upon the capital reserve or violating equal rights of other members then belonging to the society.

If the society goes into liquidation or is adjudged a bankrupt within one year from the date of the balance-sheet mentioned in subsection 1, the right to receive a refund on the share shall be determined according to the provisions concerning the distribution of the society's assets.

### § 31.

If, according to the balance-sheet mentioned in paragraph 1 of § 30, the debts and the capital reserve of the society together exceed the value of the society's assets, the person whose membership has ceased shall, notwithstanding the provisions in the by-laws mentioned in subsection 1 and 2 of § 29, be liable to pay that part of his share not yet paid in, not more, however, than his portion of the deficit. The society shall demand such payment within one year from the date of the said balance-sheet.

If the society goes into liquidation or is adjudged a bankrupt within one year from the date of the balance-sheet mentioned in subsection 1 of § 30, the full amount of the share shall be paid in, even if the membership has ceased.

In the case mentioned in subsection 2, or if the society otherwise goes into liquidation or is adjudged a bankrupt, a provision in the society's by-laws, mentioned in subsection 3 of § 29, shall not be invoked against the society or the bankrupted society's estate.

### § 32.

Any amount unpaid on a share may, notwithstanding a deceased member's successor has acquired membership according to § 25, be collected from the estate of the deceased, in case the society goes into liquidation or is adjudged a bankrupt within one year from the date of the first balance sheet after the death.

### § 33.

The society shall have a capital reserve, which shall be increased until it is equal to three times the share capital.

The by-laws may prescribe that the capital reserve shall be larger than provided for in subsection 1.

The capital reserve shall be used for no other purpose than to cover such losses which cannot be covered with unused surplus, other reserves, or the share capital.

### § 34.

Until the capital reserve has been increased to its full amount, at least one — tenth of the annual surplus shall be transferred to it, not, however, a smaller part of the said surplus than one-tenth of one per cent. of the annual turnover of the society.

### § 35.

The entire surplus shall belong to the society, as far as the by-laws do not prescribe it to be used for another purpose.

If any surplus is distributed to the members, it shall be divided, if the by-laws do not prescribe otherwise, according to the extent each member has made use of the society's services.

### § 36.

Notwithstanding any other provisions in the by-laws in regard to the manner of the members' share payments, at least one half — or a larger part, if the by-laws so provide — of the dividend payments to a member shall be used for paying off his share until it shall have been fully paid.

## § 37.

If the paid-in value of a member's share or any part of it has been used to cover the society's loss, all of his dividends shall be withheld to be paid for the share until the whole amount used to cover the loss shall have been recovered.

## § 38.

During the society's time of existence, no part of its assets shall be distributed to the members, except for the dividends out of the surplus the members may have right to. The provisions herein shall not prevent a member from being refunded with a part of the amount of his share if the general meeting has resolved that the share amounts shall be reduced.

## § 39.

If, during the society's time of existence, any part of its assets has been distributed in violation of this Act or the society's by-laws, each member shall be liable to refund, with an annual interest of six per cent., the amount he has thus obtained.

In addition to the member, even those persons shall be liable to cover the deficit according to the grounds in chapter 17 who have participated either in the resolution about the unlawful dividend or in the execution thereof.

## Chapter 6

### *Extraordinary Payments*

## § 40.

An extraordinary payment, mentioned in paragraph 1) of subsection 1 of § 7, shall be paid, in one or more instalments, within a reasonable time prescribed by the general meeting.

## § 41.

A new member shall be liable to pay the extraordinary payment, except in case the time of its payment had already expired when he joined the society.

## § 42.

A member's liability for an extraordinary payment, assessment of which had been resolved before his membership ceased, shall be effective thereafter, too, if the payment is levied for a financial year not later than the one during which the membership ceased.

In case a member's right to his share has been assigned to another, and the assignee has been admitted to the society on application made within the time limit prescribed in §§ 23 or 25, and if the assignee is, according to § 41, liable to pay the extraordinary payment, the former member or his estate and the assignee shall be jointly and severally liable for such extraordinary payment.

If the society goes into liquidation or is adjudged a bankrupt, the liquidators or the trustees in bankruptcy shall be entitled to collect an extraordinary payment only in case it had become due before the liquidation or bankruptcy commenced.

## Chapter 7

### *A Member's Liability to Supplementary Payments*

## § 43.

A member shall be, within the liability to supplementary payments prescribed in the by-laws, personally liable for the society's contracts and other debts, in case the society's own assets do not suffice to pay off the debts, after the society has gone into liquidation or has been adjudged a bankrupt.

## § 44.

A new member shall be liable to supplementary payments in regard to such debts, too, which the society already had when he joined it.

## § 45.

The liability to supplementary payments shall be determined on equal grounds for every member. The extent of such liability shall be the same for each member or, if it shall be determined according to the number of shares or other such ground, for each such unit.

## § 46.

The liability to supplementary payments may be changed in compliance with the provisions hereinafter regarding the alterations of the society's by-laws.

In case the by-laws are altered in order to reduce or abolish the liability to supplementary payments, it shall be allowed to prescribe that such liability shall remain unchanged in respect to such debts the society already had when the alteration of the by-laws became effective.

## § 47.

No payment due on basis of the liability to supplementary payments shall be set off against any claim the member may have against the society.

## § 48.

If the members are liable to supplementary payments, the board of directors shall keep all accepted applications for membership until the respective members' membership shall have ceased. Notices of resignation shall be kept for three years.

## § 49.

Although a member's membership has ceased, his liability to supplementary payments shall be effective if the society goes into liquidation or is adjudged a bankrupt within one year from the date of the first balance-sheet after the membership ceased.

There shall be no liability to supplementary payments for such obligations which arise after the membership has ceased. If, however, the heirs and other successors of a deceased member have, according to § 24, announced their intent to make use of the deceased's rights in the society, his estate shall be liable to supplementary payments also in regard to obligations arising during the time the successors use the membership rights of the deceased.

## Chapter 8

*The General Meeting and the Council of Representatives*

## § 50.

The power to pass resolutions, belonging to the members of a cooperative society, shall be exercised by the members present at a general meeting.

## § 51.

Except when the by-laws provide otherwise, the general meeting shall be held at the society's domicile.

## § 52.

An ordinary general meeting shall be called by two weeks' notice to the members at the least and an extraordinary general meeting by one week's notice at the least, except in case the by-laws prescribe another time limit.

If a matter is prescribed to be handled at two general meetings, the call to the second meeting shall not be given before the first meeting has been held. If neither of the said meetings is an ordinary general meeting, there shall elapse at least one month between the meetings.

Although no call had been given, a general meeting may be held, if all members are present and consent thereto; provided, however, that the board of directors shall be notified about the meeting in good time.

## § 53.

Every member shall have one vote at the general meeting. If, however, the by-laws prescribe that a majority of the members shall consist of cooperative societies or other corporations, the by-laws may also prescribe that such corporative member may vote with more votes than one.

An individual may not vote by proxy, except in case that is allowed in the by-laws.

## § 54.

At a general meeting, no one shall personally or by proxy or as proxy for another participate in discussion and decision in a matter pertaining to a contract between himself and the society. Nor shall he participate in discussion and decision pertaining to a contract between the society and a third person, if he may expect thereof a substantial benefit which might be incompatible with the interests of the society. The provisions herein shall also be applied in regard to a gift to be granted by the society, or to a legal action or other proceedings against him or a third person.

A member of the board of directors or a person, whom the board has entrusted with handling the current affairs or otherwise with a part of the society's administration, shall not participate in decision pertaining to accepting the accounts or granting release from responsibility — as far as regards such administration for which he is responsible — or in decision about appointing and discharging an auditor or fixing the auditor's remuneration.

Notwithstanding the provisions in subsection 1, the transferee cooperative society shall be entitled to vote about an amalgamating agreement, mentioned in § 150.

## § 55.

The general meeting shall resolve upon no other questions than those which, according to law or the by-laws, shall be handled at that meeting or which have been expressly mentioned in the call to the meeting. It shall, however, be permissible to resolve that a new general meeting shall be convened for a specified purpose and, if necessary, to elect a person to convoke the said meeting.

If a member desires a matter to be handled at an ordinary general meeting, he shall give a written notice thereof to the board of directors before the call to the meeting has been given.

## § 56.

If a proposition be made of such amendment to the by-laws which shall be handled according to subsections 2 or 3 of § 63 or which purports to increase the share amount, the substance of such proposition shall, at least thirty days before the first general meeting

to handle the proposition, be communicated to the members. Such communication shall, however, be unnecessary if all members give their written consent to the proposition.

The provisions in subsection 1 shall also be applied to matters mentioned in § 152.

## § 57.

Minutes shall be taken at each general meeting. If a resolution be a result of voting, the minutes shall show how the votes were divided. The minutes shall be approved and signed by the chairman of the meeting and by one or more persons, elected for that purpose by the meeting.

## § 58.

An ordinary general meeting shall be held within six months after the end of the society's financial year. After an auditors' report in due form has been presented, the meeting shall resolve:

- 1) on accepting the accounts of the preceding financial year;
- 2) on granting the members of the board of directors discharge from responsibility for the said financial year; and
- 3) on using the surplus, in case the general meeting, according to § 35, is entitled to decide this question.

The auditors and the members of the board of directors shall also be elected at the said meeting, in so far as the by-laws do not prescribe the said officers to be elected at another ordinary general meeting or in some other way.

Matters mentioned in subsection 1 may be postponed to be finally decided at an adjourned meeting, to be held not less than one and not more than two months after the first meeting. A separate call be given to such adjourned meeting.

## § 59.

An extraordinary general meeting shall be held when deemed necessary by the board of directors or requested in writing for a specified purpose by members who represent at least one tenth — or a smaller part, if so prescribed in the by-laws — of the total voting rights of the members of the society.

The auditors shall also be entitled to require an extraordinary general meeting to be convened, whenever their audit justifies it. If the auditors are not unanimous, the meeting shall nevertheless be convened, if at least one half of them so require.

#### § 60.

If the society has no board of directors, or if the person upon whom it lies to convene the meeting omits to convoke a general meeting which is to be held, in compliance with law, the by-laws, or a resolution of an earlier general meeting, the Provincial Government shall, upon application by a member of the society or of the board of directors, authorize him to convene the meeting at the expense of the society.

If a general meeting has not been convened within two weeks from a request mentioned in § 59, the Provincial Government shall, upon application by at least as many members or auditors as mentioned in the said section, authorize a member or auditor to convene the meeting at the expense of the society.

#### § 61.

Save in so far as the law or the by-laws make other provision in that behalf, the general meeting shall be deemed to have adopted the view for which the most votes have been given.

In case of an equality of votes, elections shall be decided by lot, but in other matters the chairman shall have the casting vote.

#### § 62.

If more than two persons have been nominated to an office or position and no one of them has received a majority of the number of votes recorded, a new election shall be held among those candidates who received votes in the first election; and that candidate shall be deemed as elected who receives a plurality of votes in the second election.

When several members are to be elected to the board of directors or, otherwise, several persons to similar offices or positions, the provisions hereinbefore in this section shall apply, except in case the by-laws prescribe these elections to be proportional.

#### § 63.

A resolution to alter the provisions of the by-laws shall be effective only if it has been concurred in by all members or if it has been passed at two consecutive general meetings, receiving at the second meeting, except in cases mentioned hereinafter, at least two-thirds of the number of votes recorded. Such concurrence may also be declared in writing before the meeting.

If the resolution purports to make a substantial alteration of the society's objects, or to continue the activities of the society after the duration prescribed in the by-laws, or to establish a liability to supplementary or extraordinary payments, or to increase such liabilities, or to alter the grounds of computing such payments, the resolution shall be effective only if it receives at the second meeting at least three — fourths of the number of votes recorded.

A resolution concerning a member's right to resign from the society or limiting a member's rights to the society's assets or surplus, shall not be effective if it is not carried unanimously by the members voting at the second meeting.

If the by-laws contain other stipulations in addition to the provisions hereinbefore, they shall be applied, too. The by-laws may also provide that an alteration of the by-laws, not mentioned in subsections 2 and 3 and not purporting to increase the share amount, need not be handled at more general meetings than one. The provisions in paragraph 1 regarding the second meeting shall, then, be applied in regard to such only meeting.

#### § 64.

A member who has not concurred in a resolution mentioned in paragraph 2 of § 63 or purporting to increase the share amount, shall be entitled to resign from the society within thirty days after such resolution has been entered to the Trade Register, notwithstanding any provisions in the by-laws limiting the right to resign; and if the resolution contains an increase in the payments, the resigning member shall be free from such increases. Who has not concurred in a resolution regarding a member's right to resign, shall also be entitled to resign from the society within the time limit mentioned hereinbefore.

## § 65.

An alteration of the by-laws shall be effective when it has been entered to the Trade Register. If the alteration purports to reduce the share amount or to reduce or abolish the liability to supplementary payments, it shall only be effective after the lapse of one year from the date of the entry to the Trade Register.

## § 66.

A general meeting shall pass no resolution whereby those participating in it obtain for themselves or another evidently unjust benefits at the expense of another member or of the society.

## § 67.

The provisions regarding a general meeting shall apply, with the necessary modifications, to a meeting of the council of representatives; no representative shall, however, vote by proxy.

One fourth of the representatives shall be entitled to request an extraordinary meeting of the council of representatives to be held. The by-laws may grant such right to a smaller number of representatives.

## Chapter 9

### *The Board of Directors and the Supervisory Board*

## § 68.

A cooperative society shall have a board of directors to be elected by the general meeting or, if so prescribed in the by-laws, by a supervisory board.

The by-laws may prescribe that one or more members of the board of directors, less than one half of their number, however, shall be appointed otherwise than in the manner provided for in subsection 1.

## § 69.

Only a Finnish citizen, resident in Finland and not under guardianship, may be a member of the board of directors.

Notwithstanding the provisions in subsection 1, the Council of the State may, in individual cases, permit that Finnish citizens residing abroad or aliens be members on the board of directors, not more, however, than one third of the whole number of members in the board.

## § 70.

The by-laws may prescribe one or more deputy members to be elected to the board of directors; and the provisions of this Act regarding the members of the board shall, with the necessary modifications, apply to the deputy members, too.

## § 71.

A member of the board of directors may be removed by the same organ which had elected him, although his period of office be still running. A member elected by the general meeting or by the supervisory board shall, however, be entitled to the remuneration belonging to the office even for the time remaining of his period of office, except in case the court orders otherwise.

## § 72.

If the office of a member of the board of directors becomes vacant before the expiration of his period of office, or if he loses his qualifications for the office, mentioned in § 69, the other members of the board shall cause a new member to be elected without delay for the remaining period of office of the former member. If the continuing members and deputy members of the board constitute a quorum and their number is not less than three, the election may, however, unless the by-laws provide otherwise, be postponed to the next regular elections for the board of directors.

## § 73.

If the board of directors consists of more members than one, one of them shall be chairman.



The chairman shall cause that the meetings of the board are held. Minutes shall be written at each meeting. The minutes shall be attested by the chairman, numbered each year currently, and preserved by the board.

#### § 74.

Except when the by-laws provide otherwise, more than half of the whole number of members on the board of directors shall constitute a quorum. No matter shall, however, be taken under consideration, if each member or, if any one of them be prevented, his deputy has not, as far as possible, been given an opportunity to participate. Except when the by-laws provide for a qualified majority or unanimity, the opinions of the majority shall prevail; in case of an equality of votes, the chairman shall have the casting vote.

The provisions in subsection 1 of § 54, regarding the incapacities of the members of the society, shall, in regard to the meetings of the board of directors, be applied to its members.

#### § 75.

The board of directors is entitled to appear for the society before courts and administrative authorities, and to represent the society in other respects, too. The same authority to represent the society is vested in the person or persons who, according to § 76, are authorized to sign for the society.

#### § 76.

The competence to grant an authorization to sign for the society rests with the board of directors or, if so provided in the by-laws, with the supervisory board or the general meeting. Such authorization shall not be granted to a person under guardianship, nor, except with a permission given by the Council of the State, to a person who is not a Finnish citizen resident in Finland.

When the authority to sign for the society is granted, it may also be ordered that such authority shall only be used by two or more persons collectively. No other limitations shall be entered to the Trade Register.

The authority to sign may at any time be revoked by the same organ which has granted it.

#### § 77.

The competence to grant an authorization to sign *per procuratione* shall rest with the board of directors or, if so provided in the by-laws, with the supervisory board or the general meeting.

It may be ordered that a person who has such authority to sign shall only be entitled to sign collectively with a person having the authority mentioned in § 76.

#### § 78.

The board of directors shall with all care look after the society's interests, and attend to its affairs according to law, the by-laws, and instructions given by the general meeting. The board shall not, however, obey a resolution of the general meeting mentioned in § 92, except in case the time within which an action to declare such resolution invalid shall be initiated has expired and the resolution would, if executed, neither be evidently incompatible with the interests of the society nor secure evidently unjust benefits to any person at the expense of a member of the society.

The provisions of paragraph 1 in regard to the board of directors shall be applied to other representatives of the society mentioned in § 75. Such representative shall also follow instructions given by the board within the framework of law and the by-laws.

#### § 79.

The board of directors shall take care of such accounting as be necessary with regard to the character of the activities of the society.

The board of directors shall make out a balance sheet and a profit and loss account for each financial year, and forward them to the auditors at least one month before the general meeting where they are to be presented for acceptance.

#### § 80.

The by-laws may provide that the board of directors shall be entitled to authorize one among themselves, under the board's supervision, to look after the current affairs or to take otherwise care of some part of the administration of the society. The by-laws may also entitle the board to grant such authority to a person not be-

longing to the board. Such authority shall not, however, be granted to a person under guardianship nor, except with a permission given by the Council of the State, to a person who is not a Finnish citizen resident in Finland.

The board may be given, in the by-laws or by a resolution of the general meeting, instructions in regard to persons to whom the authority to sign for the society may be granted.

#### § 81.

The provisions of § 66 shall analogically apply to the board of directors or another representative of the society mentioned in § 75.

#### § 82.

If the board of directors or another representative of the society has, when making a contract on behalf of the society, exceeded its or his authority, the contract shall not bind the society if the third person knew or should have known that the authority was exceeded.

#### § 83.

The board of directors or another representative of the society mentioned in § 75 shall neither convey real property owned by the society nor grant any hypothec for debt upon such property, except by virtue of an authorization in the by-laws or of a leave given by the general meeting. Such leave, which may be restricted to a specified property, shall not be given for a time longer than two years.

The provisions of subsection 1 shall also apply in respect to such building on another's land which may, together with the leasehold, be conveyed to a third person without any further permission from the landlord.

#### § 84.

The writ of summons shall be deemed to have been served on the society when it has been communicated to any member of the board of directors or to any person authorized to sign for the society, alone or collectively with some one else. The same shall apply to other notifications to the society.

If the board of directors wishes to bring an action against the society, it shall convene a general meeting to elect an attorney for the society. If no attorney is elected at the said meeting, the writ of summons may be served on any member of the society.

#### § 85.

The by-laws may prescribe that the society shall have a supervisory board. Such board shall be elected at the general meeting, and it shall consist of at least three members.

The supervisory board shall supervise that the society is administered in concordance with law, the by-laws and the resolutions of the general meeting and of the board itself. The by-laws may entrust the supervisory board as well with the election of the board of directors as with some duties belonging to the administration of the society. The authority to represent the society, vested under § 75 in the board of directors and under § 84 in any member of the said board, shall not, however, be restricted.

Neither a member of the board of directors nor a person entrusted with the current affairs shall be eligible to the supervisory board.

In other respects, the provisions regarding the board of directors and its members shall, with the necessary modifications, apply in regard to the supervisory board and its members.

## Chapter 10

### *The Auditors*

#### § 86.

The general meeting shall elect for each financial year at least two auditors, and deputies for them, to inspect the society's administration and accounts.

The by-laws may provide that one or more auditors, not more than one half of their number, however, shall be appointed otherwise than prescribed hereinbefore.

## § 87.

If the by-laws provide that an auditor shall be elected during the financial year which shall be the subject of his audit, his duties shall continue after the close of the said year until a new auditor shall have been chosen.

## § 88.

Each auditor shall be a Finnish citizen resident in Finland. He shall possess such knowledge of accountancy and economic matters which he needs, with regard to the activities of the society, to fulfil his duties properly.

No person shall be eligible for auditor who is:

1) a member of the board of directors or of the supervisory board or a person entrusted by the board of directors with the current affairs or with any part of the society's administration, or a person entrusted with keeping the society's books, attending to the society's moneys, or supervising to such attendance; and the persons mentioned herein shall comprise not only those who hold an office or position mentioned hereinbefore at the time of the election of the auditor, but also those who have held such an office or position at any time during the financial year to be audited or the years immediately preceding or following the same;

2) married with a person mentioned in paragraph 1);

3) brother or sister of a person mentioned in paragraph 1), or related with such person by lineal consanguinity or affinity; or

4) subordinated to or dependent from a person mentioned in paragraphs 1) or 2).

If a corporation, which has among its activities attention to common tasks of cooperative societies, has a special auditing department, such corporation may be elected for auditor. The corporation shall appoint a suitable person to perform the auditing. Such person shall have the qualifications mentioned in subsections 1 and 2; and the provisions hereinafter in this Act regarding an auditor's responsibility shall be applied to such person, too. The corporation elected for auditor and the person performing the auditing shall be jointly and severally responsible for any damage caused by the latter in his task.

## § 89.

An auditor may be removed by the same organ which had elected him, although his period of office be still running. The provisions in § 71 regarding the right of a member of the board of directors to receive his remuneration for the remaining part of his period shall be applied to the auditor, too.

If an auditor's office becomes vacant before the end of his period, or if he loses his qualifications for the said office mentioned in § 88, and if a deputy cannot be substituted for him, the board of directors shall without delay cause a new auditor to be elected.

## § 90.

The board of directors shall provide each auditor with an opportunity to inspect the society's property, books, accounting materials, and other documents, and give him such other information and assistance he needs for performing his task.

## § 91.

The auditors shall, for each financial year, give to the board of directors a written report on the society's administration and accounts at least one week before the general meeting where the accounts are to be presented for acceptance.

The auditors' report shall contain a statement on the results of their inspections, and an opinion whether the society's balance-sheet and profit and loss account, its accounting, or its administration in general, give reason to remark.

The auditors' report shall contain a specific opinion;  
on accepting the accounts;  
on granting the board of directors release from responsibility;  
on the board's proposition regarding the surplus or loss; and  
whether the said proposition includes the obligatory transfers to the capital reserve.

If the book value of a piece of property, intended for the society's permanent use, has been written up in the manner provided for in the Bookkeeping Act, that, too, shall be separately stated in the auditors' report.

In case the members are liable to supplementary payments, the auditors shall, on basis of the register of members, the applications

and notices mentioned in § 48, and the minutes, state in their report the number of the members and of their shares, and any changes occurred therein during the financial year.

## Chapter 11

### *Invalidity of a Resolution of the General Meeting*

#### § 92.

If a member of the society or of the board of directors is of the opinion that a resolution of the general meeting has not been adopted in a lawful way or that it otherwise is contrary to law or the by-laws, he shall institute an action against the society within three months from the date of the resolution.

The provisions in subsection 1 shall not be applied if the resolution, as purporting an unlawful distribution of assets, or contravening an enactment protecting public interest, or for some other reason, shall be regarded such that there must be a possibility to invoke its invalidity without need to institute any action within the prescribed time limit.

If a resolution in a matter which shall be entered to the Trade Register has not been joined by the qualified majority stipulated, an action to declare such resolution void may be instituted even after the time limit mentioned in subsection 1. If such resolution has been, in contravention of § 96, entered to the Trade Register, no action shall, however, be instituted thereafter.

#### § 93.

If a resolution of the general meeting is declared totally or partially void upon action brought by a member of the society, such judgment shall operate in favour of those members, too, who did not join in the action.

#### § 94.

When an action is brought to declare a resolution of the general meeting void, the court shall, before the final judgment is given,

have the power to enjoin the execution of the resolution. Such injunction may be revoked if reason thereto appears.

No separate appeal shall be taken from an injunction mentioned in subsection 1, or its revocation.

#### § 95.

The court shall without delay send to the Register Authority a notice, to be entered to the Trade Register, about an injunction mentioned in § 94, in case the resolution of the general meeting is such that it, according to law, causes an entry to the Trade Register. If the injunction is revoked, such notice shall be sent about the revocation, too.

#### § 96.

No entry shall be made to the Trade Register on basis of a resolution which, according to § 92, shall be regarded void. If the resolution is such that an action to declare it void shall be instituted within the time mentioned in subsection 1 of § 92, but no action has been instituted within the said time, the entry to the Register shall, however, be made, if there is no other hindrance thereto.

## Chapter 12

### *Release from Responsibility; and an Action on behalf of the Society against the Board of Directors, an Auditor, or a Member*

#### § 97.

Release from responsibility shall have been granted to a member of the board of directors, if a resolution thereupon has been adopted at a general meeting and the resolution has not been opposed by a minority representing at least one fourth of the total voting rights of

the society or, in case the resolution has been adopted at a meeting of the council of representatives, of the said council.

If no action concerning the society's administration during a financial year, about which accounts have been presented to the general meeting, has been instituted within six months from the meeting, release from responsibility shall be deemed to have been granted.

If the board of directors or a member thereof has, intentionally or negligently, given to the general meeting, in the balance sheet or otherwise, or to the auditors, in the accounts or otherwise, substantially incorrect or incomplete information as regards the undertaking of any measure or such measure's significance to the society, an action may be brought against a member of the board on basis of such measure, notwithstanding release from responsibility. An action, based on a criminal act of a member of the board, may even otherwise be brought against him, except in case the granted release from responsibility has evidently included even such act.

#### § 98.

If release from responsibility has not been granted to a member of the board of directors, persons who represent together at least one fourth of the total voting rights of the society or, if the question of the release from responsibility has been handled in the council of representatives, of the said council, shall be entitled to bring on behalf of the society an action, regarding the administration of the society, against him. The same provisions shall apply in regard to such action which may be brought notwithstanding release from responsibility.

If, after the action has been instituted, any of the original plaintiffs abandon it, the remaining plaintiffs shall not be prevented from continuing the action, even if they represent less than one fourth of the voting rights of the society or of the council of representatives.

Who has brought an action according to subsection 1, shall be liable for the court costs; but he shall be entitled to recover his costs from the society to the extent the means gained to the society suffice thereto.

#### § 99.

If a proposal to institute an action against an auditor on basis of § 160 has been adopted by the general meeting or by the council of representatives, or if such proposal has been joined in by a minority of the size mentioned in § 97, the provisions in § 98 shall apply in regard to the right of a member of the society or of the board of representatives to bring such action on behalf of the society. Such action shall be instituted within two years from the general meeting where the auditors' report was presented.

No action by the society against its member for damages on basis of § 159 shall be instituted after two years have elapsed from the resolution on which the action should be based.

If an action is brought on basis of a crime, the provisions elsewhere regarding the time to institute such action shall apply.

#### § 100.

If the society is adjudged a bankrupt within two years after the general meeting where the accounts were presented, the trustees in bankruptcy shall be entitled to bring an action against a member of the board of directors for his administration during the financial year for which the accounts were rendered, even if release from responsibility for the said financial year shall be deemed to have been granted.

The trustees in bankruptcy shall also be entitled to bring an action against an auditor or a member of the society, if the society is adjudged a bankrupt before the end of the time mentioned in subsection 1 and 2 of § 99.

An action mentioned in this section shall be instituted within one month from the creditors' last day to file their claims or, if the time to institute an action on behalf of the society has not yet expired, before the expiration of that time.

#### § 101.

Notwithstanding any other provisions on jurisdiction in civil cases, an action mentioned in this chapter may be instituted at the court at the society's domicile.

The court mentioned in subsection 1 shall be competent to try also an action for damages based on crime.

## Chapter 15

### *Liquidation and Dissolution of a Cooperative Society*

#### § 102.

If a cooperative society shall, because of a provision to that effect in the society's by-laws, cease with its activities, or if the number of members has reduced below the number mentioned in subsection 1 of § 4, and the society has not been joined by a sufficient number of new members within six months, the general meeting of the society shall resolve that the society shall be liquidated.

#### § 103.

A resolution to liquidate the society may be adopted for other reasons, too, than those mentioned in § 102. Such resolution shall, however, be effective only if it has been concurred in by all members or if it has been passed at two consecutive general meetings, receiving at the second meeting at least two-thirds of the number of votes recorded. Such concurrence may also be declared in writing before the meeting. If the by-laws contain other stipulations in addition to the provisions hereinbefore, they shall be observed, too.

#### § 104.

When the general meeting has resolved that the society shall be liquidated, the meeting shall elect one or more liquidators.

#### § 105.

If no entry about the society's liquidation has been made, on basis of a notification mentioned in § 111, to the Trade Register within sixty days from the time at which the society should, according to § 102, have passed a resolution for liquidation, the court, upon petition by any member of the society or of the board of directors and after having heard the society, shall order that the society shall be liquidated; and the court shall order the society to deliver, within a fixed time not shorter than six weeks, to the court a certificate that such entry has been made to the Trade Register, at the risk that the court will appoint the liquidators, one or more.

#### § 106.

If a cooperative society has no board of directors, entered to the Trade Register and capable to function, any member of the society or of the board of directors, or any creditor or another whose right may be concerned with the matter, shall be entitled to petition the court or, if the society's domicile be within the jurisdiction of a county court, alternatively to the county judge, for an order that the society be liquidated.

After such petition has been made, the society and those of its members and creditors who wish to deliver a statement in the matter, shall be summoned to appear before the court on a fixed day. The summons shall be given by a notice which shall be caused by the court or judge to be published in the Official Gazette and in at least one newspaper at the domicile of the society, at least two and at most four months before the said fixed day. The court or the judge may, for the time the matter is pending, appoint one or more provisional managers to take care of the society's property and affairs and to represent the society.

If the court is not satisfied, before the matter is taken up for final consideration, that the society has a board of directors, capable to function, the court shall order that the society shall be liquidated, and appoint the liquidators, one or more.

#### § 107.

If the Register Authority has received no returns regarding a cooperative society, entered to the Trade Register, for ten years, and the circumstances give reason to assume that the society is not carrying on its activities, the Register Authority shall, by a letter addressed to the society or by some other suitable means, inquire whether the society still exists. If it does not appear that the society still exists, the Register Authority shall, by a notice in the Official Gazette, request the society to give information about itself within three months from the publication of the notice. If it is not found out before the end of the time limit that the society still exists, it shall be regarded as dissolved, and it shall be struck off the register.

## § 108.

If a cooperative society fails to elect the liquidators, although the number of its members has decreased under the number mentioned in subsection 1 of § 4 and the society has not been joined by a sufficient number of new members within six months, those who, knowing the state of things, contribute to the resolution to continue the society's activities or act for the society, shall be jointly and severally liable for the arising obligations as for their own debt. If, after the end of the said six months, a sufficient number of new members join the society, such liability shall not exist for an obligation arising after the prescribed minimum number of members has again been attained.

## § 109.

If the liquidation of a cooperative society has been entered to the Trade Register, but the society has no liquidators, entered to the Register and capable to function, the court or, if the domicile of the society be within the jurisdiction of a county court, alternatively the county judge, shall appoint the liquidators, upon petition by a member of the society, a creditor, or another whose right may be concerned with the matter.

## § 110.

If a court or judge has ordered a cooperative society to be liquidated, a notice thereof shall be sent without delay *ex officio* to the Register Authority, to be entered to the Trade Register. If the court or judge has appointed a liquidator, a notice of the appointment, containing his full name and post-office address, shall be sent to the Register Authority without delay. If a provisional manager, mentioned in paragraph 2 of § 106, has been appointed, a notice thereof, containing his full name and post-office address, shall be sent to be entered to the Trade Register.

## § 111.

The liquidators shall immediately make a notification on the society's liquidation to the Trade Register. The notification shall

contain the names of the liquidators and their domiciles, and notice about how the society's firm-name shall be signed during the liquidation.

## § 112.

The society's general meeting shall, in connection with the election of the liquidators, elect one or more auditors and, if deemed necessary, deputies for them, to inspect the society's administration and accounts during the liquidation. If the court has appointed the liquidators, they shall without delay convene a general meeting to elect the auditors. If such meeting cannot be held, the liquidators shall petition the court or, if the society's domicile be within the jurisdiction of a county court, alternatively the county judge to appoint the auditors.

If the by-laws provide that one or more auditors shall be appointed otherwise than by an election at the general meeting, this provision shall be applied to the auditors in liquidation, too.

The provisions of this Act regarding auditors shall, with the necessary modification, apply to the auditors in liquidation, too.

## § 113.

When a cooperative society has gone into liquidation, the board of directors shall without delay make out and remit to the liquidators a balance sheet and profit and loss account for the time for which no accounts have been previously presented to the general meeting for acceptance.

The liquidators shall without delay remit the accounts to the auditors in liquidation, who shall give their report within one month. The accounts and the auditors' report shall be presented to the general meeting as soon as possible; and that meeting shall take up for consideration the question of granting the board of directors release from responsibility for the time for which the accounts were rendered.

## § 114.

The period of office of those who at the commencement of the liquidation were members of the council of representatives, shall

continue until the end of the liquidation. The council may, however, resolve that a new council shall be, according to the by-laws, elected even during the liquidation.

#### § 115.

The liquidators shall obtain a public citation to the creditors of the society to file their claims on a fixed day after one year. The liquidators shall make out and write in the society's book for inventories and balance-sheets a list and balance-sheet on the society's assets and debts. The assets shall be entered to the balance-sheet according to their sale value.

A copy of the balance-sheet shall be signed by the liquidators and remitted to the auditors in liquidation.

#### § 116.

The liquidators shall take care of the society's affairs during the liquidation. They shall realize the society's assets, as far as that be necessary for the liquidation, pay out the society's debts, and distribute the remaining assets among the members or use them for a purpose stipulated for the event of the society's dissolution in the by-laws or prescribed, on basis of an authorization in the by-laws, by the general meeting. The society's activities shall be carried on only so far as may be necessary for a beneficial liquidation.

The liquidators shall not, without an express leave of the general meeting, convey real property except by selling it at a public auction.

Save in so far as this section or other provisions regarding the liquidation provide otherwise, the provisions regarding the board of directors and its members shall, with the necessary modifications, apply to the liquidators.

#### § 117.

The firm-name of a cooperative society in liquidation shall be signed with the attached words »in liquidation.«

Whoever after the commencement of the liquidation signs for the society in contravention of subsection 1, shall be liable for the arising obligation as for his own debt, disregarding whether the society be also liable for the obligation or not. If two or more do so

together, they shall be jointly and severally liable. The liability mentioned herein shall not, however, exist if the obligee knew that the society was in liquidation.

#### § 118.

The liquidators shall give to the auditors accounts signed by all liquidators, for each financial year within two months after the year's end. If the liquidation has not been completed within two years, the liquidators shall besides state the reasons for the delay.

#### § 119.

The auditors shall, within one month after they received the accounts, give to the liquidators a report on the inspection of the administration and accounts. Thereupon, the liquidators shall without delay present the accounts and the auditors' report to the general meeting.

#### § 120.

If any assets are left over, after the claims of all creditors who had appeared on the day fixed by the public citation — § 115 — or who were known before the end of the fixed time, have been fully paid, and the necessary means have been set aside for any contested, undue, or other such debts which cannot be immediately paid, the paid-in amounts of the shares shall be refunded totally or, if the assets do not suffice thereto, partially in proportion to the paid-in amounts of each share. If there is still any balance, it shall, unless it is to be used for some other purpose in pursuance of subsection 1 of § 116, be divided among the members of the society *per capita* or, if so prescribed in the by-laws, according to some other ground.

If any shares have been refunded or any assets distributed in contravention of subsection 1, and if the society therefore cannot fulfil its obligations, each member shall be liable to repay the amount he has thus obtained. If any deficit arises thereby, the liquidators shall be liable for it according to the grounds provided for in §§ 160—162.

#### § 121.

After the liquidators have fulfilled their task, they shall give to the auditors the final accounts, whereto they shall append a report



on their administration from the commencement of the liquidation, a report on distributing the means or using them for the prescribed purpose, if any, and the accounting materials for the entire time of liquidation. In regard to the accounts, the provisions of § 119 shall be observed.

#### § 122.

When the accounts mentioned in § 121 have been presented to the general meeting, the cooperative society shall be deemed as dissolved; and a notification thereof shall be delivered to the Trade Register. The notification shall be signed by all liquidators, and a copy of the minutes of the general meeting where the final accounts were presented shall be appended thereto.

#### § 123.

If a member is of the opinion that he has not received, at the refunding of the share amounts or at the distribution of the balance, the part due to him, he shall, at the risk of forfeiting his right of action, institute an action against the society within three months after the final accounts were presented to the general meeting. The provisions of subsection 2 of § 120 shall apply to each member's duty to repay any amount collected by him, and to the liquidators' liability.

#### § 124.

If there is reason to believe that a cooperative society in liquidation has no assets or that the assets do not suffice to pay the costs of the liquidation, the court shall order that the liquidation shall be stayed and the society shall be deemed as dissolved.

A notice about the court's order shall be sent *ex officio* to the Register Authority, to be entered to the Trade Register.

#### § 125.

If, after the society, according to §§ 122 or 124, shall be deemed as dissolved, there appear new assets, or an action is brought against the society, or liquidation measures are otherwise needed, the liquidation shall be continued; and the liquidators shall without delay make an announcement thereof to the Trade Register.

If liquidation measures are needed after the society has been struck off the Trade Register according to § 107, the court or, if the society's domicile had been within the jurisdiction of a county court, alternatively the county judge shall, upon petition by any one whose right may be concerned with the matter, appoint one or more liquidators; and the provisions hereinbefore in this chapter in regard to liquidation shall thereafter be observed.

#### § 126.

The general meeting may resolve that an action for damages shall be brought against the liquidators and the auditors in liquidation. Any member, too, may bring such action on behalf of the society, and the provisions in subsection 3 of § 98 shall be applied in regard to the court costs.

The proceedings shall be instituted within six months after the final accounts were presented to the general meeting. If a liquidator or auditor has been discharged or he has resigned or died, before the liquidation was completed, the time limit shall be computed from the general meeting where the accounts for the year of the discharge, resignation, or death were presented.

The provisions in subsection 3 of § 97 and in subsection 3 of § 99, regarding a member of the board of directors and an auditor, shall be applied in regard to the liquidator and the auditor in liquidation.

If the society is adjudged a bankrupt during the liquidation or within two years after its end, the bankrupt's estate shall have the right to bring an action mentioned in this section. Such action shall be instituted within one month from the creditors' last day to file their claims in bankruptcy, except in cases mentioned in subsection 3.

#### § 127.

Notwithstanding any other provisions on jurisdiction in civil cases, an action mentioned hereinbefore in § 126 may be instituted at the court at the society's domicile.

The court mentioned in subsection 1 shall be competent to try also an action on damages based on crime.

## § 128.

If a cooperative society has, according to § 103, passed a resolution for liquidation and no situation has thereafter arisen which would have caused the society's liquidation according to § 102, the general meeting may, in case no shares have yet been refunded nor any supplementary payments collected, resolve that the liquidation shall be recalled.

Before the question on recalling the liquidation is taken up for consideration, the liquidators shall present to the auditors a report stating the reasons for continuing the society's activities. The auditors shall give their opinion on the report as soon as possible. The report and the opinion shall be displayed for the members for at least one week before the meeting, and they must be presented to the meeting, too.

## § 129.

A resolution to recall the liquidation shall not be effective if not made in the way mentioned in § 103.

When the liquidation has been resolved to be recalled, the liquidators shall without delay summon a general meeting to elect the board of directors and the auditors.

The board of directors shall deliver a notification on recalling the liquidation to the Trade Register.

## § 130.

When the liquidation has been recalled, the public citation to the creditors of the society, mentioned in § 11, shall be inoperative.

## § 131.

If a petition in a matter mentioned in this chapter has been given to a court, a county judge, or the presiding judge of a city court, but the court or judge holds that the petition, as being made to a court without jurisdiction or for some other reason, shall be dismissed without considering the merits, such order shall be written upon the documents, which shall be returned to the petitioner.

## § 132.

Appeal may be taken from an order by a county judge or the presiding judge of a city court according to the provisions regarding appeals from the judgments of a court of first instance.

The matters, handled by a county judge or the presiding judge of a city court, shall be, without writing any record thereon, entered to the docket of bankruptcy cases.

## Chapter 14

*Certain Provisions Regarding the Bankruptcy of a  
Cooperative Society, and Liquidation to  
Prevent Bankruptcy*

## § 133.

In case a cooperative society has been forced to suspend its payments or if its debts exceed the assets, the board of directors of the society shall petition that the society be adjudged a bankrupt.

If the members of the society are liable to supplementary payments and the debts can be paid off by collecting such payments, the board shall, in stead of a petition that the society be adjudged a bankrupt, make a petition to the court for an order that the society be liquidated. If the petition is granted, a short time shall be set within which the society shall elect one or more liquidators and they shall make the notification mentioned in § 111 to the Trade Register, at the risk that the court will appoint the liquidators. If it is no court day, the county judge or the presiding judge of the city court shall handle the matters mentioned herein.

The provisions of §§ 131 and 132 shall be applied in regard to matters mentioned hereinbefore in subsection 2.

## § 134.

If it appears during the liquidation of a cooperative society that the debts exceed the assets, the liquidators shall, except in case the members are liable to supplementary payments, immediately petition that the society be adjudged a bankrupt.

Chapter 15 contains provisions in regard to adjudging such cooperative society in liquidation a bankrupt the members of which are liable to supplementary payments.

### § 135.

During the bankruptcy of a cooperative society, the society, as the bankrupt debtor, shall be represented by its board of directors, or the provisional managers mentioned in subsection 2 of § 106 or the liquidators, in case such managers or liquidators had been elected before the commencement of the bankruptcy. There may, however, be elected in appropriate order a board of directors to replace the liquidators, or new members to the board, or new liquidators.

### § 136.

If no assets are left over after the bankruptcy proceedings have been completed, the society shall be deemed as dissolved at the time at which the bankruptcy administration presented its final accounts; and the bankruptcy administration shall deliver a notification thereof to the Trade Register.

If any assets are left over after the completion of the bankruptcy proceedings, and if the society was not in liquidation at the time at which it was adjudged a bankrupt, the board of directors shall convene a general meeting to decide whether the society shall continue its activities or whether it shall be liquidated. If the society was in liquidation at the time at which it was bankrupted, the provisions of subsection 1 of § 125 shall be applied.

## Chapter 15

### *Collection of Supplementary Payments*

#### § 137.

If it appears during the liquidation of a cooperative society that the society's debts exceed the assets, the liquidators shall, in case the members are liable to supplementary payments and the debts can be paid off by collecting such payments, immediately summon a general meeting to resolve on levying such payments.

The liquidators shall present to the meeting a written report on the society's situation, a list on the assets and debts, containing the assets according to their sale value, too, and an assessment plan, based on the said value, on the supplementary payments to be collected.

If the general meeting does not resolve that supplementary payments shall be levied, or if, after the meeting has resolved such payments to be levied, the whole amount of the deficit has not been collected to the society within sixty days from the meeting, the liquidators shall forthwith petition that the society be adjudged a bankrupt.

#### § 138.

If a cooperative society is adjudged a bankrupt after the general meeting has resolved that supplementary payments shall be levied, the execution of such resolution shall not be continued.

#### § 139.

The provisions of §§ 137 and 138 shall, with the necessary modification, apply also in case the society has been ordered to be liquidated by virtue of paragraph 2 of § 133.

#### § 140.

If a cooperative society the members of which are liable to supplementary payments has been adjudged a bankrupt, and if its assets, after the good debts have been collected and other uncontested assets have been realized, do not suffice to fulfil the society's obligations, the trustees in bankruptcy shall make out an assessment plan on the supplementary payments to be collected to cover the deficit.

#### § 141.

If the liability to supplementary payments is different in regard to various obligations and the amount collected does not suffice to fulfil all obligations, the collected payments shall be allotted among the various groups of obligations according to the grounds which, according to the by-laws, shall be observed at the assessment of the supplementary payments.

## § 142.

In case the liability to supplementary payments is unlimited, there shall be assessed, at the assessment to be instituted according to the provisions of this chapter, on each member the amount falling on his lot when computing *per capita* among those members upon which the assessment shall take place. If the by-laws stipulate some other ground for the assessment, it shall be observed.

## § 143.

At the assessment of the supplementary payments, mentioned hereinbefore in §§ 137 and 140, there may be assessed, within the limits of the liability of the members, in addition to the amount needed to cover the deficit, an amount not larger than 25 per cent. of the said deficit.

## § 144.

An assessment plan on supplementary payments, made out by the trustees in bankruptcy, shall be presented at an appropriately summoned creditors' meeting. The members of the society, too, shall be called to such meeting, in the manner provided for in the by-laws in regard to communications to the members.

## § 145.

If a member wishes to challenge the assessment plan mentioned in § 137, he shall institute an action against the society within thirty days after the assessment was presented at the general meeting.

A creditor or member dissatisfied with an assessment plan made out by the trustees in bankruptcy, shall institute his action with a summons served upon the trustees in bankruptcy within thirty days from the creditors' meeting where the plan was presented.

## § 146.

As soon as the assessment plan has been presented according to §§ 137 or 144, the liquidators or the trustees in bankruptcy shall, in the manner provided for in the by-laws in regard to communications to the members, demand each member to pay the amount assessed on him within thirty days from the service of the demand. The payments remaining unpaid shall be collected by the distrainer on peti-

tion by the liquidators or the trustees in bankruptcy and on basis of the assessment plan, in the manner provided for execution of a final judgment. Such collection may take place even if the assessment plan has been challenged, but, in such case, the amount collected may be paid out by the distrainer only against pledge or personal surety.

## § 147.

If, according to a certificate given by the distrainer, the amount assessed on a member cannot be immediately collected from him, the liquidators or the trustees in bankruptcy shall assess the lacking amount upon the other members within the limits of their liability, and collect the amounts thus assessed according to § 146.

## § 148.

If, in case a resolution to levy supplementary payments mentioned in § 137 has been adopted, a member has paid to the society a larger supplementary payment than the amount due from him according to the assessment plan, the excess payment shall be refunded from the means, if any, collected from other members according to the plan. If the society has been adjudged a bankrupt before such refund has been paid, the lacking amount shall be observed in the assessment plan made out by the trustees in bankruptcy; and it shall be paid to him from the means collected on basis of the plan, as far as such payment is possible without violating the creditors' rights.

## § 149.

In the case mentioned in subsection 1 of § 49, the provisions hereinbefore in this chapter regarding a member shall be applied in relation to a former member or such member's estate.

## Chapter 16

### *Amalgamation of Cooperative Societies*

## § 150.

Cooperative societies may conclude an agreement that a society, hereinafter called the transferor society, shall be merged to another.

hereinafter called the transferee society, in the manner that the members of the transferor society become, upon conditions stated in the agreement, members of the transferee society and that the transferor society ceases to exist without the ordinary liquidation procedure, as the transferee society obtains all the assets of the transferor society and becomes liable for the latter's debts.

#### § 151.

An amalgamation agreement shall not be concluded if the general meeting of the transferor society has not accepted a proposal thereof.

The following documents shall be presented at the meeting and displayed for the members of the transferor society for at least one week before the meeting:

- a complete proposal to the amalgamation agreement;
- copies of the balance-sheets, profit and loss accounts, and auditors' reports of the both societies for the preceding financial year;

- a report signed by all members of the board of directors of the transferor society, containing a statement on all matters which may be significant in regard to the suitability of the proposal; and

- an opinion by the auditors of the transferor society on the report mentioned in the preceding clause, as far as it regards to the position of the society.

#### § 152.

A resolution to accept a proposal to amalgamate shall be effective only if it has been concurred in by all members or if it has been passed at two consecutive general meetings, receiving at the second meeting at least two-thirds of the number of votes recorded. Such concurrence may also be declared in writing before the meeting. If the by-laws contain other stipulations in addition to the provisions herein, they shall be observed, too.

#### § 153.

Within four months after the general meeting of the transferor society has resolved to amalgamate or, in case the resolution has been challenged, after the action has been rejected by a final

judgment, the boards of directors of the both societies shall petition the court at the domicile of the transferor society for permission to the amalgamation. Two copies of the minutes of that general meeting of the transferor society where the proposal to amalgamate was accepted, shall be appended to the petition; and those minutes shall contain the complete proposal to the amalgamation agreement; and a list, signed by the board of directors of the transferor society, over that society's known creditors, with information of their post-office addresses, shall also be appended to the petition.

#### § 154.

The court shall, by a public announcement, request all creditors, who will reserve themselves a right to get their claims paid by the transferor society, to notify the court thereof at a fixed day after the course of six months. The announcement shall be immediately displayed at the court's door and published three times by the court in the Official Gazette, for the first time at least five and for the third time at least two months before the said fixed day. The Provincial Government and all known creditors shall be separately notified about the announcement, and such notice shall be sent by the court to each creditor in Finland at least one and to each creditor abroad at least three months before the said fixed day. If the court is satisfied that the claims of the creditors who have made the reservation mentioned hereinbefore have been paid off or that a security approved by the court has been rendered for them, the court shall grant its permission for the amalgamation.

#### § 155.

Within six months after the court has granted the permission mentioned in § 154, the boards of directors of as well the transferor society as the transferee one shall make a return of the amalgamation to the Trade Register. A copy of the amalgamation agreement, the court order in original or a copy thereof, and a certificate that the order is final, shall be appended to the return.

If no return has been made in pursuance of paragraph 1, the amalgamation agreement shall be inoperative.

## § 156.

The amalgamation shall be deemed as completed when it has been entered to the Trade Register.

## § 157.

Even if a cooperative society is in liquidation, it shall not be prevented from amalgamating with another cooperative society.

## § 158.

Any member of the transferor society who has not concurred in the amalgamation proposal, shall be entitled, with the effect mentioned in § 64, to resign from the society within thirty days from the final resolution of the general meeting, even in case the by-laws restrict the right to resign.

If a member mentioned in subsection 1 has, within the time prescribed therein, resigned from the society or if his membership has for any other reason ceased within the said time, he or his successors shall be entitled to be refunded by the transferee society immediately after the amalgamation with the whole amount paid up on his share. A person whose membership has ceased earlier shall have a similar right to receive a refund on his share, in case there was no day of closing the society's accounts after the membership ceased but before the general meeting finally resolved to amalgamate.

If the membership has ceased later than mentioned in subsection 1, the right to receive a refund on the share shall be determined according to the grounds which by virtue of §§ 30—32 apply in relation to members of the transferee society. The same provisions shall be applied in case a person's membership has ceased after he had concurred in the resolution to amalgamate.

## Chapter 17

### *Liability for Damages*

## § 159.

If a cooperative society or any member thereof has suffered any damage because of a resolution of the general meeting, whereby

the members participating in it have obtained for themselves or another evidently unjust benefits, those who have, by participating in the resolution, caused the damage intentionally or by gross negligence shall compensate such damage.

## § 160.

A member of the board of directors, another representative of the society mentioned in § 75, administrator of the society mentioned in § 80, auditor, liquidator, auditor in liquidation, and provisional manager mentioned in § 106, shall be liable to the society for any damage caused to the society by them in their task, intentionally or negligently.

## § 161.

A member of the board of directors and any one else mentioned in § 160 shall compensate any damage caused by them to a member, a creditor of the society, or a third person, by violating law or the by-laws, intentionally or negligently.

## § 162.

If a person, liable for damages according to §§ 160 or 161, is guilty of slight negligence only, the amount of the compensation may be reduced if such reduction be considered fair in regard to the extent of the damage and other circumstances.

If a damage mentioned in this chapter has been caused by several persons, they shall be liable jointly and severally, provided that if the liability of any of them has been reduced according to subsection 1, he shall be liable only with the amount thus reduced. As between those liable for damages, the liability shall be divided according to what is considered fair in regard to the extent of guilt of each of them, and to other circumstances.

## Chapter 18

### *Particular Provisions*

## § 163.

The memorandum of association (§ 4), application for membership (§ 19), notice of resignation (§ 20), notice of transfer of

share (§ 23), application by a deceased member's successor for membership or notice by such person that he will use the right to join (§ 25), and the declarations, mentioned in §§ 56, 63, 103, and 152, to join in a resolution, shall be attested by two persons. If the members are liable to supplementary payments, a notice of resignation shall be made in duplicate; one of the copies shall be returned with a note about the time at which the notice had been received by the board of directors or by the person appointed by the board to receive such notices.

The signatures of a notification to the Trade Register, in case such notification is delivered by proxy, and the signatures of the persons authorized to sign for the society, in a notification regarding such authorization, shall be attested in the manner provided for in subsection 1.

§ 164.

In addition to the provisions in this Act, the provisions separately enacted shall be applied in regard to the notifications about a cooperative society to the Trade Register. In case a notification, regarding a change in the membership in the board of directors or in the authorizations to sign for the society, shall be made, the person whose membership or authorization has ceased, shall be entitled to make such notification.

§ 165.

In case the by-laws of a cooperative society provide that any controversies between the society, on the one hand, and a member of the board of directors or another representative of the society mentioned in § 75, a liquidator, or a member of the society, on the other hand, shall be decided by arbitrators, such provision in the by-laws shall be of equal force as if the parties had agreed to refer the controversy to arbitrators.

Helsinki, 28th of May, 1954.

President of the Republic:

J. K. PAASIKIVI

Minister for Trade and Industry Penna Tervo.

## MODEL RULES



## Model Rules for Small Co-operative Dairy Societies.

### § 1.

The name of this Co-operative Society shall be the ..... **Name and**  
Co-operative Dairy, and its domicile the commune/town/market town **domicile**  
of — — — — —.

### § 2.

The object of this Society shall be to support its members' agri- **Sphere of**  
culture by carrying on a dairy business, utilise and market members' **activity**  
dairy products and otherwise promote and develop members' milk-  
production.

The Society may, should the general meeting of the Society so  
decide, extend its activities in the utilisation, selling, and other  
business to other branches promoting and supporting members' dairy  
industry and agriculture and provide professional motor transport  
for the service of members.

The services of the Dairy Society are also available to non-  
members. unless the general meeting of the Society otherwise  
determines.

### § 3.

A person wishing to become a member of the Society shall sub- **Admission**  
mit a written application witnessed by two persons to the Board of **of members**  
Directors of the Co-operative Society. The Board decides regarding  
admission of a member.

If the Board does not accept applicant as a member, the Board may submit the matter to the general meeting of the Society for decision.

#### § 4.

##### Shares

A member shall take up at least one share against each quantity of 2 000 litres of milk delivered by him annually to the Dairy Society., in any case no less than one share.

The number of shares shall be controlled at least every second year.

#### § 5.

##### Value of share

The value of one share shall be ..... (....) marks. Of each share, ..... (....) marks shall be paid immediately, The remainder shall be collected at the times fixed by the Board, by instalments either retained from the milk accounts or otherwise in ready cash, within a period of five (5) years.

#### § 6.

##### Entrance fee

For each share taken up by a new member and each additional share subscribed for by a member an entrance fee shall be paid.

The heir or other successor of a deceased member who has succeeded to the deceased's share as well as a member's descendant or adopted child to whom the member has assigned his share is exempt from the payment of the entrance fee. In other cases of assignment the entrance fee shall be paid.

The general meeting of the Dairy Society shall have the power to prescribe that no entrance fee shall be collected for additional shares of a certain kind or for additional shares in general.

The entrance fee which shall not exceed ..... (....) marks, shall be fixed by the Board annually to an amount equal to the ratable part of one share in the reserve fund augmented with the additional value, if any, which the assets of the Society are estimated to actually have in excess of their book value.

The entrance fee shall be collected, in accordance with detailed directions given by the Board either by deducting it from the milk account or otherwise in ready cash within a year.

The entrance fee shall not be repaid.

#### § 7.

The general meeting of the Society shall have the power to pass a resolution that there shall be collected from the members an extraordinary payment as a loan for the improvement of the financial standing of the Dairy Society during the activities of the Society.

The loan shall be levied on the members proportionately according either to the number of shares or to what extent each member avails himself of the Society's services or on the basis of both these considerations.

During each financial year such a loan may be assessed on a member, to be paid in one or several instalments at most to a total amount equal to the total nominal value of the member's share.

The amount of the loans collected shall be repaid to the members at the earliest after the lapse of one year and not later than after ten years counted from the end of the financial year during each item of the loan has been collected from the members. If the member's membership ceases before this, the loan shall be repaid to him at the same time as the amount of his shares. The loan may be repaid on the same general conditions as the shares.

The general meeting of the Society shall, within the limits determined in this section, decide how much, on what basis, by which instalments, within which time and on what terms each time loans shall be levied on and be repaid to members; otherwise the Board shall decide on the loan.

#### § 8.

The general meeting of the Society may resolve that the members shall make on extraordinary payment for the purchase of real estate, for renovation and reparation of buildings or for the acquirement of new machines and equipment.

This payment, to be collected from the members according to the number of shares, may be required from a member during each financial year in one or several instalments to the maximum amount of half the nominal value of the member's shares.

Whenever the general meeting resolves that an extraordinary payment be levied the meeting may at the same time prescribe that the payments to be collected shall be either entirely or partially refunded to the members, as well as when such repayment shall be made or

**Other  
extra-  
ordinary  
payment**

**Extraordi-  
nary pay-  
ment in the  
form of  
members' loan**

shall earliest be made. The sums thus to be refunded may be repaid on the same general conditions as the shares.

The sums collected, which the general meeting has not, in connection with the resolution to levy them, prescribed to be returnable, must not be repaid to members, but they belong to the Society outright.

The general meeting of the Society shall within the limits referred to in this section determine how much, on what basis, by which instalments and within which time each payment shall be taken from and be refunded to members; otherwise the Board shall decide on the payment.

A resolution of the general meeting of the Society to levy or to repay an extraordinary payment referred to in this section shall be effective only if it has received at the meeting at least two-thirds of the number of votes recorded.

#### § 9\*).

#### **Personal liability of member**

The members are personally liable for the obligations and other debts of the Society.

#### § 9\*).

#### **Supplementary liability**

The members are personally liable for the obligations and other debts of the Society to a maximum of ..... (....) marks per share/member.

Within the limits of this supplementary liability the members are personally liable for the obligations and other debts of the Society after the Society has gone into liquidation or has been adjudged a bankrupt, should the Society's own assets be insufficient for the payment of debts.

\*) The alternative not approved to be deleted.

#### § 10.

#### **Member's duty to avail himself of the services of the Society**

A member shall deliver to the Society's Dairy for a later settlement all the milk and cream from his cattle neither used in his own or his labourer's household nor by permission and on the conditions fixed by the Board- sold for consumption in the immediate surroundings.

A member who, either entirely or partly, neglects the duty referred to in clause 1 shall pay to the Society in compensation a sum equal to at least the total amount paid by him on his shares the total amount which, according to these rules could be collected from him as payments for shares.

This compensation, which is not dependent on whether or not the Society has suffered any loss, shall be fixed by the Board.

#### § 11.

A member is obliged:

1) to carefully observe the general instructions issued by the Board regarding the tending, feeding and milking of cattle, the handling, keeping and transport of milk etc.;

2) to permit an inspection at any time, by the Board or a person empowered by it, of the member's animal husbandry and dairying;

3) to follow the instructions which the inspectors or the Board consider necessary as a consequence of the inspection;

4) to inform the Board of any outbreak of infectious diseases affecting humans or animals;

5) not to deliver to the Society the milk of a cow suffering from an infectious disease or which has been treated by penicillin or some other medicine comparable to it which can be detrimental to the products of the dairy society, and not to deliver the milk of newly calved cows earlier than five days after the calving; and

6) to otherwise observe in his household the regulations regarding general hygiene.

If a member does not observe the directions and the instructions stipulated in this section and does not heed a warning, the Board shall have the power to order that the Society shall not accept the member's products for a fixed period or until improvement has occurred.

#### § 12.

The initial price of milk or cream to be paid for each month shall be fixed during the following month on the basis of the butterfat contents of milk or cream and the income yielded by the Society's products for the month in question.

For skimmed and sour milk and other products supplied to members a price to be fixed by the Board shall be charged.

#### **General obligations of member**

#### **Price and payment of products**

In fixing the price of milk and cream, their quality shall also be taken into consideration in the manner prescribed by the Board.

After the initial price has been fixed and the initial settlement calculated, the initial price shall be paid to each member as soon as possible.

The final price shall be fixed and the final milk account settled before the drawing up of the balance sheet for the calendar year in question.

Advance payments against account may be made if the Board so decides.

### § 13.

**Reserve and other funds** The reserve fund of the Society shall be accumulated until it equals at least three times the share capital.

So long as the reserve fund does not amount to the said minimum sum, there shall be allocated to it:

1) the entrance fees and the compensations to be paid by members; and

2) such a part of the annual surplus as shall be stated hereinafter.

Besides the reserve fund the Society may also have other funds.

### § 14.

**Surplus** Of the annual surplus, at least one fourth shall be transferred to the reserve fund until it has reached its full amount, in no case less than one tenth of one per cent of the annual sales of the Society.

The remainder of the surplus shall be used by resolution of the general meeting of the Society, for the Society's own needs, for distribution to members, or for grants for the promotion of dairy business or agriculture or for purposes of public utility.

The surplus to be given to members shall be distributed to them in the first instance according to the extent each member has availed himself of the Society's services during the financial year under review.

Surplus may also be distributed to members, either entirely or besides the manner mentioned in the preceding clause, by paying on the amounts paid for their shares before the beginning of the past financial year, of the surplus an interest at a rate not in excess of the interest rate on the savings account of the co-operative credit societies.

### § 15.

The ordinary general meeting of the Society shall be held twice a year on the dates fixed by the Board: the Spring meeting before the end of May and the Autumn meeting before the end of November. **Meetings of the Society**

At the Spring meeting the following matters shall be considered:

1) presentation of the annual report of the Board, the balance sheet and the auditors' report;

2) confirmation of the balance sheet for the preceding financial year;

3) granting of discharge to the Board members for the said accounting period;

4) allocation of the surplus; and

5) any other matters mentioned in the call to the meeting.

At the Autumn meeting the following matters shall be considered:

1) presentation of the report of the Board on the activities of the Society for the first half of the current year;

2) fixing of the remunerations of the Board members and auditors for the following calendar year;

3) election of members to the Board;

4) appointment of one or more members of the Board to sign, together with the manager, the balance sheet and the profit and loss account;

5) election of at least two auditors and their deputies for the following accounting period, one of whom shall be a representative of the Dairy Union; and

6) any other matters mentioned in the call to the meeting.

An extraordinary general meeting of the Society shall be held, whenever considered necessary by the Board or otherwise required by law.

### § 16.

The notice convening the general meeting of the Society shall be given to members at least seven (7) days before the meeting by means of an announcement inserted in at least one newspaper having a wide circulation among members or approved by the general meeting of the Society, and moreover displayed on the wall of the Society's dairy. **Notice convening meetings and other notifications**

Other notifications to members shall be given either by announcements posted on the wall of the dairy or in a testifiable manner in writing.

### § 17.

#### Board of Directors

The Board of Directors shall consist of ( ) members who are elected from among the members of the Society for three calendar years at a time.

A member of the Society who does not regularly take advantage of the services of the Society shall not be a member of the Board.

One third of the Board members shall retire annually, first by lot and then in rotation.

The Board shall appoint from its own number a chairman and a vice-chairman for one calendar year at a time.

### § 18.

#### Board meetings

The Board forms a quorum if there are present more than one half of the total number of members. Matters shall not be taken up for consideration, unless, as far as is possible, opportunity to participate in their consideration has been given to all Board members.

At Board meetings the decision shall be the opinion supported by the majority; and in the event of a tie, the chairman shall have the casting vote.

At the meeting, minutes shall be kept and be signed by all the Board members present. The minutes shall be kept annually in numerical order and held in custody by the Board.

The Board meets at least once a month at the invitation of the chairman and, among other matters, has the task of:

- 1) fixing the price payable for products supplied to the Society;
- 2) supervising the management of the Society's finance, bookkeeping and stock of products, or appointing some of its members to carry out such inspections from time to time;
- 3) appointing delegates to the meetings of other associations at which the Society may be represented only by a person empowered by the Board; and
- 4) dealing with other matters within the authority of, and requiring measures by the Board.

### § 19.

The business transactions of the Society are conducted by the **Manager** manager of the Society, who shall be engaged and dismissed by the Board. The manager shall act as secretary at the board meetings.

### § 20.

The Board may grant the right to sign for the Society to the chairman, the vice-chairman, or the manager, either so that each of them may sign separately, or so that two of them sign conjointly. **Right to sign for the firm and per procuratione**

The Board has also the power to grant the right to sign per procuratione.

### § 21.

The date of the closing of the Society's books is the last day of the calendar year. **Financial year and balance sheet**

The balance sheet and the account books shall be compiled and the report of the Board and other necessary documents shall be submitted to the auditors for inspection a month before the ordinary Spring meeting of the Society, in no case later than before the end of March.

### § 22.

The auditors shall for each accounting period submit a written report on the management and accounts of the Society to the Board, at least a week before the ordinary Spring meeting of the Society. **Audit and report thereon**

The auditors' report shall contain a statement on the result of the auditors' inspection and a statement as to whether there is reason for any remark on the balance sheet, the bookkeeping of the Society, or otherwise on the conduct of the Society's business transactions.

The auditors' report shall contain a special comment on the approval of the balance sheet, the granting of discharge to the Board,

the proposal made by the Board regarding the surplus or loss and as to whether the proposal of the Board contains the obligatory transfers to the reserve fund.

If the book value of an item of property, intended for constant use of the Society, has been increased in the order prescribed in the Bookkeeping Act, that too, shall be separately mentioned in the auditors' report.

\*) In addition the auditors shall, on basis of the register of members, the applications for membership, the notices of resignation, and the minutes, state in their report the number of members and shares and any changes, occurred therein during the financial year.

\*) This last clause to be deleted in case the members of the Society are not liable to supplementary payments.

### § 23.

#### Hypothec for debt

The Board shall have the power, without the permission of the general meeting of the Society, to grant a hypothec for debt on the Society's real property, or buildings on leasehold with leasing rights. If however, the debt for the security of which the hypothec is applied for by one and the same application, exceeds ..... (....) marks, the hypothec may be granted only by leave of the general meeting of the Society.

### § 24.

#### Member's withdrawal

A member shall not resign from the Society before at least two years have passed since his admission to membership.

### § 25.

#### Rights of successor of deceased member

The heir or other successor of a deceased member to whom the right to his shares has been assigned, is entitled to become a member, as far as there are otherwise prerequisites for his admission to membership.

The successor wishing to take advantage of this right shall advise the Society thereof within a year from the date of death.

### § 26.

#### Expulsion of member

A member may be expelled from the Society:

- 1) if, having received a warning, he does not in time make due payments to the Society or fulfill other membership obligations;
  - 2) if he entirely or partly ceases to take advantage of the services of the Society;
  - 3) if he causes substantial damage to the Society or otherwise acts contradictory to the interests and objects of the Society;
  - 4) if he is adjudged a bankrupt or placed under guardianship!
- The expulsion of a member shall be decided by the Board.

Decision of expulsion may be submitted for the consideration of the general meeting of the Society but not to any court.

### § 27.

A resolution to voluntarily dissolve and liquidate the Society shall be effective only if concurred in by all the members of the Society, or if passed at two consecutive general meetings, receiving at the second meeting at least two-thirds of the number of votes recorded.

#### Dissolution of the Society

The call to the second meeting shall not be issued before the first meeting has been held.

If neither be an ordinary general meeting there shall be an interval of one month between them.

### § 28.

If the Society be dissolved, the general meeting of the Society shall decide how the assets amassed by the Society shall be used.

#### Allocation of assets on dissolution of a Society

In so far as it be decided to distribute the assets among members, this allocation among them shall be made on the basis of the proportional figures obtained, when the number of shares owned by each member is multiplied by the number of years during which he has been a member of the Society. The membership of a member who has joined the Society in consequence of an assignment of shares is calculated from the admission to membership of the assignor.

If the saving is not distributed, it shall be used for the promotion of dairy industry or agriculture or for purposes of public utility.

### § 29.

Disputes between the Society on one side, and a member of the Board or another representative of the Society, a liquidator or a member of the Society on the other side shall be settled by arbitration, in compliance with the Arbitration Act.

#### Arbitration

### § 30.

1. A resolution to alter these rules is effective only, if the resolution has been passed at two consecutive general meetings of the Society, receiving at the second meeting:

#### Alteration of rules

a) all the votes recorded, in case the resolution concerns a member's right to resign from the Society, or limits the member's right to the Society's assets or surplus;

b) at least three-fourths of the number of votes recorded in case the resolution purports to make a substantial alteration in the Society's objects, or to establish a liability to supplementary or extraordinary payments, or to increase such liabilities, or to alter the grounds of computing such payments;

c) at least two-thirds of the number of votes recorded, in case the resolution purports to increase the value of shares.

2. A proposal to alter the rules in any way other than those referred to hereinbefore in this section, need not be discussed at more than one general meeting; and the decision then made is valid, if at least two-thirds of the number of votes recorded have been given for the proposed alteration.

3. If such a proposal is made for the alteration of the rules which, according to the aforesaid clauses (a), (b) and (c) of subsection 1 of this section shall be discussed at two consecutive general meetings, the substance of the proposal shall at least 30 days before the first meeting, be brought to the knowledge of the members of the Society in the manner prescribed in these rules for the giving of notice.

Call to the second meeting shall not be issued before the first meeting has been held.

If neither be an ordinary general meeting, there shall be at least an interval of one month between them.

### § 31.

Otherwise the Co-operative Societies Act in force shall be applied.

General  
statement

## Model Rules for large Credit Societies

### *Rules of the Co-operative Credit Society*

#### § 1.

The name of this Co-operative Credit Society is Co-operative **Name,**  
Credit Society ..... Its domicile is the commune, market **domicile**  
town, town of ..... and its district is ..... **and district**

#### § 2.

The object of this Credit Society shall be, in order to support **Sphere of**  
its members' household or trade by serving them, to carry on bor- **business**  
rowing and lending business, to handle and to take care of payments  
and collection of claims, to treasure and to attend to securities and  
other property, and also to carry on other monetary and payment  
transactions and to perform other tasks which are in close connec-  
tion with the said operations.

The Credit Society's services may be used by non-members, too,  
as far as allowed by the Co-operative Societies Act, unless the  
Board of the Society otherwise decides.

The general meeting of the Society shall each year prescribe the  
maximum aggregate amount of the deposits and loans, accepted by  
the Credit Society, and its other obligations, as well as the highest  
sum to which the debts and other obligations due to the Society from  
a member or another customer may amount.

## § 3.

**Admission to membership**

Each trustworthy person who with care manages his household and trade and is living in the district of the Credit Society may be admitted as a member of the Society. In exceptional cases, persons living outside the district may also be admitted. A legally competent corporation may also be admitted as a member. An individual who is a member of another co-operative credit society shall not be admitted to membership.

A person wishing to join the Credit Society shall submit to the Board of Management an application in writing witnessed by two persons.

If the Board of Management does not accept the applicant to membership, the matter may be submitted by the Board of Management for decision by the Board of Administration.

## § 4.

**Value of shares**

A member shall take up at least one share of the Society to the value of ..... (....) marks.

The share shall be paid in a lump sum when joining the Society.

## § 5.

**Entrance fee**

A member shall pay an entrance fee of ..... marks to the Society.

The entrance fee shall be paid in a lump sum when joining the Society.

The entrance fee will not be repaid.

## § 6. \*)

**Supplementary liability**

A member is personally and without limit liable for the obligations and other debts of the Credit Society in the event that, after the Credit Society has gone into liquidation or become bankrupt, its own assets are insufficient to meet its debts.

## § 6. \*)

**Supplementary liability**

A member is personally liable for the obligations and other debts of the Credit Society in the event that, after the Credit Society has gone into liquidation or become bankrupt, its own assets are insuf-

ficient to meet its debts, in no case, however, to a higher amount than the sum obtained by dividing one-fifth of the total amount of the debts by the number of members.

\*) The alternative not to be accepted, shall be deleted.

## § 7.

A reserve fund shall be accumulated for the Credit Society until it corresponds to at least twenty-five (25) per cent of the total amount of the obligations and other debts of the credit society. **Reserve and other funds**

As long as the reserve fund does not amount to the aforesaid minimum, there shall be transferred to it:

1) the entrance fees, and the deposits which have been retained by the Society in virtue of the Statute of Limitations and

2) such part of the annual surplus as is mentioned herein after.

Besides the reserve fund, a disposal fund shall be accumulated for the Credit Society, which may be used, on the proposal of the Board of Management and by the resolution of the Board of Administration for the benefit of the credit society or for purposes of general use especially for the promotion of co-operation.

In addition to the reserve and disposal funds the Credit Society may have other funds.

## § 8.

Of the annual surplus, at least sixty (60) per cent shall be transferred to the reserve fund until it has reached its minimum amount and thereafter at least fifty (50) per cent. **Surplus**

Of the remaining surplus, an interest of at most five (5) per cent may be distributed to the members who before the beginning of the financial year have fully paid their shares, in compliance however, with § 37 of the Co-operative Societies Act. In the event of there still being any surplus undivided it shall, either entirely or partly, be transferred to the reserve, disposal or any other fund. or. as undisposed be left on the profit and loss account.

## § 9.

An ordinary general meeting of the Society shall be held twice a year on a date fixed by the Board of Administration; the Spring **General meetings**



meeting before the end of April and the Autumn meeting before the end of November.

An extraordinary general meeting of the Society shall be held, if the Board of Administration considers it necessary or it is otherwise required by law.

The meetings shall be held at the domicile of the Society, unless the Board in some particular case fixes as the meeting place another locality within the district of the Co-operative Credit Society.

#### § 10.

At the ordinary Spring meeting, the following questions shall be discussed:

- 1) Presentation of the annual report of the Board of Management and the balance sheet, the Board's of Administration statement thereon and the auditors' report;
- 2) Confirmation of the balance sheet for the previous financial year;
- 3) Granting of discharge to the members of the Board of Management and Board of Administration for the previous financial year;
- 4) Allocation of the surplus;
- 5) Discussion of the report on the disposal of loans and adoption of measures called for thereby;
- 6) Any other matters mentioned in the notice convening the meeting.

At the Autumn meeting, the following matters shall be considered:

- 1) Presentation of the report of the Board of Management on the activities during the first half of the current financial year;
- 2) Determination of the maximum amounts of the Credit Society's and a customer's obligations referred to in § 2 for the following year;
- 3) Fixing of the fees of the members of the Board of Administration and of the auditors for the following calendar year;
- 4) Election of necessary members to the Board of Administration;
- 5) Election of at least two auditors and their deputies to inspect the management and accounts of the following financial year;
- 6) Election of one or more members of the Board of Management to sign conjointly with the manager of the Credit Society the balance sheet and profit and loss account;
- 7) Any other matters included in the notice convening the meeting.

#### § 11.

A general meeting of the Co-operative Society is convened by a notice given by the Board of Administration, which, for at least 7 days before the meeting, shall be displayed for members on the board on which the public notices of the home commune of the Credit Society are displayed, or shall be inserted in one or more newspapers selected by the Board of Administration and having a wide circulation among the members. The matters to be discussed at the meeting shall be mentioned in the notice convening the meeting.

Other communications to the members and depositors of the Credit Society shall be issued in the same manner.

If a matter shall be discussed at two general meetings, the notice convening the second meeting must not be issued before the first meeting has been held. If neither be an ordinary general meeting there shall be an interval of at least one month, between them.

#### § 12.

The meeting elects a chairman and two scrutineers from the number of the members present, and a minutes keeper.

At the meeting, each member shall have one vote. An individual shall not vote by proxy. The opinion for which most votes have been given shall be the decision of the meeting, unless there is in regard to some matter another stipulation in the Co-operative Societies Act or in these rules. In the event of a tie, an election shall be decided by lot, but in other matters the chairman shall have the casting vote.

If more than two persons have been nominated for any task or duty and nobody has secured the majority of the votes given at the election, there shall be held a new election between the candidates who have been supported at the first election, and the candidate who obtains most votes shall be considered elected.

If several members shall be elected to the Board of Administration or otherwise several persons to similar positions or tasks, the aforesaid stipulations shall be likewise observed.

If a resolution be the result of voting, the minutes shall show how the votes were distributed.

#### § 13.

At the meeting, no one shall neither personally nor by proxy nor empowered by any one else participate in the handling of a matter

**Notice  
convening  
the meeting  
and other  
notifications**

**Instructions  
for general  
meetings**

**Disquali-  
fication**

concerning an agreement between him and the Co-operative Credit Society. Moreover he shall not participate in the handling of a matter concerning an agreement between the Credit Society and a third person, if he may expect therefrom some essential advantage which might be at variance with the interest of the Credit Society. The provisions herein shall correspondingly apply to the matter of a gift to be given by the Credit Society, and to legal proceedings or other legal claims against him or a third party.

A member of the Board of Administration or the Board of Management, or a person whom the Board of Management has entrusted with the conduct of the current transactions or otherwise a certain part of the management shall participate neither in the decision concerning the confirmation of the balance sheet or the granting of discharge, if the matter refers to the management for which he is responsible, nor in the election or dismissal of an auditor nor in a matter concerning an auditor's remuneration.

Unimpeded by the provisions hereinbefore, the transferee Credit Society may use its voting right, in a matter concerning an agreement on amalgamation, referred to in § 150 of the Co-operative Societies Act.

#### § 14.

**Board of Administration** The Board of Administration consists of members who are elected from the number of the members of the Credit Society for three calendar years at a time, taking into consideration that the whole district of the Credit Society shall as far as possible be represented on the Board of Administration. The number of members on the Board of Administration may be increased by a resolution of the general meeting to thirty, or to a lesser number divisible evenly by three.

One-third of the members of the Board of Administration retires annually, first by lot and then in rotation. The period of a member who has been elected during the election period expires on the same date as that of his predecessor should have expired.

The Board of Administration elects from the number of its members a chairman and a vice-chairman for one year at a time, and appoints a secretary.

#### § 15.

The Board of Administration meets at the invitation of the chairman or, in his absence at the invitation of the vice-chairman, as often as matters call for or the Board of Management requests, in any case at least twice a year. The Board of Administration forms a quorum, if there are present at least two-thirds of the members including the chairman or the vice-chairman or more than one-half of the members in case all resolutions are unanimous. Any matter shall not however, be taken up for consideration, unless an opportunity to participate in the consideration of the matter has, as far as possible, been reserved to all members of the Board of Administration. The opinion supported by the majority shall be the decision of the meeting. In the event of a tie, the chairman shall have the casting vote.

The provisions of these rules regarding disqualification of a member of the Credit Society to participate in the consideration of and decision on matters at general meetings shall correspondingly be applicable to the members of the Board of Administration at their meetings.

At the meetings of the Board of Administration, minutes shall be kept recording the names of those attending, the resolutions passed, in the event of diverging opinions, the votes given.

The minutes and letters of the Board of Administration shall be signed by the chairman and the secretary.

#### § 16.

The Board shall, in addition to the tasks mentioned elsewhere in these rules:

1) at the recommendation of the Board of Management, appoint and dismiss the manager of the Credit Society and when necessary employ one or several assistant managers and fix the terms of their remuneration and the fidelity bond to be required from them. Before the position of the manager or an assistant manager is filled, a statement shall be required from the Osuuskassojen Keskusliitto (Central Union of the Credit Societies), for which purpose the application papers of applicants shall be sent to the Central Union;

2) decide who in the absence of the manager of the Credit Society shall act as his deputy;

**Meetings of the Board of Administration**

**Tasks of the Board of Administration**

3) elect the members of the Board of Management and their deputies if any, and fix their terms of remuneration;

4) when necessary, by instructions or otherwise determine the general division of tasks between the members of the Board of Management;

5) assign the necessary means for the employees' salaries;

6) supervise that the administration and business of the Society be conducted in conformity with law, these rules and the resolutions of the general meeting and the Board of Administration;

7) at the recommendation of the Board of Management, decide on establishment and discontinuation of branch offices, and on their management and supervision.

8) approve the conditions of borrowing and granting of loans by the Credit Society;

9) at the recommendation of the Board of Management, approve the principles of the balance sheet;

10) decide questions of selling the Society's real property and buildings on leaseholds with leasing rights, and of granting hypothecs for debt thereon.

11) examine the annual report of the Board of Management and submit it together with its own statement, the auditors' report, and the proper explanations, if any such have been required, to the general meeting of the Society;

12) select the newspaper or newspapers in which notices convening the general meetings of the Society shall be published;

13) convene the general meeting of the Society and prepare the matters which, according to law and these rules shall be discussed at the meetings of the Society or otherwise have been announced for consideration.

14) appoint the delegates and their deputies for the meetings of the Central federations of the Credit Societies and other associations.

Further, at least two members of the Board of Administration appointed by this Board, shall each month carry out the inspections provided for in the inspection report form approved by the Central Union of the Credit Societies. As one inspector, the Board of Admi-

nistration may, however, elect an auditor of the Credit Society. The inspection report shall be immediately handed over to the Board of Management and be presented at the following meeting of the Board of Administration at which the report and the measures called for shall be recorded in the minutes of the Board of Administration.

In addition, the Board of Administration shall from time to time and at least once a year order the inspection by two or more of its members of the securities and the promissory and collateral deeds of the Credit Society in order to ascertain whether they are in order or whether, on account of the reduced value of the collateral or for some other reason, any debtor should have been given notice or a new engagement or collateral required from him. On the inspection carried out, a written report shall be submitted at the next meeting of the Board of Administration and the report and measures called for shall be recorded in the minutes of the Board of Administration. The inspection report shall immediately after the inspection be handed over to the Board of Management.

## § 17.

The Credit Society shall be represented and its business conducted by a Board of Directors, called the Board of Management, save as far as the management according to these rules be within the power of the Board Administration or the manager of the Credit Society. **Board of Directors**

The Board of Management consists of the manager of the Society and other members elected by the Board of Administration for three calendar years at a time. The latter shall be members of the Credit Society.

There may further be elected to the Board of Management from the number of the members of the Society as many deputies as there are members on the Board of Management, excluding the manager of the Credit Society, for three calendar years at a time. The deputies may be elected as personal deputies of the respective members of the Board of Administration.

Of the members of the Board of Management and their deputies, one-third retires annually, at first by lot and then in rotation.

The Board of Management elect from the number of its members a chairman and a vice-chairman for one calendar year at a time.

## § 18.

**Tasks of the Board of Management**

The Board of Management shall with all intelligence and as legally responsible supervise the interests of the Credit Society and conduct its business in accordance with law, these rules, the instructions approved by the Board of Administration for the Society's management and transactions, and the directions of the general meeting of the Society.

The Branch Office Committees, if any, act as representatives of the Board of Management within their districts in accordance with the directions of the Board of Management and within the framework of the instructions approved by the Board of Administration.

## § 19.

**Board meetings**

The Board of Management meets at the invitation of the chairman, or in his absence at the invitation of the vice-chairman, at least once a month.

The Board of Management forms a quorum if more than one-half of the total number of its members are present, including the chairman or the vice-chairman. Any matter shall not be considered, however, unless an opportunity to participate in the consideration of the matter has, as far as possible, been reserved to all members and, if any of them be prevented, to his deputy, if any.

The provisions of these rules regarding the disqualification of a member of the Credit Society shall correspondingly be applicable to the members of the Board of Management at their meetings.

Credit must not be granted without a unanimous resolution by the Board, if an individual member of the Board of Administration or of the Board of Management has essential advantage thereof; and notice shall immediately be given of such a resolution to the chairman of the Board of Administration at its next meeting. Of a credit granted to the manager or assistant manager of the Credit Society and of its purpose and security, notice shall immediately be given to the Osuuskassojen Keskusliitto r.y. (Central Union of the Credit Societies) which has the right to give orders in regard to the keeping an supervision of the promissory and collateral deeds concerning the credit.

## § 20.

The manager of the Credit Society has the task, to personally **Manager of the Credit Society** manage and conduct the business of the Credit Society in accordance with the instructions approved by the Board of Administration and the decisions of the Board of Management.

In case the manager be prevented, a person appointed by the Board of Administration shall act as his deputy.

## § 21.

The Board of Management appoints and dismisses, after having **Employees** heard the manager the necessary employees and fixes their salaries from the means assigned for that purpose.

## § 22.

The Board of Management may give the right to sign for the **Signing for the Society** Society to its chairman or vice-chairman, or to the manager, assistant manager, or branch office manager, provided that any two of them shall sign conjointly. The Board of Management may likewise empower a person to sign for the Credit Society jointly with one of the aforesaid persons empowered to sign for the firm or with another person so empowered.

## § 23.

The Credit Society may accept money deposits to various savings. **Borrowing** and cheque accounts with or without credit.

The rate of interest is determined by the Board of Management.

## § 24.

At the opening of a deposit account, the depositor shall be given **Bankbook and deposit certificate** a bankbook or some other certificate signed by the persons who are entitled to sign for the firm. The bankbook shall contain the terms on the use of the account.

## § 25.

The Credit Society shall have such a cash reserve as prescribed **Cash reserve and security fund** in the Act, issued June 4th, 1920, on the Right of Co-operative Societies Carrying on Loan Business and their Central Banks to

Accept Deposits on Special Terms, or in any future statute.

The Credit Society shall annually pay for the accumulation of the Security Fund of the Credit Societies, which is in custody of the Osuuskassojen Keskusliitto (Central Union of the Co-operative Credit Societies), a sum fixed by the Board of Administration of the Central Union.

#### § 26.

##### **Granting of loans**

Loans and credit are granted by the Credit Society against promissory notes, cheque account agreements, and other obligations.

For the loans and credits, and the guarantees granted by the Credit Society, the Board of Management shall require adequate security, in the first instance real estate mortgage, a pledge duly deposited or a personal unconditional guarantee. A hypothec on personalty may be accepted as security only as a supplement to other security or in order to protect the claim of the Credit Society. In exceptional cases, however, a loan may be granted, upon a special consideration, without security.

The rate of interest on loans and the commission rate shall be fixed by the Board of Management.

A member of the Board of Management shall not be accepted as a guarantor of loans, credits, or obligations.

#### § 27.

##### **Accounting period and balance sheet**

The date of the balance sheet of the Co-operative Credit Society shall be the last day of the calendar year.

The balance sheet shall be ready, and the accounts, the report of the Board of Management, and the other necessary documents shall be handed over to the auditors for audit before the end of February and not later than a month prior to the ordinary Spring meeting of the Society.

#### § 28.

##### **Audit and the report thereon**

The auditors shall issue a written inspection report for each accounting period on the management and accounts at least a week before the ordinary Spring meeting of the Credit Society.

The inspection report shall contain a statement on the result of the inspection carried out by the auditors and a statement as to whether there is reason to any remark on the balance sheet, on the bookkeeping of the Society, or otherwise on the conduct of the Society's business.

There shall be a special statement — in the auditors' report: on confirmation of the balance sheet.

on granting of discharge to the Board of Management and the Board of Administration

on the proposal of the Board of Management regarding surplus or loss; and

as to whether the proposal of the Board of Management contains the prescribed transfers to the reserve.

If the value of an item of property which is in constant use by the Society has been written up in the manner prescribed in the Book-keeping Act, this shall be especially stated in the auditors' report.

Further, the auditors shall state in their report the number of members and shares and the changes which in these respects have occurred during the financial period on basis of the membership list, membership applications, notices of resignation and the minutes.

#### § 29.

A member may be expelled from the Society:

##### **Expulsion of member**

1) if he has not fulfilled his engagements or, in spite of a warning received, failed to fulfill the duties due to membership of the Credit Society;

2) if he has removed so far from the district of the Credit Society that the Board of Management is unable to follow his economic pursuits;

3) if he has caused the Credit Society a substantial damage or otherwise evidently acted contradictory to its interests and objects..

4) if he has become bankrupt or has been placed under guardianship or

5) if he, being an individual, has joined another co-operative credit society

Expulsion of a member is decided by the Board of Administration. The expulsion decision may be submitted for the consideration of the general meeting of the Society but not to any court.

## § 30.

**Voluntary  
dissolution  
and liqui-  
dation**

A resolution to voluntarily dissolve and liquidate the Society is effective only if concurred in by all members of the Society or if passed at two consecutive general meetings, receiving at the second meeting at least two-thirds of the number of votes recorded.

The notice convening the second meeting shall not be issued before the first meeting has been held. If neither be an ordinary general meeting, there shall be an interval of at least one month between them.

## § 31.

**Official  
supervision**

The Credit Society is subject to the audit and supervision prescribed by the State and shall at any time permit the representative of the Central Union to examine the accounting books, cash in hand, securities, certificates of outstanding claims, and other documents illustrating the activities of the Credit Society. The Central Union and its representative shall also obtain the data on the Credit Society and its customers which are necessary for the supervision of the operations of the Credit Society and for the compilation of statistics. The representative of the Central Union shall have the right to ensure from the employees of the Credit Society all assistance necessary for the inspection, to convene the Board of Management and the Board of Administration of the Credit Society and, after negotiations with the Central Union, to convene the general meeting of the Society, to attend and participate in the discussion at the meetings and in the audit, and to have recorded in the minutes the remarks which he considers necessary. The Credit Society shall observe the instructions and orders regarding management and administration of the Credit Society which the Central Union or its representative consider necessary. In its business, the Society shall use the forms approved by the Central Union.

If the business of the Credit Society has resulted in a loss which shall be covered by the share capital or if there has been in the administration or management of the Credit Society any conduct contradictory to law or the rules of the Credit Society or any defects or any mismanagement, or if the instructions or orders regarding the Society's administration or management given by the Central Union, have not been observed, the Central Union shall have the

power to recall the Credit Society's right to accept deposits and even in other respects restrict its business transactions until the defects or omissions causing the restrictions have been cleared up.

## § 32.

If the Credit Society be dissolved the net assets, if any after the debts have been repaid or necessary means placed aside and the shares have been repaid to the members, must not be distributed among members, but shall be used for the promotion of co-operation or purposes of general use, as prescribed by the general meeting of the Credit Society. If the general meeting of the Society has not decided the matter, the net assets shall be given to the Central Union of the Credit Societies to be used in a manner determined by the Board of Administration of the Central Union.

**Allocation  
of assets at  
dissolution**

The Credit Society must not be amalgamated with any financial institution of a different kind, nor shall its means be used for the benefit of such an institution.

## § 33.

Disputes between the Society on the one side, and a member of the Board or another representative of the Society or a liquidator, on the other side shall be settled by arbitration in compliance with the stipulations of the Arbitration Act.

**Arbitration**

There shall be three arbitrators, one appointed by each party and a third appointed by the Central Union of the Credit Societies who shall act as chairman. If one party, after having been informed of the appointment of the arbitrator for the other party, does not within seven days appoint his arbitrator and advise the opposite party of this, the appointment shall be made by the Central Union of the Credit Societies on his behalf.

## § 34.

A resolution to alter these rules is effective only, if the resolution has been passed at two consecutive general meetings of the Society, receiving at the second meeting:

**Alteration  
of rules**

a) all votes recorded, in case the resolution concerns the right of a member to resign from the Society or limits the member's right to the Society's assets or surplus;

b) at least three-fourths of the number of votes recorded, in case the resolution purports to make an essential change in the Society's objects, or to establish a liability to supplementary or extraordinary payments, or to increase such liabilities, or to alter the grounds computing such payments;

c) at least two-thirds of the number of votes recorded, in case the resolution purports to increase the value of a share.

A proposal containing another alteration to these rules than those mentioned hereinbefore in this section need not be discussed at more general meetings than one, and the resolution then made is effective if at least two-thirds of the number of votes recorded have been given for the proposed alteration.

If there is made such a proposal for the alteration of the rules which according to clauses (a), (b) and (c) of subsection 1 of this section shall be discussed at two general meetings, the substance of the proposal shall at least 30 days before the first meeting be brought to the knowledge of the members of the Society in observance of the provisions of these rules in regard to giving notices.

The notice convening the second meeting must not be issued before the first meeting has been held. If neither be an ordinary general meeting, there shall be an interval of at least one month between them.

§ 35.

Otherwise, the Co-operative Societies Act in force shall be observed.

General statement

Model Rules for the SOK Co-operative  
Retail Societies (large societies).

§ 1.

The name of this Society shall be ..... **Name and**  
and its domicile the commune — — — — — **domicile**

§ 2.

The objects of this Co-operative Society shall be, with a view to **Objects**  
supporting its members' economy or trade and by carrying on retail trade to supply its members with general consumer goods, agricultural requisites and other goods which they need and to market its members' agricultural produce, handicraft and natural products.

The Co-operative Society may, by virtue of a resolution thereon, also in order to serve its members, engage in the production of consumer goods and the utilisation of agricultural produce, café, restaurant, hotel or other service business, professional conveyance of goods and persons by motor vehicles, and for the promotion of thrift amongst its members and in accordance with specifically approved and registered rules savings bank business.

A resolution to extend business in a manner referred to in the preceding subsection shall be effective only if proposed by the Board of Administration and passed at the general meeting by a majority of at least two-thirds of the total number of votes recorded.

## § 3.

**Extension of activities** The Society shall carry on business at least in one open shop. The general meeting of the Society may, by a bare majority of votes, approve the opening of a new shop.

The Society may sell goods and render services also to other persons than to its own members, and market the produce of other persons, too, than that of its members. The Board of Directors may, however, restrict the sale of certain goods, rendering of services to, and the purchase of certain products only from the members of the Society.

**Cash payment**

## § 4.

The Society sells goods only against cash payment.

## § 5.

**Membership in central organisations** The Society belongs as a member to the Suomen Osuuskappojen Keskuskunta (Finnish Co-operative Wholesale Society) and the Yleinen Osuuskappojen Liitto (General Union of Co-operative Societies).

A resolution to join other central organisations and associations comparable with them and withdrawal from such a corporation shall be effective only if proposed by the Board of Administration and passed at two consecutive general meetings receiving each time at least three-fourths of the number of votes recorded. The Board of Administration decides on the questions of joining with local bodies and withdrawal from their membership.

## § 6.

**Admission of members** To membership of the Society may be admitted any reputable person within the Society's district who submits to the Board of Management an application in writing, witnessed by two trustworthy persons. In the same manner a Finnish company, association, commune, parish or any other Finnish corporation may be admitted to membership.

If the Board of Management approves the application, the applicant immediately becomes a member of the Society, is bound to observe the rules of the Society, and shall pay the entrance fee and the value of shares as prescribed in §§ 7 and 8 respectively.

## § 7.

The entrance fee one hundred (100) marks shall be transferred to the reserve fund. **Entrance fee**

## § 8.

Each members of the Society shall take up at least one share to the value of three thousand (3 000) marks. **Value of shares**

A member shall pay at least five hundred (500) marks when joining the Society and the remainder within five years. The members who had joined this Society before these rules came into force shall within five years pay the difference between the old and the increased shares.

## § 9.

A member shall avail himself of the service rendered by the Society within the framework of its activities. **General duties and rights of member**

A member shall not as his trade carry on the same business as the Society. He must be neither a member of another co-operative society nor a shareholder in a company carrying on such business in the same commune.

A member has the right to submit to the Board of Management proposals in writing, concerning the matter of the Society.

## § 10.

For consolidating the activities of the Society a reserve fund shall be formed as stated in §§ 7 and 11. It shall be increased until it is equal to at least 20 per cent of the Society's average annual sales during the last three years or to the three times the share capital, whichever amount be larger. **Reserve fund and other funds**

In addition a disposal fund shall be accumulated as stated in § 11. This fund may be used on proposal of the Board of Administration and by resolution of the general meeting, for the benefit of the Society, for the promotion of especially co-operative purposes or for objects of public utility.

The general meeting of the Society may also, for the benefit of members and employees, for purposes of public utility and on proposal of the Board of Administration, establish other reserves, increase such reserves and dispose of them.



## § 11.

**Allocation of surplus**

Of the net surplus, shown by the balance sheet of each year after providing for necessary depreciations and reservations at least 15 per cent of the surplus or one-tenth of one per cent of the annual sales, whichever amount be larger shall be transferred to the reserve fund until it has reached its minimum amount referred to in § 10. After the reserve fund has reached its minimum amount a sum to be fixed by the general meeting shall be transferred to it from the annual surplus, but not more than 15 per cent of the surplus.

After the transfer just mentioned at least 10 per cent of the annual surplus shall be transferred to the disposal fund.

After these transfers, interest on the shares paid by members shall be reserved at a rate which equals the interest rate on the deposits at the savings banks of the co-operative societies on 1st January of the past financial year with an increase of 2 per cent at most.

The general meeting of the Society may, on proposal of the Board of Administration decide that the part of the surplus not yet used shall be allocated partly or entirely for the payment of dividend to members and non-members as provided for in § 12 according to their purchases from the Society and to their sales of agricultural produce during the past financial year.

If the Society has established other funds, a part of the surplus may, after all these transfers and allocations, be transferred to these reserves.

The general meeting of the Society may also prescribe that the remainder of the surplus after allocations be left undisposed on the profit and loss account.

## § 12.

**Payment of dividends**

The payment of dividends resolved to be distributed shall commence not later than two months from the general meeting at which the allocation of the surplus was approved. The dividend due to a member may be paid to his account in the savings bank of the Society.

If the share subscribed for by a member is not fully paid there shall be retained of the sum due to him for the payment of the share an amount fixed by the Board of Management, in any case at least one half of the dividend.

The dividend due to a non-member will not be paid to him, if he does not within a month from the general meeting at which the allocation of the surplus was adopted, submit a written application for membership to the Board of Management. If his membership application be approved, a necessary amount of the sum due to him as dividend will be retained for the payment of his entrance fee and shares. If he not be approved as a member, the Board of Management decides on the disposal of his dividend.

## § 13.

If the balance sheet of the Society shows a loss for any year, it shall be covered by a resolution of the general meeting on proposal of the Board of Administration, apart from the sum on the profit and loss account, if any, first by the disposal reserve and other funds then by the share capital, and eventually by the reserve fund.

If the share capital has decreased in consequence of the loss, the whole dividend to a member shall be retained for the payment of his shares until the amount disposed shall have been fully paid.

## § 14.

The ordinary general meeting of the Society shall be held within its home district twice a year, the Spring meeting before the end of April and the Autumn meeting before the end of October, on a date and in a place fixed by the Board of Administration.

At the Spring meeting the following matters shall be handled:

1. Presentation of the report of the Board of Management on the activities of the Society for the past financial year and the statement of the Board of Administration thereon;
2. Presentation of the auditors' report on the administration and accounts for the past financial year and their statement thereon;
3. Confirmation of the balance sheet;
4. Granting of discharge to the Board of Administration and the Board of Management or adoption of other such measures as the administration and accounts of the financial year may call for;
5. Allocation of the surplus; and
6. Any matters, proposed by the Board of Administration or the members of the Society which are included in the notice convening the meeting.

At the Autumn meeting the following matters shall be handled:

1. Presentation of the report of the Board of Management on the activities for the current year and on the Society's financial standing;
2. Determination of the fees of the chairman and members of the Board of Administration and of the auditors;
3. Election of necessary members to the Board of Administration;
4. Election of at least two auditors for the following year; one of whom shall be nominated by the Suomen Osuuskauppojen Keskuskunta r.l. (Finnish Co-operative Wholesale Society) and an equal number of deputies for them.

5. Any matters submitted by the Board of Administration or the members of the Society which are included in the call to the meeting.

A member of the Board of Management or the Board of Administration or a person attending to the administrative duties of the Society is not entitled to participate in the decision concerning the approval of the balance sheet or the granting of discharge, if the matter refers to the management for which he is responsible, nor in the election or dismissal of an auditor or in the decision of the auditor's remuneration.

#### § 15.

#### Special general meeting

A special general meeting of the Society shall be held, if an earlier general meeting has so decided, or the Board of Administration considers it necessary, or if members representing at least one-tenth of the total voting rights of the members of the Society in writing apply to the Board of Administration requesting such a meeting for a specified purpose or the meeting shall be convened by operation of law.

#### § 16.

#### Notice of general meeting

A general meeting of the Society is convened by a notice issued by the Board of Administration and for at least 7 days before the meeting displayed in all the shops of the Society. The matters to be discussed shall be included in the notice and the date on which the notice has been displayed in the shops shall be written thereon.

Other notifications to all members shall be communicated in the same way.

If a matter shall be discussed at two general meetings, the notice convening the second meeting must not be issued before the first meeting has been held. If neither be an ordinary general meeting, there shall be an interval of at least one month between them.

#### § 17.

The meeting elects a chairman and two scrutineers from amongst the members present, and a minutes keeper. The names of the members attending shall be included in the minutes. **Instructions for general meetings**

A matter submitted by a member of the Society may be discussed at an ordinary general meeting, if it has been sent in writing to the Board of Administration before the notice convening the meeting has been issued. A matter submitted at the meeting may be discussed at the same meeting only in a preliminary way.

At the general meeting every member has one vote and the matters are decided by a bare majority, unless there is another stipulation in the Co-operative Societies Act or in the rules. An individual shall not vote by proxy.

In case of a tie, an election shall be decided by lot. In other matters, the chairman shall have the casting vote.

If more than two candidates have been proposed for any task or duty and nobody has secured a majority of the votes given at the election a new election shall be held between the candidates supported at the voting, and that one shall be considered elected who has obtained the largest number of votes.

If several members shall be elected to the Board of Administration or otherwise several persons to similar positions or tasks, the aforesaid stipulations shall be likewise observed.

A member of the Society has the right to obtain a certified copy of the minutes of a general meeting of the Society.

#### § 18.

The Board of Administration consists of twelve members, who are elected from the number of the members of the Society for three calendar years each by taking into consideration that the whole district and membership of the Society shall as far as possible be represented on the Board. Four members retire annually, first by lot and then in rotation. **Board of Administration**

The employees of the Society and the members of the Board of Management are not eligible to the Board of Administration.

### § 19.

#### **Constitution and meetings of the Board of Administration**

The Board of Administration elects from the number of its members a chairman and a vice-chairman for one year each and appoints a secretary.

The Board of Administration meets at the invitation of the chairman or in his absence at the invitation of the vice-chairman, as often as the matters call for or the Board of Management requests, in any case at least four times a year. At the meetings of the Board of Administration the chairman or the vice-chairman and six members constitute a quorum. On the event of a tie, the chairman shall have the casting vote. A matter shall, however, not be taken up for consideration unless an opportunity to participate in the discussion has, as far as possible, been reserved for all members of the Board of Administration.

At the meetings of the Board of Administration minutes shall be kept recording the names of those attending, the resolutions with motives and the votes taken.

The members and deputy members of the Board of Management have the right to attend and to express themselves, but no vote.

The documents and letters of the Board of Administration shall be signed by the chairman and secretary.

The Board of Administration approves for itself a division of tasks.

### § 20.

#### **Tasks of the Board of Administration**

The Board of Administration shall, in addition to the tasks provided for elsewhere by these rules:

1. ensure that the transactions of the Society are conducted in accordance with law, these rules, and the instructions issued by the Board of Administration and in conformity with the interests of the Society;

2. engage the managing director, subject to a notice of three months at most, fix his salary, make up with him a written employment agreement, see that he places a fidelity bond in accordance with the employment agreement, and decides upon his dismissal;

3. elect to the Board of Management two members and two deputy members for each year and fix their remuneration;

4. grant the authority to sign for the Society and to sign per procuratore;

5. adopt instructions for the Board of Management;

6. stipulate the general terms on which the Board of Management shall appoint and dismiss necessary personnel, annually examine and confirm the salary scale for the employees, the basis of the workers' wages, and the insurance and labour terms of both the salaried employees and the workers;

7. issue instructions for the branch shop committees referred to in § 22;

8. in accordance with the instructions issued by the general meeting of the Society, decide to what extent the business activities of the Society shall be expanded within the framework of its business transactions;

9. fix the kinds of merchandise which the business transactions of the Society shall comprise, and the general terms on which the Society buys and sells merchandise;

10. fix the extent of the liabilities, debts for goods included, the Board of Management is entitled to incur in the name of the Society;

11. before the end of each calendar year decide, whether dividend for the ensuing year for all goods sold or for certain goods only, and whether dividend shall be paid also for goods bought by the customer to be whether refined or not — resold: and, after the balance sheet has been compiled, submit to the ordinary general meeting a proposal thereon whether dividend shall be paid also in regard to the trade in agricultural produce or a part of this business, provided that this business or a part thereof has yielded profit according to the books;

12. submit questions of selling real estate or buildings on leaseholds with their leasing rights to the general meeting;

13. appoint two of its members to inspect the accounts and the cash of the Society four times a year;

14. examine the annual report of the Board of Management and the proposal regarding the allocation of the annual surplus, and submit them together with the auditors' report and their own statement on these reports and proposals to the general meeting of the Society;

15. elect delegates for the meetings of the central federations and organisations and other firms and institutions to which the Society belongs as a member or shareholder;

16. prepare the matters to be submitted to the general meeting by operation of law or these rules, and compile an agenda and fix the date and place for the meeting.

#### § 21.

##### **Chairman of the Board of Administration**

The chairman of the Board of Administration shall specifically:

- 1) conjointly with the Board of Management lay down the principles for the balance sheet or, in case he does not agree with the majority of the Board of Management, place the matter before the Board of Administration for decision;

- 2) submit the annual report of the Board of Management to the auditors, and require an explanation from the Board of Management when necessitated by the auditors' report;

- 3) discuss together with the Board of Management the matters to be presented to the Board of Administration; and

- 4) convene the general meeting of the Society.

#### § 22.

##### **Branch shop committees**

The Board of Administration appoints for each shop or for several shops conjointly a branch committee for one year. It has the task:

- 1) to supervise the management of the branch shop and to make suggestions concerning the transactions of the shop to the Board of Administration;

- 2) to receive wishes from the members living within the branch shop district and to bring them, together with its own comment to the knowledge of the Board of Administration;

- 3) to attend to educational work within the branch shop district and to other tasks, if any, with which the Board of Administration entrusts them; and

- 4) to supervise the stocktaking at the shop for the drawing up of the balance sheet.

The branch shop committee consists of a chairman appointed by the Board of Administration and of at least two and at most four members, all of whom shall be elected from amongst the members of the Society living within the district of the respective shop or shops.

#### § 23.

The Board of Management is the governing body of the Society. **Board of Management**  
It shall represent the Society and conduct its business save so far as these duties according to these rules belong to the Board of Administration or to some of its members.

The Board of Management consists of the managing director, two members and two deputies. The managing director shall be the chairman of the Board of Management.

The Board of Management meets when necessary at the invitation of its chairman, and it is competent to act, if three members are present. The Board of Management shall especially have the task:

- 1) to decide upon admission of new members to the Society and to submit to the Board of Administration any proposal for the expulsion of members;

- 2) to examine the orders for goods which have been executed or are to be executed;

- 3) to compile the monthly balance sheets;

- 4) to prepare the matters referred to in clauses 4—12 of § 20 and likewise the matters which the Board of Administration instructs the Board of Management to prepare or which the Board of Management submits for the decision of the Board of Administration;

- 5) to make with employees in a responsible position written employment agreements in which their duties are stated, and to see that they place the required fidelity bond in accordance with the employment agreement;

- 6) to decide on the taking up of loans and their repayment;

- 7) to draw up the annual report on the activities of the Society; to compile the balance sheet and the proposal regarding the allocation of surplus; and

- 8) to decide the matters which the Board of Administration entrusts to the Board of Management.

At the meetings of the Board of Management, minutes are kept recording the resolutions made.

#### § 24.

The Board of Administration may give the authority to sign for the Society to the managing director and ordinary and deputy members of the Board of Management, provided that such authority is untransferable and may be used only by two persons conjointly. **Signing for the Society**

When granting authority to sign per procuratione the Board of Administration shall at the same time prescribe that this authority shall be used only conjointly with a person who in accordance with the preceding subsection is entitled to sign for the Society.

### § 25.

#### Accounting period and balance sheet

The balance sheet of the Society shall be made for each calendar year on the last day of the year. The stocktaking and the listing of the property of the Society have, by instruction of the Board of Management, to take place before the 10th of January. The auditors of the Society shall be informed of the time of the stocktaking. The accounts and the annual report shall be presented to the auditors for the purpose given in § 27 before the 15th of the following March and not later than a month before the ordinary Spring meeting.

An interim balance sheet may be compiled during the calendar year for the ascertainment of the financial position of the Society or for some other competent reason, if the Board of Administration or the general meeting of the Society so decide.

### § 26.

#### Audit of accounts

The auditors shall for each accounting period issue a written report on the Society's administration and accounts to the Board of Administration not later than one week prior to the general meeting of the Society at which the balance sheet shall be presented for approval.

The auditors' report shall contain a statement on the result of the inspection carried out by them and a comment as to whether there is reason for any remark on the balance sheet, the bookkeeping of the Society, or otherwise on the conduct of the business of the Society.

The auditors' report shall contain a special comment on the approval of the balance sheet;

the granting of discharge to the Board of Management and the Board of Administration;

the proposal made by the Board of Management regarding the surplus or loss;

as to whether the proposal of the Board of Management contains the prescribed transfers to the reserve and other funds.

If the value of an item of property intended for permanent use of the Society has been written up in the order provided for in the Bookkeeping Act, a special comment thereon shall be included in the inspection report.

### § 27.

A member shall not resign from the Society before at least two years have passed since his admission to membership. **Member's resignation**

If a member thereafter wishes to resign he shall inform the Board of Management in writing. The member having given notice of resignation shall be deemed to have resigned after the notice has reached the Board of Management or the person whom the Board of Management has appointed to receive such notices provided there is no objection to his resignation according to the rules.

### § 28.

The heir or other successor of a deceased member who has succeeded to the deceased's share, is entitled to join the Society as far as he otherwise may be admitted to membership. **Rights of a deceased member's successor**

The successor wishing to take advantage of this right, shall inform the Society thereof within a year from the date of the death.

### § 29.

A member may be expelled from the Society, apart from the reasons given in § 9 also: **Expulsion of member**

a) if he removes from the district of the Society without giving notice of resignation;

b) if he does not observe his obligations laid down in the rules;

c) if he has not taken advantage of the services of the Society during the previous calendar year;

d) if he has caused substantial damage to the Society or otherwise evidently acted contradictory to its interests.

The expulsion of a member shall be decided by the Board of Administration. The member has the right to submit the decision of expulsion to the examination of the general meeting of the Society. Unless the member has within a month after having been informed of the decision of expulsion by a copy of the minutes, in writing informed the Board of Administration of his wish to have the matter

# Model Rules for the KK Consumers' Co-operative Societies

## *Name and Domicile*

(Act, § 5, subsections 1 and 2)

### § 1.

The name of the Co-operative Society is — — — Its domicile is  
— — — —

## *Objects*

(Act, § 5, subsec. 3 and § 8)

### § 2.

The object of the Co-operative Society is, in collaboration with the Co-operative Union KK and the Co-operative Wholesale Society (OTK), and in order to support the economy and trade of its members:

1) to supply its members with consumer and other goods and to market their productions;

2) after having obtained, when necessary, an appropriate license, to serve its members by carrying on production of commodities, hotel and restaurant catering, passenger and freight transportation, other services, erecting of dwelling houses and other useful buildings, and other activities connected with these; and

3) to promote thrift among its members by operating a Savings Fund on the basis of special statutes, which have been approved and confirmed for this purpose.

## *Cash Payment*

### § 3.

The Co-operative Society sells goods against cash payment. The Board of Management shall, however, have authority to apply also other methods of payment according to confirmed instructions.

## *Services of the Co-operative Society*

### § 4.

The Co-operative Society serves by its activities not only members but also others, but, by decision of the Council of Representatives, its activities can be restricted, wholly or to some part, to concern its membership only.

## *Acquisition of Membership*

(Act, § 19)

### § 5.

The number of members in the Co-operative Society is unrestricted.

As a member of the Society, any person of at least 15 years of age irrespective of her views, profession, or social position, resident in the area of activities of the Society, shall be eligible, as well as any Finnish company, society, municipality, congregation or other body.

A person or association desiring to join the Society shall submit to the Board of Management of the Society a written application certified by two trustworthy persons. The application shall be accompanied by the first instalment of the capital contribution mentioned in § 8.

If the Board of Management admits the applicant, he shall immediately become a member of the Society, and shall be bound to observe the rules of the Society and the decisions of the administrative organs of the Society made in legal order.

If the application is refused, the payment mentioned in subsection 3 shall be repaid.

## *Resignation of Member*

(Act, §§ 20, 25 and 30)

### § 6.

A member shall not be entitled to resign from the Society until at least two years have elapsed from his joining the Society.

If, after the expiration of this time, a member desires to resign from the Society, he shall inform the Board of Management in writing, and he shall be released from membership in the Society, when the said notice has reached the Board of Management or the person whom the Board has authorised to receive such notices.

The amount paid up on the member's share shall be refunded to him when he resigns, in accordance with § 30 of the Co-operative Societies' Act.

The successors of a deceased member shall have the rights mentioned in § 25 subsection 1 of the Act subject to provisions mentioned in said section.

## *Expulsion of Member*

(Act, § 21)

### § 7.

A member may be expelled from the Society:

1) if he does not fulfil his obligations under the law and these rules; in particular if he does not make, within the stipulated times, his payments to the Society;

2) if during the last three years he has bought nothing from the Society or has in no way given proof of his presence; and

3) if he has caused the Society considerable damage or has otherwise acted obviously contrary to its interests and aims.

The Board of Administration shall decide upon expulsion of member.

The expelled member shall have right to appeal to the Council of Representatives in the case of expulsion. If it becomes necessary to submit the question to a vote in the Council of Representatives, the

vote shall be by ballot. The decision of expulsion shall be void, if no less than one third of the votes used oppose the expulsion.

A resolution of the Council of Representatives to expel a member may not be challenged by such member at a court of law or through other authorities.

The amount paid on an expelled member's share shall be refunded to him in accordance with § 30 of the Co-operative Societies Act.

### *The Share Payment*

(Act, § 5, subsec. 4, §§ 6, 29 and 36)

#### § 8.

Every member shall contribute to the Society at least one share of three thousand (3 000) marks. Of the amount of the share, not less than three hundred (300) marks shall be paid at the time of joining the Society, and the whole contribution within no more than ten years.

Until the share contribution is paid, one half of the dividend on purchases to which the member is entitled, or a larger part of it, if so decided by the Council of Representatives, as well as the entire interest on the share contribution shall be transferred to the share capital account of the member.

### *Reserves of the Co-operative Society*

(Act, § 33)

#### § 9.

In order to safeguard the activities of the Co-operative Society, it shall accumulate, in the manner prescribed in § 11 and § 12, a capital reserve until this reserve is equal to the aggregate value of the sites, buildings, movable property, and stocks of the Society or to the threefold amount of the share capital, whichever amount be larger.

In addition to this reserve, the Society shall accumulate, in the manner provided in § 11, a disposals reserve which can be used by decision of the Council of Representatives for the furtherance of the objectives of the Society.

When the capital reserve has been fully paid, the transfer mentioned in § 12, subsection 3, shall be made to the disposals reserve.

The Council of Representatives can also establish other reserves.

### *Supplementary Liability*

(Act, §§ 3, 43—46, and 65)

#### § 10.

The members shall not be personally liable for the Society's debt.

### *The Use of the Surplus*

(Act, § 34 and 35)

#### § 11.

Any surplus shown by the annual balance sheet, after necessary depreciations have been made, shall be used in the following manner:

1) to the capital reserve, until it has been increased to its full amount, shall be transferred at least one fifth or, if the Council of Representatives so decides, a larger part of the surplus, not, however, a smaller part of it than one-tenth of one per cent, of the annual turnover of the Society;

2) to the disposals reserve shall be transferred not less than one tenth;

3) if the Council of Representatives decides to establish other reserves to be used for the benefit of the Society or its members or personnel, or for purposes of general welfare, part of the surplus may also be transferred to these reserves;

4) to the credit of each member shall be transferred an amount not in excess of six per cent of the amount, not counting fractions of hundred marks, that he had paid for his shares before the commencement of the past financial year; interest, is, however, calculated only for full calendar years;

5) of the remaining part of the surplus, an amount fixed by the Council of Representatives, shall be allocated to all those customers, who within a time stipulated by the Board of Management, have returned the purchase checks entitling to dividend, the dividend to be



proportionate to the amount for which each of them during the year covered by the balance sheet has bought from or sold to the Society commodities, or otherwise made use of the services offered by the Society, excluding, however, such purchases, sales or services, in regard to which the Board of Administration has decided that checks entitling to dividend of the surplus shall not be given;

6) any amount still remaining of the surplus shall be left unused on the balance sheet for the following financial year.

### *Payment of Dividend*

#### § 12.

The payment of interest on the members' shares and of the dividend shall be commenced within two months of the meeting of the Council of Representatives, at which decision regarding allocation of surplus was made.

If the dividend has not been collected within one year from the date on which the payment of it commenced, the uncollected dividend shall be transferred to the share capital account of the member.

Dividends shall be paid to a non-member only on condition that he announces his desire to join the Society, provided that the Board of Management approves of his membership. In respect of payment of such dividend the provision of § 8 subsec. 3 of these rules shall be observed. If the non-member does not announce, within one year after the payment of dividend commenced, his desire to join the Society or if he is not admitted as a member, the dividend reserved for him shall be transferred to the capital reserve.

### *Use of the Reserves to Cover Loss*

(Act, § 33 and 37)

#### § 13.

If, in any one year, the activities of the Society have resulted in a loss, there shall be used to cover the loss, except the unutilised surplus of the previous years, in the first instance the disposals reserve, in the second instance reserves established by the Council

of Representatives, then the share capital, and in the last instance the capital reserve.

If the share contribution paid by the member or any part of it has been used to cover a loss of the Society, the whole dividend of surplus to which the member is entitled and the interest on his share contribution shall be retained to pay up his share contribution till the amount disposed of has been fully repaid.

### *The Council of Representatives*

(Act, § 9)

#### § 14.

The right to pass resolutions belonging to the members shall be exercised by a Council of Representatives, which is elected by the members from amongst them. It shall consist of ..... members. In the election of these delegates, the proportionate election method provided by the election statutes of the Society shall apply.

Every member of the Co-operative Society who is not under guardianship, has fulfilled his obligations under these rules and is not an employee of the Society nor a member of its Board of Management, shall be eligible as representative.

The representatives are elected for a term of six years, and their period of office commences immediately after the results of the elections have been made public. From the Council of Representatives, half the delegates shall resign each third year, the first time those representatives who were supported by the smallest number of election votes, and after that in rotation.

The first election of representatives after the entry into force of these rules shall take place in the year of ..... when ..... representatives shall be elected for ..... years and the next election in ..... when other ..... representatives shall be elected, also for a term of ..... years. The period of office of the representatives elected in ..... shall expire when the result of the election of the year ..... have been published, and the period of those elected in ..... when the result of the election of ..... has been published.

The Council of Representatives shall have authority to determine that a remuneration and travel expenses be paid to its members.

## *Meetings of the Council of Representatives*

(Act, § 50, 51, 53—64, 66 and 67)

### § 15.

The Council of Representatives shall each year hold two ordinary meetings, on dates prescribed by the Board of Management, one before the end of April and the other before the end of December.

A special meeting of the Council of Representatives shall be held whenever a resolution to this effect was passed at a previous meeting or whenever the Board of Administration or the Board of Management deems it necessary or it is provided by Law.

The meeting of the Council of Representatives shall be opened by the chairman of the Board of Administration. A chairman and two scrutineers shall be elected for the meeting. The secretary of the Board of Administration shall draw up the proceedings of the meeting.

The members of the Board of Administration and the Board of Management as well as the managers of the Society shall have a right to be present and to speak at the meetings of the Council of Representatives. Any member of the Board of Administration who is also a member of the Council of Representatives shall not participate in decisions on matters enumerated in § 17, subsections 1 and 2, and § 18, subsections 1 and 3, nor in discussions on such matters that concern remuneration for the chairman and members of the Board of Administration or their travel expenses.

At the meeting of the Council of Representatives, each delegate shall have one vote, and matters shall be decided by a simple majority of votes, unless otherwise prescribed by the Co-operative Societies Act or these rules. In elections carried out by the Council of Representatives, the proportionate election method, stipulated by the election statutes of the Society, shall be applied, if no less than one fifth of the delegates present so demand.

In case of amendment of the rules, the Council of Representatives forms a quorum when no less than one-half of its members are present.

If an election results in a tie decision will be made by lot, in other cases the chairman shall have the casting vote.

The minutes of the meeting of the Council of Representatives shall be signed by the chairman of the meeting and the secretary as well as by the two scrutineers.

## *Convocation of the Meeting*

(Act, § 5, subsec. 8, §§ 52 and 55)

### § 16.

The meeting of the Council of Representatives, which, in single instances and upon the decision of the Board of Management, can be held outside the domicile of the Society at any locality where the Society carries on activities, shall be convened by the Board of Management by a notice to be published not later than a week before the date of the meeting in a newspaper having circulation among the membership and chosen by the Board of Administration, and by letters sent simultaneously to each representative. The matters on the agenda of the meeting shall be mentioned both in the press notice and in the letters sent to the representatives.

Any matter brought up by a member of the Society may be taken up for discussion by the Council of Representatives at an ordinary meeting if it has been submitted in writing to the Board of Management before the convocation to the meeting has been issued.

## *The Ordinary Spring Meeting*

(Act, § 5, subsec. 7, §§ 51, 57 and 58)

### § 17.

The ordinary spring meeting of the Council of Representatives shall deal with the following matters:

1) the annual report of the Board of Management and the balance sheet as well as the statements of the Board of Administration and of the Auditors regarding these shall be presented, and a decision regarding the acceptance of the accounts shall be made;

2) decision shall be made on granting the members of the Board of Management and the Board of Administration discharge from responsibility or on adopting other measures that the administration

of the Society during the preceding year and the report submitted thereon may give cause to;

- 3) decision shall be made regarding the use of the surplus; and
- 4) other matters mentioned in the call shall be dealt with.

### *The Ordinary Autumn Meeting*

(Act, § 5, subsec. 7, §§ 51, 57, 58 and 85—89)

#### § 18.

At the Ordinary Autumn Meeting of the Council of Representatives the following matters shall be dealt with:

- 1) the basis for the remuneration and travel expenses of the members of the Council of Representatives, the Chairman and the members of the Board of Administration, and the Auditors shall be determined;
- 2) the necessary members for the Board of Administration shall be elected;
- 3) auditors to examine the administration and accounts of the following year and their deputies shall be elected;
- 4) delegates to the following year's meetings of those co-operative central organisations to which the Society is affiliated shall be elected;
- 5) subscription of co-operative papers shall be decided upon; and
- 6) other matters mentioned in the call shall be dealt with.

### *The Board of Administration*

(Act, §§ 10, 68—78 and 85)

#### § 19.

The Board of Administration shall consist of . . . . members, who shall be elected simultaneously and for three years at a time.

In electing members of the Board of Administration special attention should be paid that adequate experience of co-operation and of economic life in general shall be represented on the Board.

Any person who is in employ of the Society or who has not fulfilled the obligations imposed on members of the Society under these rules shall not be eligible as member of the Board of Administration.

### *The Meetings of the Board of Administration*

(Act, §§ 10, 73, 74 and 85)

#### § 20.

The Board of Administration shall elect from amongst its members for the duration of its period of office a chairman and a vice-chairman, and appoint a secretary.

The Board of Administration shall meet at the convening of its chairman as often as is required. It forms a quorum, when at least one-half of its members, among them the chairman or the vice-chairman, are present. A matter shall not, however, be taken up for consideration unless the opportunity to participate in the discussion has, as far as possible, been reserved for all members of the Board of Administration.

In case of a tie, the chairman shall have the casting vote.

At the meetings of the Board of Administration, minutes shall be kept, on which all the members present, the decisions made, and the votings taken shall be recorded.

The minutes shall be checked in the manner prescribed by the Board of Administration and signed by the chairman and the secretary.

At the meetings, the members of the Board of Management and the managers shall have a right to be present and to speak, as far as they are not disqualified for discussing the matter.

The instruments and communications of the Board of Administration shall be signed on its behalf by the chairman and the secretary.

### *Duties of the Board of Administration*

(Act, §§ 10, 34, 35, 68, 76—78, 83 and 85)

#### § 21.

The Board of Administration shall exercise a continuous supervision and control that the Society is managed in conformity with the Law, these rules, the decisions of the Council of Representatives and the Board of Administration, as well as the interests of the Society.

In addition to matters mentioned elsewhere in these rules the Board of Administration shall have the following duties:

1) to elect to the Board of Management for one calendar year at a time . . . . . members and fix the basis for their remuneration and travel expenses;

2) to appoint the managing director and other managers, to fix their remuneration and other conditions of work, to dismiss them and to decide who, in the absence of the managing director shall attend to his duties;

3) to determine the general conditions on which the necessary personnel is hired and dismissed;

4) to appoint the Shop Committees, mentioned in § 29, taking into consideration, as far as possible, the wishes of the members living in the district of the shop, and to fix the remuneration of the members of the Shop Committees;

5) to elect persons who shall each month examine the accounts of the preceding month and control the cash in hand;

6) to decide, within the limits of the rules, upon any extension to the branches of operation of the Society;

7) to decide upon the purchase, erecting and mortgaging of real estates as well as establishments mentioned in § 83, subsec. 2 of the Cooperative Societies Act;

8) to decide upon investment of such funds which are not required for the current business whenever such funds are being used for other purposes than the furtherance of consumer co-operation;

9) to decide whether sales checks entitling to a possible dividend shall be given in respect of all commodities sold and bought, and services rendered;

10) to appoint, upon consideration, provisional committees, necessary for the work of the Society, and to fix the remuneration of their members;

11) to examine the annual report of the Board of Management, their proposal regarding the use of the annual surplus, and to submit these, together with the auditors' report and their own statement accompanied by appropriate explanations, whenever these are necessary, to the Council of Representatives;

12) to prepare the other matters which will be discussed by the Council of Representatives, and to submit its opinion concerning them; and

13) to supervise the execution of the resolutions of the Council of Representatives.

### *The Duties of the Chairman of the Board of Administration*

(Act, § 5, subsec. 5, § 79)

#### § 22.

The special duties of the chairman of the Board of Administration are:

1) to lay down, conjointly with the Board of Management, the general principles of the annual balance sheet, and, if difference of opinion arises between him and the majority of the Board of Management, to submit the matter to the Board of Administration for decision;

2) to hand the accounts and the annual report of the Board of Management to the auditors and, where the report of the latter makes this necessary, to demand an explanation from the Board of Management; and

3) to discuss with the Board of Management matters that will be presented to the Board of Administration for consideration.

### *The Board of Management*

(Act, § 5, subsec. 5, § 68—75, 80 and 85)

#### § 23.

The governing body of the Co-operative Society is the Board of Management. The Board of Management shall consist of the managing director during his period of office, who at the same time shall be its chairman and of . . . . . other members elected by the Board of Administration.

The Board of Management shall elect from amongst its members a vice-chairman and appoint a secretary.

The Board of Management forms a quorum when at least one-half of its members, among them the chairman or the vice-chairman, are present. A matter may not, however, be taken up for discussion, unless, as far as possible, an opportunity has been reserved for all members of the Board to participate in the discussion of the matter.

No person who has not fulfilled the duties imposed on members by these rules nor an employee who does not hold a managerial position shall be eligible to the Board.

A person may not at the same time be a member of the Board of Administration and the Board of Management.

### *The Duties of the Board of Management*

(Act, § 75—84)

#### § 24.

The Board of Management shall represent the Co-operative Society and administer its affairs, unless, under the Law or these rules or on some other ground, these duties rest with the Board of Administration, its chairman, or somebody else.

In addition to the tasks mentioned in the foregoing subsection, the tasks of the Board of Management shall include the following:

- 1) to admit members to the Society;
- 2) to employ and to dismiss members of the staff and to fix their remuneration, unless this rests with the Board of Administration;
- 3) to prepare matters that shall be dealt with by the Board of Administration; and
- 4) to arrange at least once a year district meetings to give the members an opportunity of acquainting themselves with the affairs of the Society and to discuss these.

### *The Managing Director*

(Act, § 80)

#### § 25.

The task of the managing director is the direct administration of the affairs of the Society under the supervision of the Board of

Management and in conformity with the instructions given by the Board of Administration and decisions made by the Board of Management.

Should the managing director be prevented, his duties shall be attended to by a person authorised by the Board of Administration.

### *Signing for the Society*

(Act, §§ 76, 77, and 80, subsec. 2)

#### § 26.

The competence to grant an authorisation to sign for the Society rests with the Board of Administration. Such authorisation may be granted to the managing director, members of the Board of Management and to members of the staff, provided that any two of them shall sign conjointly.

### *Closing of the Accounts*

(Act, § 5, subsec. 6, §§ 79 and 91)

#### § 27.

The financial year of the Society is the calendar year and accounts are closed on the last day of the year. The accounts and the annual report of the Board of Management as well as other necessary documents shall be forwarded, not later than one month before the ordinary spring meeting of the Council of Representatives, to the auditors of the Society for the purpose stated in § 28 of these rules.

### *Auditing*

(Act, §§ 86—91)

#### § 28.

To examine the administration and to audit the accounts of the Society and to supervise the stock-taking, which must be carried out before the 7th of January, not less than three persons shall be elected

and for them two deputies. The Co-operative Union KK shall be appointed as one of the auditors.

The auditors shall submit, before the end of March and not later than one week before the ordinary spring meeting of the Council of Representatives, to the chairman of the Board of Administration a written report on the Society's administration and accounts.

The auditors' report shall contain a statement on the results of their inspections, and an opinion whether the Society's balance sheet and profit and loss account, its accounting, or its administration in general, give reason to remark.

The auditors' report shall contain a specific opinion:

on accepting the accounts;

on granting of discharge to the Board of Management and the Board of Administration;

on the proposition of the Board of Management and the Board of Administration regarding the surplus or loss; and

whether the said proposition includes the obligatory transfers to the capital reserve.

If the book value of an item of property, intended for the Society's permanent use, has been written up in the manner provided for in the Bookkeeping Act, that, too, shall be separately stated in the auditors' report.

### *The Shop Committees*

(Act, § 10)

§ 29.

For each shop of the Society or jointly for shops situated close to each other, a Shop committee shall be appointed for one year at a time.

The Shop Committee shall consist of a chairman and not less than two and not more than five members, which the Board of Administration shall appoint from among the Society's members living in the district of the shop.

In appointing the chairman and the members for the Shop Committees special attention shall be paid, that only such persons are elected who have shown special interest in the activities of the Society and who are generally known and enjoy the confidence of the members and are also otherwise suitable for the task.

The Shop Committee shall observe the instructions given to it by the Board of Management. Its tasks include:

1) to supervise the management and activities of the shop and to submit to the Board of Management proposals regarding it;

2) to be recipient of any suggestions and wishes on the part of the members living in the district of the shop and to forward these, when deemed reasonable, to the Board of Management together with the report of the Shop Committee itself;

3) to take care that co-operative educational work is carried on in the district of the shop; and

4) to attend to such tasks, which the Board of Management may entrust to it.

### *Notifications to the Members*

(Act, § 5, subsec. 8)

§ 30.

Notifications to the members of the Society or to the Council of Representatives shall be issued by means of advertisements published in a newspaper having circulation among the membership and chosen by the Board of Administration or displayed in the business premises of the Society or otherwise in written form and so that it can be proved.

### *Affiliation to Central Organisations*

§ 31.

The Society is a member of the Co-operative Union KK and the Co-operative Wholesale Society OTK.

### *Dissolution of the Co-operative Society*

(Act, § 120)

§ 32.

If the Society is dissolved no member shall receive from its assets a greater share than his share contribution to the Society. If,

upon payment of these shares, there is a surplus of assets, they shall be transferred to the Co-operative Union KK, which shall use them for the purpose of promoting consumer co-operation, as far as possible, in the district of the dissolved Society.

### *Amendment of the Rules*

(Act, § 52, subsec. 2, and §§ 56 and 63)

#### § 33.

When decisions are made regarding amendment of these rules. regulations of the Co-operative Societies Act shall be observed.

Propositions regarding other amendments than those mentioned under subsections 2 and 3 of § 63 or concerning an increase of the share contribution, need not, however, be dealt with at more than one meeting.

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