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6 April 2001;

10 June 2002 [shall come into force from 24 July 2002];

17 October 2002 [shall come into force from 7 November 2002];

28 September 2006 [shall come into force from 27 October 2006];

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If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*<sup>1</sup> has adopted and  
the President has proclaimed the following Law:

## Co-operative Societies Law

### Chapter I General Provisions

#### Section 1. Terms Used in this Law

The following terms are used in this Law:

1) **membership fee** — a cash payment by a member of a co-operative society for covering the maintenance and common expenses of the society;

2) [20 June 2002];

3) **dividend** — a part of the profits of a co-operative society which is paid out to a member of the co-operative society in conformity with the value of his or her co-operative shares;

4) **joining fee** — a cash payment by a member of a co-operative society intended for covering the expenses related to his or her admission;

5) **co-operative society** — a voluntary association of natural persons and legal persons the aim of which is to provide services in order to increase the effectiveness of the commercial activity of its members;

6) [20 June 2002];

7) **co-operative share** — an investment by a natural person or legal person in the equity capital of the relevant co-operative society;

8) **services to co-operative society members** — work which has been performed by a co-operative society pursuant to an order by its members, as well as the turnover of goods between the co-operative society and its members;

9) **basic co-operative share** — a co-operative share that provides a co-operative society member with all the membership rights specified in the articles of association of the society;

10) **additional co-operative share** — a co-operative share, which grants to a co-operative society member the right to receive a dividend and profit refund, but does not grant voting rights;

11) **profit (in a complying agricultural services co-operative society and in a complying forestry services co-operative society — surplus) refund** — a part of the profit

<sup>1</sup> The Parliament of the Republic of Latvia

(surplus) of a co-operative society which, in accordance with the procedures determined in this Law and the articles of association of the society, is paid to the members of the society in compliance with the amount of co-operative society services utilised by them;

12) **agricultural services co-operative society** — a co-operative society, which provides services to producers of agricultural products, but is not engaged in the production of agricultural products, except processing and treatment of production produced by the members;

12<sup>1</sup>) **complying agricultural services co-operative society** – an agricultural services co-operative society which complies with the criteria determined in the regulatory enactments regarding the receipt of aid for rural development;

12<sup>2</sup>) **forestry services co-operative society** – a co-operative society of forest owners, which provides forestry services and marketing services for forestry products, but is not engaged in the production of forestry products;

12<sup>3</sup>) **complying forestry services co-operative society** – a forestry services co-operative society which complies with the criteria determined in the regulatory enactments;

13) **surplus in a complying agricultural services co-operative society and in a complying forestry services co-operative society** — the excess of income over costs of a society specified in the annual accounts in the relevant year of economic activity.

*[20 June 2002; 11 June 2009; 13 September 2012]*

## **Section 2. Purpose of this Law and Legal Basis for the Activity of Co-operative Societies**

(1) The purpose of this Law is:

1) to promote the effective commercial activity of co-operative societies and the satisfaction of the economic and social needs of the members thereof in conformity with the basic principles of the activity of co-operative societies set out in Section 3 of this Law; and

2) to create favourable conditions for the activities of co-operative societies.

(2) This Law determines the procedures for the founding, re-organisation and liquidation of co-operative societies in Latvia, as well as the legal basis for the activities of these societies.

(3) If a co-operative society is the dominant undertaking of a group, the Group of Companies Law shall also regulate its activities.

*[6 April 2000; 20 June 2002]*

## **Section 3. Basic Principles of the Activity of Co-operative Societies**

The basic principles of the activity of co-operative societies shall be the following:

1) a co-operative society shall be a voluntary organisation in which any natural person and legal person with the capacity to act may join without any social, gender, political and religious discrimination if such a person wishes to receive the services of this organisation and to undertake its membership duties in conformity with the articles of association of the society;

2) the activity of a co-operative society shall be managed by its members, by actively and democratically participating in the management of the society;

3) each co-operative society member shall have one vote at the general meeting of members;

4) the capital of a co-operative society shall be formed and controlled, as well as the profit gained (in a complying agricultural services co-operative society and in a complying forestry services co-operative society — surplus) shall be distributed by its members;

5) *[20 June 2002];*

- 6) [20 June 2002];  
7) [20 June 2002];  
8) the activity costs of a co-operative society shall be financed by the members themselves, by creating savings and covering losses;  
9) [20 June 2002]  
*[20 June 2002; 13 September 2012]*

#### **Section 4. Legal Status of Co-operative Societies**

- (1) A co-operative society is a legal person.  
(2) A co-operative society shall be deemed to be founded and shall acquire the status of a legal person on the day it is registered in the Enterprise Register of the Republic of Latvia (hereinafter — Enterprise Register).  
*[20 June 2002]*

#### **Section 5. Limitation of the Liability of Co-operative Societies**

- (1) A co-operative society shall be liable regarding its liabilities with its entire property.  
(2) A co-operative society shall not be liable regarding the liabilities of its members.  
(3) A member of a co-operative society shall not be liable regarding the liabilities of the co-operative society.  
*[20 June 2002]*

#### **Section 6. Merchant Status of a Co-operative Society**

A co-operative society shall be a merchant, except for agricultural services co-operative societies, forestry services co-operative societies, co-operative societies of apartment owners, co-operative societies of vehicle garage owners, co-operative societies of boat garage owners and horticultural co-operative societies.  
*[20 June 2002; 13 September 2012]*

#### **Section 6.<sup>1</sup> Commercial Secret**

Commercial secret of a co-operative society shall be determined and protected taking into account the provisions of the Commercial Law.  
*[13 September 2012]*

#### **Section 7. Name and Symbols of Co-operative Societies**

- (1) The name of a co-operative society shall contain the words “kooperatīvā (kopdarbības) sabiedrība” [co-operative (joint activity) society] or “kooperatīvā biedrība” [co-operative association]. The name of an agricultural services co-operative society shall also contain the words “lauksaimniecības pakalpojumu” [agricultural services] or the name of the sector. The name of a forestry services co-operative society shall also contain the words “mežsaimniecības pakalpojumu” [forestry services].

- (2) The name of a co-operative society may indicate the type of activity of the relevant society.
- (3) The name of a co-operative society shall be formed in compliance with the requirements of the Language Law.
- (4) A co-operative society may have its own symbols.
- [20 June 2002; 13 September 2012]*

### **Section 7.<sup>1</sup> Restrictions Determined for a Natural Person within the Framework of Criminal Procedure or Administrative Violation Procedure**

(1) If the right to carry out commercial activities of all types or of a specific type has been abrogated for a natural person on the basis of an adjudication taken within the framework of a criminal procedure, during the period of prohibition determined in the relevant adjudication such person is prohibited:

- 1) to be a founder of a co-operative society;
- 2) to become a member of a co-operative society, except the case when co-operative shares are inherited in the co-operative society;
- 3) to become the authorised person in a meeting of authorised persons of the co-operative society;
- 4) to be the member of the board of directors, director or manager of the co-operative society;
- 5) to be the member of the council of the co-operative society;
- 6) to be the member of the audit commission (auditor) of the co-operative society;
- 7) to be the member of the liquidation commission of the co-operative society;
- 8) to provide advice, to give instructions to persons referred to in this Paragraph or otherwise influence them.

(2) If the right to carry out commercial activity of a specific type has been abrogated for a natural person, the prohibitions referred to in Paragraph one of this Section shall be applicable only to the type of commercial activity determined in the relevant adjudication. If a legal status allows for such person to take decisions in a co-operative society or represent a co-operative society, he or she does not have the voting rights and he or she is prohibited to represent the co-operative society in the matters regarding the type of commercial activity determined in the relevant adjudication.

(3) If the right to hold specific posts in a co-operative society or in the administrative bodies thereof has been abrogated for a natural person on the basis of the adjudication taken within the framework of a criminal procedure or administrative violation procedure, he or she is prohibited to be in a co-operative society:

- 1) a member of the board of directors, director or manager;
- 2) a member of the council;
- 3) a member of the audit commission (auditor);
- 4) a member of the liquidation commission.

(4) The prohibitions determined in Paragraph one and two of this Section shall be applicable, if a co-operative society in compliance with the provisions of this Law shall be considered as a merchant.

(5) If the right to carry out commercial activities of all types or of a specific type or to hold specific posts in a co-operative society or in the administrative bodies thereof has been abrogated for a natural person, his or her duty is immediately after coming into force of the relevant adjudication to inform the co-operative society and its members thereof.

(6) The restriction of representation rights determined in this Section shall not be force in respect of third persons.

*[13 September 2012(Section shall come into force from 1 January 2013. See Paragraph 16 of Transitional Provisions0]*

## **Chapter II Founding of Co-operative Societies**

### **Section 8. Founders of Co-operative Societies**

(1) A co-operative society may be founded by natural persons or legal persons. A legal person shall be represented at a co-operative society by its authorised representative.

(2) The founders of a co-operative society shall be the persons who have signed the memorandum of association of the co-operative society and its articles of association, as well as made the investment provided for in the memorandum of association and made other payments prescribed by the memorandum of association. The founders of the co-operative society shall become members thereof at the moment when the society is registered in the Enterprise Register.

(3) *[20 June 2002]*

(4) The number of the founders of a co-operative society may not be less than three. The number of founders of an agricultural services co-operative society and forestry services co-operative society may not be less than five.

*[11 June 2009; 13 September 2012]*

### **Section 9. Types of Founding of Co-operative Societies**

A co-operative society may be founded as a new society or by reorganising an already existing commercial company in accordance with the procedures specified in Sections 10-16 of this Law.

*[20 June 2002]*

### **Section 10. Documents of Incorporation of a Co-operative Society**

(1) If a co-operative society is founded as a new society, its documents of incorporation shall be the memorandum of association, articles of association and the minutes of the founding meeting.

(2) If a co-operative society is founded by reorganising an existing commercial company, the documents of incorporation shall be the decision of the commercial company regarding the reorganisation of this commercial company into a co-operative society, the articles of association of the newly-created co-operative society and the minutes of the meeting at which the decision regarding the reorganisation of the relevant commercial company was taken.

*[20 June 2002]*

### **Section 11. Procedures for Founding of Co-operative Societies**

(1) If a co-operative society is founded as a new society, the founders thereof shall:

1) prepare and sign the memorandum of association in accordance with the procedures prescribed in Section 12 of this Law;

2) prepare draft articles of association in accordance with the procedures prescribed in Section 13 of this Law;

3) pay the equity capital in a certain amount, organise the depositing of money contributions by the founders in a bank and receive a statement regarding the deposit made, as well as assess the property contribution (if a property contribution is made); and

4) convene the founding meeting of the co-operative society in accordance with the procedures specified in Section 14 of this Law.

(2) If a co-operative society is founded by reorganising an existing commercial company, the provisions of the Commercial Law shall be applied to such a reorganisation.

(3) A founder or a member of a co-operative society of apartment owners may only be a natural or legal person who is an owner of an apartment in the house, which is administered and managed by the relevant co-operative society of apartment owners. The activity of a co-operative society of apartment owners shall be regulated by this Law, the Law on Residential Property, as well as other regulatory enactments.

(4) The founders of an agricultural services co-operative society may be natural or legal persons who produce agricultural products, as well as other agricultural services co-operative societies.

(5) The founders of a forestry services co-operative society may be natural persons or legal persons who are forest owners, as well as other forestry services co-operative societies.

*[20 June 2002; 13 September 2012]*

## **Section 12. Memorandum of Association of a Co-operative Society**

(1) Founders of a co-operative society shall enter into a memorandum of association where the following information shall be included:

1) if the founder is a natural person — his or her given name and surname, address, personal identity number and passport data; if the founder is a legal person — its name (firm name), registration number, legal address, current account, position, given name and surname, address, personal identity number and passport data of the authorised representatives;

2) the name and the legal address of the co-operative society to be founded;

3) the objectives and tasks of the operational activity of the co-operative society to be founded;

4) the founding procedures of the co-operative society and those representatives of founders to whom other founders, by mutual agreement, have assigned performance of the activities related to the founding of the society;

5) the procedures for the formation of equity capital, its size, the value of one co-operative share, the types of co-operative shares, the distribution of co-operative shares among the founders and the time limits and types of their investment, changes in the type of co-operative shares and the procedures for the alienation of co-operative shares; and

6) other provisions which are considered significant by the founders and which are not in conflict with this Law and other regulatory enactments.

(2) The memorandum of association shall be signed by all founders.

*[11 June 2009]*

## **Section 13. Articles of Association of a Co-operative Society**

(1) Articles of association of a co-operative society shall specify the following information:

1) the name of the co-operative society;

- 2) its legal address;
- 3) the objectives and tasks of operational activity;
- 4) its term of activity (if the co-operative society has been created for a specific period of time);
- 5) the regulations for the admission, withdrawal, expulsion of members, as well as for the acquisition or loss of voting rights;
- 6) the rights and duties of the members;
- 7) the numerical composition of the board of directors and council (if such is foreseen), specifying the right of members of the board of directors to represent the society separately or together;
- 8) the procedures for the nomination and election (appointment) of authorised persons;
- 9) the minimum amount of the equity capital, the procedures for increasing and reducing thereof, as well as the conditions and procedures for the formation of a reserve capital and other capitals;
- 10) the types of co-operative shares, the face value of a co-operative share, the procedures for the increase and reduction thereof, the provisions for the alienation of co-operative shares;
- 11) the amount or procedures for the determination of the joining fee and membership fee;
- 12) the procedures for profit (in a complying agricultural services co-operative society and in a complying forestry services co-operative society — surplus) distribution and loss settlement;
- 13) the procedures for the founding, reorganisation and liquidation of commercial companies;
- 14) the procedures for the reorganisation and liquidation of the co-operative society; and
- 15) the procedures for convening, the procedure for general meetings of members (meetings of authorised persons) and the procedures for the submission of matters to be examined, as well as the procedures for decision taking and contesting thereof;
- 16) [20 June 2002]

(2) Articles of association may provide for other provisions, which are not in conflict with the law. If the articles of association are in conflict with the law the provisions of the law shall be applied.

(3) The articles of association shall be signed by all founders or persons authorised by the founding meeting.

*[6 April 2000; 20 June 2002; 11 June 2009; 13 September 2012]*

#### **Section 14. Founding Meeting of a Co-operative Society**

(1) The founders shall convene a founding meeting of the co-operative society, specify the place and time, as well as the agenda for the meeting. The founding meeting shall be convened after the founders have performed the obligations provided for in the memorandum of association and have made the necessary contributions in the equity capital of the society.

(2) The founders of the co-operative society who have performed the obligations provided for in the memorandum of association shall participate in the founding meeting with voting rights. Other invited persons may participate in the founding meeting of the co-operative society without voting rights.

(3) The founding meeting shall have a quorum if not less than two thirds of the number of founders participate in the meeting.

(4) The founding meeting shall:

- 1) approve the powers of the members of the meeting;
- 2) approve the articles of association of the co-operative society;
- 3) elect the management and audit institutions of the co-operative society;
- 4) approve the budget for the first year of commercial activity; and
- 5) decide other matters related to the commencement of the activities of the co-operative society.

(5) The founding meeting shall take decisions by a simple majority vote. For the adoption of the articles of association more than half of the votes of all founders shall be required.

(6) Minutes of the founding meeting shall be signed by the chair of the meeting, the registrar and the founders participating in the meeting.

### **Section 15. Minutes of the Founding Meeting of a Co-operative Society**

The minutes of the founding meeting of a co-operative society shall specify:

- 1) the results of the performance of the memorandum of association;
- 2) the results of the vote related to the adoption of the articles of association;
- 3) the given name and surname of the persons elected to the management and audit institutions; and
- 4) other decisions taken.

### **Section 16. Registration and Commencement of Activities of a Co-operative Society**

(1) Following the election of the management and audit institutions of a co-operative society, the founders shall transfer the property invested in the co-operative society, all documents, obligations and rights related to the founding to the board of directors by a deed of acceptance and transfer.

(2) Within 15 days following the founding meeting, the executive body of the co-operative society or the person authorised by the founding meeting shall submit to the Enterprise Register the registration application of the relevant co-operative society and the following documents:

- 1) the memorandum of association of the co-operative society;
- 2) the articles of association;
- 3) the minutes of the founding meeting;
- 4) a bank statement regarding the payment of the equity capital (if the equity capital or a part thereof is paid in cash), as well as the documents certifying the value of each property contribution (if property contribution is made);
- 5) [20 June 2002]; and
- 6) other documents in accordance with the Law on the Enterprise Register of the Republic of Latvia.

(3) The amount of the equity capital at the moment of registration of a co-operative society shall be determined by the sum of the values of the invested co-operative shares.

(4) The Cabinet shall specify the documents, which shall be submitted to the Enterprise Register in order to register an agricultural services co-operative society.

*[20 June 2002; 17 October 2002; 18 October 2007]*

## **Chapter III Rights and Duties of Co-operative Society Members**

## **Section 17. Co-operative Society Members**

(1) Members of a co-operative society may be persons who utilise the services of the society, recognise and comply with the articles of association of the society and have made an investment in the equity capital of the society in accordance with the procedures specified in its articles of association, as well as make other payments provided for in the articles of association and decisions of the society.

(2) A natural person may become a member of a co-operative society when he or she has reached the age of 16 years, except for a co-operative society of apartment owners where an apartment owner may become its member without reaching such age. Up to his or her acquisition of the full capacity to act the interests of such a person in the society shall be represented in accordance with the procedures set out in the Civil Law. A person may become a member of the council, board of directors or audit commission of the co-operative society only following reaching the age of 18 years.

(3) With the consent of parents and guardians also a person who has not reached the age of 12 years may be a member of a pupils' co-operative society.

*[20 June 2002]*

## **Section 18. Admission of Members to Co-operative Societies**

(1) A person who wishes to join a co-operative society and become a member thereof shall submit to the board of directors of the co-operative society a written application, make the payments related to joining in accordance with the procedures and in the amount set out in the articles of association, as well as make contributions to the equity capital of the society and provide the necessary information.

(2) The board of directors shall examine the written application of a person regarding joining the co-operative society within three months of the date it was submitted. A decision of the board of directors regarding the admission of new members shall be approved by the general meeting of members (meeting of authorised persons) after taking of the decision.

(3) Only those co-operative societies which in compliance with the articles of association service their own members and cannot successfully service a greater number of members, as well as those co-operative societies the members of which comply with the criteria for the status of a member determined in this Law and in the articles of association of the society may refuse to admit new members.

(4) If the board of directors of a co-operative society refuses admission to a person, the submission regarding the re-examination of this decision may be submitted to the general meeting of members (meeting of authorised persons) within a month of the date the decision was taken and it shall be examined in the next general meeting of members (meeting of authorised persons). The decision by the general meeting of members (meeting of authorised persons) shall be final.

(5) The rights and duties of a member shall become effective at the moment when the board of directors has taken a decision regarding his or her admission to the co-operative society (unless the articles of association provide otherwise). If within the determined time period the member has not settled the payments related to joining or the general meeting of members (meeting of authorised persons) has not approved the decision by the board of directors regarding the admission of the member, such decision shall be recognised as void and the payments made shall be returned to the payer thereof. A member of the agricultural services co-operative society or forestry services co-operative society shall acquire the voting rights when a general meeting of

members (meeting of authorised persons) has approved the decision of the board of directors regarding his or her admission.

(6) The members of a co-operative society of apartment owners may only be those natural persons and legal persons who are the owners of apartments, non-living premises or artists' studios in a house (houses) which are administered and managed by the relevant co-operative society. The joint owners of a separate residential property shall be represented in the co-operative society by one of the joint owners, by mutual agreement on the basis of a written authorisation.

(7) The founders or members of a horticultural co-operative society may only be such natural persons and legal persons to whom land has been allocated for use or who have land in ownership within the territory managed by the co-operative society.

(8) The members of an agricultural services co-operative society may be natural persons or legal persons who are engaged in production of agricultural products on their holding and who utilise the services of the agricultural services co-operative society in compliance with the requirements of the articles of association, as well as other agricultural services co-operative society.

(9) The member of a forestry services co-operative society may be a natural person or legal person who is a forest owner and uses services of the forestry services co-operative society in compliance with the requirements of the articles of association, as well as another forestry services cooperative society.

*[20 June 2002; 11 June 2009; 13 September 2012]*

## **Section 19. Register of Co-operative Society Members**

(1) The board of directors of a co-operative society shall create a register of members, which shall include the following information:

1) if the member is a natural person — his or her given name, surname, personal identity number and address; if the member is a legal person — its name (firm name), registration number and legal address;

2) the date when the member was admitted to the co-operative society;

3) the number of basic co-operative shares and additional co-operative shares owned by each member and the total value thereof; in co-operative societies of apartment owners — also the number of apartments owned by the member;

4) changes which have occurred to co-operative shares; and

5) the date when the member withdrew, was excluded or died (a legal person terminated its activities), when his or her liability expired and the final settlement with the former member was made.

(2) Each member of a co-operative society has the right to become acquainted with the register of members.

(3) The register of members may also specify other data if the general meeting of members (meeting of authorised persons) has taken a relevant decision.

*[20 June 2002; 11 June 2009]*

## **Section 20. Co-operative Shares or Membership Card**

(1) A co-operative shares or membership card shall be a document which certifies the number of co-operative shares owned by a member of a co-operative society and the total value thereof and grants the right to participate in the work and management of the society, receive the relevant

dividends and profit refund, but in the case of liquidation of the society — a liquidation quota. A member of an agricultural services co-operative society of a forestry services co-operative society shall receive the profit (in a complying agricultural services co-operative society and in a complying forestry services co-operative society – surplus) refund in conformity with the amount of services utilised but in the event of the liquidation of the society — also a liquidation quota in compliance with the number of co-operative shares owned by the member.

(2) The co-operative share or membership card shall be issued by the board of directors of the co-operative society. A member of the co-operative society may receive it in paper or electronic format and it shall specify all the information regarding the relevant co-operative society member contained in the register of members.

*[20 June 2002; 11 June 2009; 13 September 2012]*

## **Section 21. Duties of Co-operative Society Members**

(1) A member of a co-operative society shall have a duty to:

1) fulfil the duties provided for in the articles of association of the society and the decisions of its management and audit institutions;

2) meet the obligations related to the work investment (in an agricultural services co-operative society and in a forestry services co-operative society — to the amount of services received), as well as to the property and financial participation in the activity of the society in good time in accordance with the procedures specified in the articles of association; and

3) take care of the property of the society, as well as notify the board of directors or the audit commission (auditor) regarding the ascertained squandering of the property or mismanagement and take appropriate measures to prevent such violations.

(2) A co-operative society may include in its articles of association the duty of a member to primarily utilise the services provided to the members of the co-operative society.

*[20 June 2002; 13 September 2012]*

## **Section 22. Rights of Co-operative Society Members**

(1) The rights of a member of a co-operative society shall be prescribed by this Law and the articles of association of the society.

(2) A member of a co-operative society has the right:

1) to participate in the activities and management of the society;

2) *[20 June 2002]*;

3) to utilise the preferences and advantages provided for the society member;

4) to act with his or her co-operative shares in accordance with the procedures set out in this Law and the articles of association of the society;

5) to receive a dividend or profit (in a complying agricultural services co-operative society and in a forestry services co-operative society - surplus) refund in the amount and in accordance with the procedures set out in the articles of association of the society;

6) to receive from the society information regarding any matter related to its activities in the cases specified by the general meeting of members (meetings of authorised persons) except such information for which the status of commercial secret is determined; and

7) to withdraw from the society in accordance with the procedures set out in this Law and its articles of association.

(3) The articles of association of a co-operative society may also provide other rights for its members.

*[20 June 2002; 11 June 2009; 13 September 2012]*

### **Section 23. Procedures for Withdrawal and Expulsion of Co-operative Society Members**

(1) A member may withdraw from a co-operative society by submitting a written submission to its board of directors. A member cannot apply for withdrawal following a decision regarding the liquidation of the co-operative society has been taken.

(2) A member may be excluded from a co-operative society if he or she fails to fulfil the duties and obligations provided for in its articles of association. The general meeting of members (meeting of authorised persons) has the right to exclude a member, unless the articles of association provide otherwise. If the articles of association provide for different expulsion procedures, a possibility has to be provided to appeal the decision to the general meeting of members (meeting of authorised persons). The decision of the general meeting of members (meeting of authorised persons) regarding expulsion shall be final.

(3) From the time when a member has submitted his or her submission regarding withdrawal he or she shall lose his or her voting rights. Following a decision regarding the withdrawal or expulsion of a member has been taken, he or she shall lose the right to participate in the general meeting of members (meeting of authorised persons) and be a member of the management and audit institutions elected by the co-operative society.

(4) A member who has withdrawn from a co-operative society shall receive co-operative shares within a year of the date the annual report was approved, deducting from the value thereof the losses which have been incurred, or adding a dividend. Co-operative shares to a member of an agricultural services co-operative society or a forestry services co-operative society shall be paid within the time limit specified in the articles of association. If the value of co-operative shares of a member exceeds 10% of the equity capital of the society, in the articles of association of the society the refund time limit may be extended up to three years, providing that the refund shall be performed evenly by years. If co-operative shares have been invested in movable or immovable property, in the event of the withdrawal or expulsion of a member, on the basis of a contract regarding the making of property contribution or upon mutual agreement, the investment may be reimbursed with the contributed property or property of equivalent value. In the cases provided for in the articles of association the member of the co-operative society has the right to alienate co-operative shares in favour of another member of this society.

(5) *[20 June 2002]*

(6) In the event of the death of a member of a co-operative society his or her co-operative shares and dividends (in a complying agricultural services co-operative society and in a complying forestry services co-operative society — the due part of the surplus) shall be inherited. In co-operative societies of apartment owners, co-operative shares shall be inherited by the heirs to the residential property. If the heirs submit an application to the board of directors of the co-operative society regarding joining the society, they shall become members of the co-operative society and acquire all membership rights and duties, except for the positions of the deceased member in the institutions of the society. The board of directors shall have a duty to make relevant changes in the register of members. The heirs shall not pay the joining fee.

(7) *[20 June 2002]*

(8) *[11 June 2009]*

*[20 June 2002; 11 June 2009; 13 September 2012]*

## **Chapter IV**

### **Equity Capital and Commercial activity of Co-operative Societies**

*[20 June 2002]*

#### **Section 24. Equity Capital of Co-operative Societies**

(1) The equity capital of a co-operative society shall be material and money resources, which are formed by the sum of co-operative share values of all members of the society. The equity capital shall be variable.

(2) The equity capital of a co-operative society shall increase or decrease depending on the number of co-operative shares and the face value of co-operative shares, as well as on the changes in the face value of co-operative shares introduced in accordance with the procedures specified in the articles of association.

(3) The minimum amount of the equity capital of a co-operative society shall be 2000 lats. The minimum amount of the equity capital of co-operative societies of apartment owners, co-operative societies of vehicle garage owners, co-operative societies of boat garage owners, agricultural services co-operative societies, forestry services co-operative societies horticultural co-operative societies and amelioration co-operative societies shall be 200 lats. If the equity capital decreases and is less than the minimum amount specified in the articles of association, the board of directors shall, within a period of three months, convene the general meeting of members (meeting of authorised persons) in which the further activities of the society shall be decided.

*[20 June 2002; 17 October 2002; 13 September 2012]*

#### **Section 25. Co-operative Shares, Their Types and Other Payments by Co-operative Society Members**

(1) In a co-operative society there may be the following co-operative shares:

- 1) basic co-operative shares; and
- 2) additional shares;
- 3) *[20 June 2002]*

(2) All types of co-operative shares in the society shall have an equal face value. The face value of a co-operative share shall be a value specified in the articles of association, which may only be changed in the cases and in accordance with the procedures set out in this Law, by making the relevant amendments to the articles of association of the society.

(3) The face value of a co-operative share may only be reduced if the society following closure of the financial year lacks the reserve capital for the settlement of losses and it is necessary to utilise a part of the equity capital.

(4) A member of a co-operative society shall have at least one co-operative share. The maximum number of co-operative shares of a member shall be specified in the articles of association.

(5) The co-operative shares of a co-operative society member shall be formed by his or her contribution to the co-operative society. The value of a co-operative share and procedures for the contribution thereof shall be provided for by the memorandum of association and the articles of association of the co-operative society.

(6) If the articles of association of a society provide for a joining fee, it shall be set equal for all members. The articles of association may regulate the amount of the membership fee and the criteria for the determination thereof.

*[20 June 2002]*

## **Section 26. Basic Co-operative Shares**

(1) A co-operative share of a member of a co-operative society shall be registered as a basic co-operative share in accordance with the procedures specified in the articles of association of the society.

(2) The articles of association of a society may specify that the number of basic co-operative shares of a member has to correspond to the amount of the society services utilised by him or her in the previous financial year, in conformity with the following procedures:

1) the articles of association shall provide for the amount of services utilised by a member and delivered by the society for which one basic co-operative share is due to the member, as well as the procedures by which the number of basic co-operative shares due to one member shall be determined;

2) the board of directors shall each year not later than four months following the end of the financial year and not later than two weeks prior to the regular general meeting of members (meeting of authorised persons) shall compile information regarding the amount of services utilised by members and delivered by the society during the previous financial year and shall calculate the number of basic co-operative shares due to a member;

3) if the amount of services actually utilised by the member and delivered by the society in the previous financial year and the number of basic co-operative shares due to him or her exceeds the number of basic co-operative shares owned by him or her, the additional co-operative shares owned by him or her shall be re-registered as basic co-operative shares, but if he or she does not have any additional co-operative shares or the number thereof is insufficient, the member shall in accordance with the procedures specified in Clause 4 of this Paragraph and the articles of association of the society additionally purchase the relevant number of basic co-operative shares. If the amount of services utilised by the member and delivered by the society has decreased, his or her basic co-operative shares shall be re-registered as additional co-operative shares;

4) the member shall purchase the necessary basic co-operative shares within the time limits specified by the general meeting of members (meeting of authorised persons). If the member fails to contribute the resources required for the purchase of these co-operative shares, the dividend and profit (in a complying agricultural services co-operative society and in a complying forestry co-operative society — surplus) refund calculated for him or her shall be transferred as the contribution for the co-operative shares to be purchased; and

5) in the first year of commercial activity of the society the number of basic co-operative shares due to its founders shall be specified by the memorandum of association, but for other members the co-operative shares contributed to by the end of the first financial year shall be registered as additional co-operative shares.

(3) In co-operative societies of apartment owners each member shall have as many basic co-operative shares as many apartments he or she has in his or her ownership.

(4) Taking into account the specificity of services provided by the society, another procedures for the calculation of basic co-operative shares may be determined in the articles of association of an agricultural services co-operative society and a forestry services co-operative society.

*[20 June 2002; 11 June 2009; 13 September 2012]*

## **Section 27. Additional Co-operative Shares**

(1) In accordance with the procedures specified in the articles of association, members of a co-operative society have the right to mutually purchase, sell and give as a gift their additional co-operative shares.

(2) At the request of a member of the society (except for the agricultural services co-operative society and a forestry services co-operative society) his or her additional co-operative shares may be alienated within a year from the submission of an application to the board of directors of the co-operative society, in conformity with the procedures set out in the articles of association. The alienated additional co-operative shares shall be reimbursed according to their face value, adding the dividend due for them.

(3) The additional co-operative shares of a member of an agricultural services co-operative society or a forestry services co-operative society may be alienated following the submission of his or her request to the board of directors of the co-operative society, in compliance with the procedures set out in the articles of association.

*[20 June 2002; 13 September 2012]*

## **Section 28. Co-operative Shares of Employees** *[20 June 2002]*

## **Section 29. Types and Procedures for Acquisition of Co-operative Shares**

(1) The founders and members of a co-operative society may acquire co-operative shares by:

1) paying the value of co-operative shares in cash; or

2) covering the entire value of a co-operative share or a part thereof with a property contribution in accordance with the procedures prescribed in Section 30 of this Law if the founders of the co-operative society agree thereto but following the commencement of commercial activity — its executive institution.

(2) If the co-operative society is not registered, the founders shall receive back the sum paid or the property contribution made, as well as the part of resources contributed during the founding process, which has not been utilised.

## **Section 30. Property Contribution**

(1) In regard of property contributions the provisions of Section 153 and Section 154, Paragraphs one, three, four and six of the Commercial Law shall be applied.

(2) The contributor shall be granted a number of co-operative shares conforming with the value of the property contribution.

(3) The equity capital of a co-operative society of apartment owners, a vehicle garage owners co-operative society, a boat garage owners co-operative society and a horticultural co-operative society shall be payable only in cash.

*[20 June 2002]*

## **Section 31. Reserve Capital of Co-operative Societies**

(1) A co-operative society shall create a reserve capital, which by a decision of the general meeting of members (meeting of authorised persons) shall be utilised to cover the losses of the society.

(2) The reserve capital shall consist of:

1) the joining fee if such is provided for in the articles of association of the co-operative society;

2) [20 June 2002];

3) unclaimed dividends and co-operative shares;

4) [11 June 2009]; and

5) in a complying agricultural services co-operative society and in a complying forestry services co-operative society – unclaimed surplus.

(3) The maximum amount of the reserve capital shall not be limited.

*[20 June 2002; 11 June 2009; 13 September 2012]*

### **Section 32. Other Capital**

In accordance with the procedures specified in the articles of association a co-operative society may also create other capital.

### **Section 33. Tax Relief to Co-operative Societies and Tax Payments by Complying Agricultural Services Co-operative Societies and Complying Forestry Services Co-operative Societies**

(1) A co-operative society shall receive tax relief in accordance with the procedures set out in the tax laws.

(2) In conformity with the procedures determined by the tax laws a complying agricultural services co-operative society and a complying forestry services co-operative society shall not pay enterprise income tax independently, but each member of the complying agricultural services co-operative society or complying forestry services co-operative society shall pay personal income tax or enterprise income tax respectively from the part of the surplus which is due thereto.

*[20 June 2002; 11 June 2009; 13 September 2012 (Amendments to Paragraph two (regarding the procedures for payment of enterprise income tax by a complying forestry services co-operative society and personal income tax by a member of the complying forestry services co-operative society) shall come into force concurrently with the relevant amendments to tax laws and other regulatory enactments. See Paragraph 13 of Transitional Provisions)]*

### **Section 34. Profit of Co-operative Societies**

(1) By a decision of the general meeting of members (meeting of authorised persons) the profit remaining following the payment of taxes and making of other mandatory payments shall be distributed as follows:

1) for the formation of the reserve capital specified in the articles of association, as well as other capital;

2) for the payment of dividends for co-operative shares in accordance with the procedures prescribed by the articles of association; and

3) for profit refund in accordance with the procedures prescribed by the articles of association.

(2) The remaining part of the profit shall be distributed in accordance with the decision by the general meeting of members (meeting of authorised persons).

### **Section 35. Procedures for Covering Losses of Co-operative Societies**

(1) If a co-operative society concludes the financial year with losses, the general meeting of its members (meeting of authorised persons) shall decide on the procedures for the settlement of losses.

(2) The reserve capital, equity capital, as well as other capital shall be utilised to cover the losses of a co-operative society.

(3) In order to cover losses the general meeting of members (meeting of authorised persons) may decide on making additional single payments proportional to the number of basic co-operative shares.

### **Section 36. Participation of Co-operative Societies in Other Commercial Companies**

(1) A co-operative society may, for the attainment of its objectives, found commercial companies, as well as act as a participant in other commercial companies.

(2) The founding, activity, re-organisation and liquidation of commercial companies of a co-operative society shall be performed in accordance with this Law and other laws regulating entrepreneurial activities and the articles of association of the commercial companies approved by the general meeting of members (meeting of authorised persons). The Ministry of Agriculture may delegate the assessment of the compliance of agricultural services co-operative societies to a private-law body or derived public person. If the assessment of the compliance is delegated to a private-law body, it has the right to issue administrative acts.

(3) [6 April 2000]

(4) [6 April 2000]

[11 June 2009]

### **Section 36.<sup>1</sup> Compliance of Agricultural Services Co-operative Society and Forestry Services Co-operative Society**

(1) Aid for rural development may be received by every agricultural services co-operative society, if it complies with the requirements determined in the regulatory enactments.

(2) The Cabinet shall determine the criteria for compliance of agricultural services co-operative societies and forestry services co-operative societies and the procedures for assessment of such societies. The Ministry of Agriculture may delegate the assessment of compliance of agriculture services co-operative societies and forestry services co-operative societies to a private-law body or a derived public person in accordance with the procedures determined in the State Administration Structure Law. If the assessment of the compliance is delegated to a private-law body, it has the right to issue administrative acts.

[6 April 2000; 20 June 2002; 18 October 2007; 13 September 2012]

## **Chapter V**

### **Organisational Structure of Co-operative Societies**

#### **Section 37. Management and Audit Institutions of Co-operative Societies**

(1) The management functions of a co-operative society within the framework of its competence shall be performed by the general meeting of members (meeting of authorised persons), the council and the board of directors. The functions of the board of directors in accordance with the procedures set out in the articles of association of the society may be performed by the director or the manager.

(2) The articles of association of the society may provide not that a general meeting of members shall be convened, but rather a meeting of authorised persons and specifying the representation norm of the authorised persons and procedures for their election. In a co-operative society of apartment owners which has more than 200 members, the meeting of authorised persons may only be convened in between the general meetings of the co-operative society.

(3) The control and audit institution of a co-operative society shall be the audit commission (auditor) or the sworn auditor.

(4) In accordance with the procedures specified in the articles of association of the society a council of the co-operative society may be created but, if the council is not created, its functions shall be performed by a general meeting of members (meeting of authorised persons).

*[20 June 2002]*

#### **Section 38. General Meeting of Co-operative Society Members (Meeting of Authorised Persons)**

(1) The highest management institution of a co-operative society shall be the general meeting of the members of the co-operative society. It may be regular and extraordinary.

(2) The regular general meeting of members (meeting of authorised persons) shall be convened by the board of directors each year not later than four months following the end of the financial year but for a society the amount of activities of which exceeds the criteria specified in Section 24, Paragraph two of the Annual Accounts Law — not later than seven months following the end of the financial year. At this general meeting of members (meeting of authorised persons) the annual financial report of the society, the budget and the action plan for the current year shall be examined and approved.

(3) For deciding of special matters the board of directors of the co-operative society, if necessary, in accordance with the procedures specified in the articles of association, may convene an extraordinary general meeting of members (meeting of authorised persons). The board of directors shall also convene the extraordinary general meeting (meeting of authorised persons) if in accordance with the procedures specified in the articles of association of the society it is requested by at least one tenth of the members (one third of the authorised persons) or the audit commission (auditor). If within a month from submission of the request the board of directors fails to convene the general meeting of members (meeting of authorised persons), it shall be convened by the audit commission (auditor).

(4) In accordance with the procedures and within the time periods specified in the articles of association of the society, the board of directors shall notify the members of the place, time and agenda of the general meeting (meeting of authorised persons).

*[20 June 2002; 11 June 2009]*

### **Section 39. Rights of the General Meeting of Co-operative Society Members (Meeting of Authorised Persons)**

(1) The general meeting of the members of a co-operative society alone has the right to:

1) elect and recall the authorised persons who at the meeting of authorised persons are entitled to decide the issues within the competence of the members specified in Paragraph two of this Section;

2) elect and recall members of the board of directors and council, members of the audit commission (auditor) or the sworn auditor and members of the liquidation commission;

3) specify the amount of remuneration for the members of the board of directors and council, members of the audit commission (auditor) or the sworn auditor and members of the liquidation commission; and

4) specify changes in the rights of representation of the members of the board of directors.

(2) The general meeting of members (the meeting of authorised persons) has the right to:

1) subsequent to a report by the board of directors and the audit commission (auditor) or the sworn auditor examine and approve the financial report for the previous year;

2) approve the budget of the society and the action plan for the current year prepared by the board of directors;

3) specify the amount of the joining fee (if such is provided for in the articles of association of the society) and the membership fee;

4) examine complaints regarding decisions by the council or the board of directors;

5) [20 June 2002];

6) approve decisions by the council or the board of directors regarding the admission of new members and the expulsion or withdrawal of the existing members from the society;

7) decide matters related to the reorganisation or liquidation of the society, as well as to participation in other commercial companies or withdrawal therefrom;

8) decide regarding the founding, reorganisation or liquidation of commercial companies;

9) decide the issue regarding amending the articles of association of the society;

10) distribute the profit of the previous financial year (at a complying agricultural services co-operative society and in a complying forestry services co-operative society — surplus) and determine procedures for covering losses;

11) in accordance with laws and other regulatory enactments approve and amend the by-laws for the activities of the council, the board of directors, the audit commission (auditor) or the sworn auditor and the liquidation commission;

12) represent the society in court through its authorised person in all actions brought against the members of the board of directors, as well as the actions brought by the board of directors against the society; and

13) [20 June 2002]

(3) The articles of association of the co-operative society may provide for other issues the deciding of which shall solely be within the competence of the general meeting of members (meetings of authorised persons).

*[20 June 2002; 11 June 2009; 13 September 2012]*

### **Section 40. Participation of Co-operative Society Members in General Meetings (Meetings of Authorised Persons)**

(1) In a general meeting (meeting of authorised persons) each member of the co-operative society irrespective of the number of the basic co-operative shares owned by him or her shall have one vote.

(2) A member cannot transfer his or her voting rights to another person if the articles of association of the co-operative society do not provide for special authorisation procedures.

(3) The member who not later than two days prior to the general meeting of members (meeting of authorised persons) has not settled the obligations specified in the articles of association of the co-operative society and in the decisions by the general meeting (meeting of authorised persons) or for whom the right to carry out commercial activities of all types has been abrogated on the basis of an adjudication taken within the framework of a criminal procedure shall not have voting rights at the general meeting (meeting of authorised persons) and he or she cannot be elected to the management and audit institutions of the co-operative society. If the right to carry out commercial activity of specific type has been abrogated for a member on the basis of an adjudication taken within the framework of a criminal procedure, he or she shall not have voting right in matters regarding the type of commercial activity determined in the relevant adjudication.

(4) The general meeting of members (meeting of authorised persons) shall be chaired by a chairperson elected from among the members of the co-operative society. The chairperson of the council, the chairperson of the board of directors, their deputies and members of the audit commission (auditor) or the sworn auditor may not be the chairperson of the general meeting (meeting of authorised persons).

*[11 June 2009; 13 September 2012 (New wording of Paragraph three shall come into force from 1 January 2013. See Paragraph 16 of Transitional Provisions)]*

#### **Section 41. Procedure of the General Meeting of Co-operative Society Members (Meeting of Authorised Persons)**

(1) The general meeting of members (meeting of authorised persons), in co-operative societies of apartment owners — the meeting for the election of authorised persons that has been announced and organised in accordance with the procedures specified in the articles of association of the society shall have a quorum if more than half of the members entitled to vote are represented therein. The general meeting of members (meeting of authorised persons) shall examine issues included in the notified agenda.

(2) The general meeting of members (meeting of authorised persons) shall take decisions by an open vote, except for the cases when a secret ballot is requested by at least one tenth of the present members who are entitled to vote. A secret ballot shall be mandatory when electing or dismissing the chairperson of the board of directors, members of the council and the board of directors, members of the audit commission (auditor) or the sworn auditor and the liquidation commission. The articles of association may also provide for other cases when secret ballot is mandatory.

(3) The general meeting of members (meeting of authorised persons) shall take decisions with a simple majority vote of the members present.

(4) In order to make amendments to the articles of association of the society, take a decision regarding reorganisation or termination of activities of the co-operative society, a majority of two thirds of the members present shall be required. The articles of association may also specify other issues, which are to be decided by a majority of two thirds of the members present.

(5) If the general meeting of members (meeting of authorised persons), in co-operative societies of apartment owners — meeting for the election of authorised persons, does not have a quorum, a repeated general meeting (meeting of authorised persons), in co-operative societies of apartment owners — meeting for the election of authorised persons, shall be convened within a period of 10 days with the same agenda and it shall have a quorum irrespective of the number of members present.

*[20 June 2002]*

## **Section 42. Council of the Co-operative Society and Composition Thereof**

(1) The general meeting of members may elect the council of the co-operative society comprising at least three members from among the members of the co-operative society. This council shall represent the interests of members in between the general meetings (meetings of authorised persons) and control the activity of the board of directors within the framework set by this Law and the articles of association of the society.

(2) If a co-operative society does not create a council, its functions shall be performed by the general meeting of members (meeting of authorised persons).

(3) A member of the board of directors or audit institution may not be a member of the council.

(4) The term of office of the council members shall be prescribed by the articles of association of the co-operative society but it shall not exceed three years. A member of the council may not entrust the performance of his or her duties to another person.

(5) The composition of the council of the co-operative society and amendments thereto shall be notified to the Enterprise Register within 15 days.

(6) The members of the council shall elect the chairperson of the council and one or more deputies from among their number, as well as decide on the distribution of their duties. The deputy chairperson of the council shall only fulfil the duties of the chairperson of the council upon his or her order or during his or her sustained absence (illness, official travel, and leave).

*[20 June 2002]*

## **Section 43. Tasks of the Council of a Co-operative Society**

The council of a co-operative society shall have the following tasks:

1) to continuously control the activities of the board of directors and to make sure that the co-operative society operates in accordance with laws, the articles of association of the society and decisions by the general meeting of members (meeting of authorised persons);

2) to evaluate the annual financial report, the draft budget submitted by the board of directors, as well as proposals by the board of directors regarding profit distribution and submit it, together with its opinion, for approval at the general meeting of members (meeting of authorised persons); and

3) to examine draft decisions in all matters which are in the competence of the general meeting of members (meeting of authorised persons) or which subsequent to a suggestion by the members of the board of directors or council have been proposed for discussion at the general meeting of members (meeting of authorised persons) and provide an opinion in regard to them;

4) [20 June 20]

*[20 June 2002]*

#### **Section 44. Rights of the Council of a Co-operative Society**

The council of a co-operative society has the following rights:

- 1) to request a report from the board of directors regarding the situation of the society at any time;
- 2) to examine the registers and documents of the society, as well as the cashier's office, securities, goods, raw materials, unfinished products, finished products and other property;
- 3) to grant assent for the deciding of significant issues at board of directors level if such is provided for the articles of association of the society;
- 4) subsequent to a motivated request by one third of the members, to examine the work of the board of directors; If the council fails to perform such examination within a month, the members have the right to transfer this issue for examination at the general meeting of members (meeting of authorised persons);
- 5) to order the board of directors to convene the general meeting of members (meeting of authorised persons) if the interests of the co-operative society require such; and
- 6) to submit a report to the general meeting of members (meeting of authorised persons) where the activity of the society and the report by the board of directors is evaluated, as well as express proposals regarding the improvement of the activity of the society.

#### **Section 45. Activity of the Council of a Co-operative Society**

- (1) Meetings of the council of a co-operative society shall be convened by the chairperson of the council if necessary but not less frequently than once in a quarter. Each member of the council, as well as the board of directors has the right to request the convening of a meeting of the council, motivating the necessity for convening of the meeting.
- (2) If the chairperson of the council fails to fulfil such request of a member of the council within a period of two weeks, the initiator of the convening of a meeting has the right to convene the meeting of the council himself or herself, explaining the circumstances of the matter.
- (3) The council shall have a quorum if more than one half of the council members is present at its meeting.
- (4) The council shall take decisions by a simple majority vote of the council members entitled to vote present. In the event of a tied vote, the vote of the chairperson of the council shall be decisive. If a council member does not agree to the decision of the council and votes against it, he or she shall not be liable for the decision taken. The individual thoughts of this council member upon his or her request shall be entered into the minutes of the council meeting. The minutes shall be signed by all members of the council present.

*[13 September 2012(Amendments to Paragraph four shall come into force from 1 January 2013. See Paragraph 16 of Transitional Provisions)]*

#### **Section 46. Board of Directors of the Co-operative Society**

- (1) The board of directors of the co-operative society is the executive body of the society that manages and represents the co-operative society.
- (2) The board of directors shall know and manage the matters of the co-operative society. It shall be responsible for the commercial activity of the society, as well as for the compliance of the accounting maintained in the society with the law.

(3) The board of directors shall administer the property of the co-operative society and deal with its resources in compliance with laws, the articles of association of the co-operative society and decisions of the general meeting of members (meeting of authorised persons).

(4) Board of directors members shall be elected and recalled by the general meeting of members by secret ballot for the period provided for in the articles of association of the co-operative society, which shall not be longer than three years. The chairperson of the board of directors shall be elected by the general meeting of members but his or her deputy — by the members of the board of directors from among their number unless the articles of association specify otherwise.

(5) The board of directors shall have a quorum if more than one half of the members of the board of directors participate in its meeting. The minutes of the board of directors meeting shall be signed by all members of the board of directors present unless the articles of association of the co-operative society specify otherwise.

(6) The board of directors shall take decisions by a simple majority vote of the board of directors members entitled to vote present. In the event of a tied vote, the vote of the chairperson of the board of directors, but in the absence of the chairperson — the vote of his or her deputy, shall be decisive.

(7) If a member of the board of directors does not agree to the decision of the board of directors and votes against it, his or her differing opinion at his or her request shall be entered in the minutes of the board of directors meeting.

(8) Following the end of the financial year the board of directors shall provide a report regarding its activities to the general meeting of members (meeting of authorised persons). The report shall reflect the results of the commercial activity, the planned commercial activity policy for the next financial year and other significant issues related to the commercial activity of the co-operative society.

(9) The board of directors of a co-operative society of apartment owners shall organise the election of authorised persons in the meeting of each residential building according to the representation norm specified in the articles of association of the co-operative society for a period not longer than three years.

*[20 June 2002; 13 September 2012 (Amendments to Paragraph six shall come into force from 1 January 2013. See Paragraph 16 of Transitional Provisions)]*

#### **Section 47. Right of the Board of Directors of a Co-operative Society to Manage the Co-operative Society and its Competence**

(1) Members of the board of directors of a co-operative society shall only manage the co-operative society jointly.

(2) The board of directors of a co-operative society shall decide all matters related to the activity of the society that are not in the competence of the general meeting of members (meeting of authorised persons).

(3) The co-operative society may specify in its articles of association that the board of directors shall require consent of the general meeting of members (meeting of authorised persons) or the council (if such has been created) in the deciding of important matters. The following shall be deemed to be important matters:

- 1) the acquisition of holdings in other companies, increases or decreases thereof;
- 2) the purchase, sale of immovable property or encumbering thereof with property rights;
- 3) the opening and closure of branches and representative offices;

4) the granting of such loans which are not related to the usual commercial activity of the co-operative society; and

5) the commencement of new types of activity, as well as the termination of existing types of activity.

(4) If the council rejects the proposals submitted by the board of directors, the board of directors has the right to convene an extraordinary general meeting of members (meeting of authorised persons).

*[20 June 2002]*

#### **Section 48. Representation Rights of the Board of Directors of a Co-operative Society**

(1) All members of the board of directors of a co-operative society shall have rights of representation. Members of the Board of directors shall represent the society together unless the articles of association thereof specify otherwise. The articles of association may specify that the society is represented by the members of the board of directors together with a proctor.(2) In the case of joint representation the members of the board of directors may authorise one or several members of the board of directors from among their number to enter into specific transactions or transactions of a specific kind. This provision shall also be appropriately applied if the society is represented by members of the board of directors together with a proctor.

(3) The rights of representation of the board of directors in regard of third persons may not be restricted. The right of the members of the board of directors specified in the articles of association of the co-operative society to represent the society together or separately or together with a proctor shall not be considered a restriction of the representation right of the board of directors within the meaning of this Section.

(4) In regard to the members of the board of directors of the co-operative society the representation restrictions shall be observed that are specified in its articles of association, the decisions of the general meeting of members and council (if such has been created).

(5) Changes in the rights of representation of the members of the board of directors of the co-operative society shall be applied for registration in the Enterprise Register, attaching to the application an extract of the minutes of the general meeting of members with the relevant decision.

*[20 June 2002]*

#### **Section 49. Audit Commission (Auditor) of the Co-operative Society**

(1) The activity of a co-operative society shall be examined by an audit commission (auditor) or a sworn auditor. The audit commission (auditor) shall be liable and provide a report regarding its activity to the general meeting of members (meeting of authorised persons).

(2) The audit commission (auditor) shall be elected by the general meeting of members of the co-operative society for the time period specified in the articles of association of the co-operative society that shall not be longer than three years. One sworn auditor who is not a member of the society may also be elected to the audit commission.

(3) Members of the council or board of directors, as well as persons in kinship to the third degree or in affinity to the second degree with the members of the board of directors or the chief accountant may not be members of the audit commission (auditor) or the sworn auditor.

(4) The work of the audit commission shall be managed by the chairperson thereof who shall be elected by the members of the audit commission from among their number, unless the articles of association of the society specify otherwise.

(5) The tasks of the audit commission (auditor) or the sworn auditor shall be the following:

1) to continuously control the activity of the board of directors and make sure that the co-operative society operates in accordance with laws, its articles of association and the decisions of the general meeting of members (meeting of authorised persons);

2) to evaluate the annual financial report and draft budget submitted by the board of directors, as well as proposals by the board of directors regarding profit distribution and provide its opinion in regard of them to the board of directors, council and the general meeting of members (meeting of authorised persons); and

3) to examine draft decisions in all matters which are within the competence of the general meeting of members (meeting of authorised persons) or which subsequent to a proposal by the members of the board of directors members have been suggested for discussion at the general meeting of members (meeting of authorised persons) and to provide its opinion regarding them to the board of directors and the general meeting of members (meeting of authorised persons).

(6) The audit commission (auditor) or the sworn auditor has the following rights:

1) to request from the board of directors a report regarding the activity of the co-operative society at any time;

2) to examine the registers and documents of the society, as well as the cashier's office, securities, goods, raw materials, unfinished products, finished products and other property; and

3) to submit to the general meeting of members (meeting of authorised persons) a report where the activity of the society and the report by the board of directors have been evaluated, as well as express proposals regarding improvements of the activity of the society.

(7) Members of the audit commission (auditor) or the sworn auditor shall perform their work in accordance with this Law and other regulatory enactments.

*[20 June 2002]*

## **Section 50. Accounting and Record-keeping of the Activity of Co-operative Societies**

(1) A co-operative society shall maintain records, accounts and statistical records, as well as prepare and submit the annual report in accordance with the regulatory enactments.

(2) Minutes, reports and decisions of the general meeting of members (meeting of authorised persons), council, board of directors and audit commission (auditor) shall be numbered, registered and kept in separate, bound and sealed covers.

*[11 June 2009]*

## **Chapter VI Termination of Activities of Co-operative Societies**

### **Section 51. Termination of Activities of Co-operative Societies**

(1) The activity of a co-operative society shall be terminated:

1) in the cases specified in the articles of association of the society;

2) if within a year following registration of the society it has not commenced operations in accordance with the procedures set out in the law;

- 3) if the number of members of the society has been less than three for not less than three successive months;
- 4) in accordance with the Insolvency Law;
- 5) by a decision of the general meeting of members (meeting of authorised persons);
- 6) [20 June 2002]; and
- 7) by a court adjudication and in other cases prescribed by regulatory enactments.

(2) [20 June 2002]

[20 June 2002; 11 June 2009]

## **Section 52. Recognition of a Co-operative Society as Non-existent [20 June 2002]**

### **Section 52<sup>1</sup>. Termination of the Activity of a Co-operative Society on the Basis of a Court Adjudication**

(1) Each member of a co-operative society who is entitled to vote, the council, the board of directors of the society, the Enterprise Register, as well as other persons specified in the law have the right to bring an action in court regarding the termination of the activity of the co-operative society:

- 1) if the documents of incorporation of the society are in conflict with this Law;
- 2) if the articles of association of the society are in conflict with this Law;
- 3) if the equity capital of the society does not meet the requirements of the law;
- 4) if the society fails to submit to the Enterprise Register the information specified in the law;
- 5) if the board of directors has no rights of representation for more than three months; and
- 6) in other cases set out by the law.

(2) The Enterprise Register may bring an action in court if a co-operative society within three months following receipt of a written warning has not rectified the violations indicated.

(3) Until the moment when a court adjudication regarding the termination of the activity of the society is adopted the court may set a time limit within which the co-operative society has to rectify the deficiencies, which are the basis for the termination of its activity.

(4) If the court satisfies the claim of the Enterprise Register regarding the termination of the activity of a co-operative society, the liquidation of such society shall be performed by the Enterprise Register in accordance with the procedures set out in regulatory enactments. Liquidation costs shall be covered from the resources of the co-operative society to be liquidated.

[17 October 2002]

## **Section 53. Procedures for Liquidation of Co-operative Societies**

The general meeting of members (meeting of authorised persons) shall take a decision regarding the liquidation of the co-operative society in compliance with the following procedures:

1) it shall elect a liquidation commission, which shall manage the liquidation process of the society. With the election of the liquidation commission the powers of the council and board of directors members shall expire but their liability shall remain until the liquidation of the society. The general meeting of members (meeting of authorised persons) may recall the elected members of the liquidation commission at any time and elect new members;

2) not later than within three working days following its election the liquidation commission shall submit an announcement regarding the liquidation of the co-operative society for publication in the newspaper *Latvijas Vēstnesis*. The announcement shall specify the date when the decision was taken, the given name, surname, place of activity and telephone number of the liquidation commission members, as well as include an invitation to submit claims and specify the place where the claims shall be received, time limit (not less than three months from the day when the announcement was published) and the consequences of late submission;

3) within three days following its election the liquidation commission shall notify the decision regarding liquidation of the co-operative society to the Enterprise Register. The notification shall specify the given name, surname, place of activity and telephone number of the liquidation commission members;

4) after identifying all creditors (pursuant to the data available to the society and the claims submitted) the liquidation commission shall evaluate the claims and provide an opinion in regard to each of them. The liquidation commission shall send opinions regarding rejected creditor claims to the relevant creditor. If a creditor, having received an opinion regarding rejection of the claim, within a month following the day of its receipt has not submitted a claim to a court, the opinion shall come into effect and such claims of creditors shall be extinguished but if a claim is submitted to a court — debts to creditors shall be settled in compliance with the court adjudication;

5) the liquidation commission shall complete the activities commenced by the co-operative society in accordance with the procedures and within the time period specified by the general meeting of members (meeting of authorised persons), settle accounts with the creditors and draw up a liquidation balance sheet, distribute the balance among the members as a liquidation quota in proportion to the number of basic co-operative shares and additional co-operative shares of the members;

6) if in the course of liquidation it is discovered that it is impossible to fully cover all legal creditors claims from the property of the co-operative society, the liquidation commission shall notify the general meeting of members (meeting of authorised persons) thereof and submit an insolvency application to the court in accordance with the procedures set out in the Insolvency Law;

7) to the activity of the liquidation commission shall apply the same provisions as applicable to the activity of the board of directors of the co-operative society unless the articles of association of the society specify otherwise;

8) the liquidation commission shall submit to the general meeting of members (meeting of authorised persons) a report regarding its activities within the time limits specified thereby, but following completion of the liquidation — also a report regarding activity during the entire period of liquidation;

9) the co-operative society shall be considered to be liquidated following its deletion from the Enterprise Register; and

10) the liquidation commission shall transfer the documents of archival value for keeping to the National Archives of Latvia taking into account the provisions of the Archives Law, but the rest of documents - to one of the members of the co-operative society in Latvia and notify the National Archives of Latvia regarding the place of storage thereof.

[13 September 2012]

## **Chapter VII**

### **Legal Relationships in Co-operative Societies**

## **Section 54. Liability of Founders and Members of Co-operative Societies**

(1) The founders of a co-operative society from the day of the entrance into the memorandum of association until the registration of the society in the Enterprise Register shall be liable with their entire property for the liabilities of the society and the losses caused to third persons.

(2) Each founder of the co-operative society shall be liable in accordance with the procedures set out in law for the losses caused to the society, its members or third persons if he or she has deliberately or by negligence presented inaccurate, incomplete or ambiguous information in the documents of incorporation or other documents of the society which have been submitted to the State institutions or members of the society, or has violated laws or the articles of association of the society in any other way.

*[20 June 2002]*

## **Section 55. Liability of Members of the Board of Directors and Council of a Co-operative Society**

(1) Each member of the board of directors or council of a co-operative society shall fulfil his or her duties as a prudent and careful manager.

(2) Members of the board of directors and council of the co-operative society shall be jointly liable for the losses, which they have incurred to the society.

(3) A member of the board of directors and council of the co-operative society shall not be liable in accordance with Paragraph two of this Section if he or she proves that he or she has acted as a prudent and careful manager.

(4) Members of the board of directors and council shall not be liable for the loss caused if they have acted in accordance with a legal decision by the general meeting of members (meeting of authorised persons). The fact that the council has approved an action of the board of directors shall not exclude the liability of the members of the board of directors in relation to the society.

*[20 June 2002]*

## **Section 55<sup>1</sup>. Liability for Influencing of Members of the board of directors and council of a Co-operative Society**

(1) A person who with malicious intent induces a member of the board of directors or council of a co-operative society, the proctor or a person with a commercial power of attorney to act contrary to the interests of the society or its members, shall be liable to the society for the losses incurred as a result of such action.

(2) If in the case referred to in Paragraph one of this Section there are grounds for holding the member of the board of directors or council of the co-operative society liable in accordance with Section 55 of this Law, he or she shall be jointly liable with the person who has utilised his or her influence. If there are grounds for holding the proctor or the person with a commercial power of attorney liable, he or she shall be jointly liable with the person who has utilised his or her influence.

(3) The members of the board of directors, the members of the council of the co-operative society, the proctor or the person with a commercial power of attorney shall not be liable in accordance with Paragraph two of this Section if he or she proves that he or she has acted as a prudent and careful manager.

(4) The claims referred to in Paragraphs one and two of this Section shall lapse within five years following the day when the claim arose.

*[20 June 2002]*

### **Section 56. Liability of Audit Commission Members (Auditor) or Sworn Auditor of a Co-operative Society**

Members of the audit commission (auditor) or sworn auditors to whom the control of the activity of the co-operative society or audit has been entrusted shall be liable with their entire property for the losses incurred to the society, its members or third persons if they have deliberately or due to negligence failed to fulfil the duties entrusted to them.

### **Section 57. Liability of Liquidation Commission Members of a Co-operative Society**

Members of the liquidation commission of a co-operative society shall be liable with their entire property for the losses incurred to the society, its members or third persons if they have deliberately or due to negligence failed to fulfil the duties imposed on them by law, articles of association of the co-operative society or decision of the general meeting of members (meeting of authorised persons).

### **Section 58. Bringing of Action by a Co-operative Society**

(1) A co-operative society shall bring an action in court against the members or officials if the general meeting of members (meeting of authorised persons) decides so or it is requested by not less than one tenth of the members of the society.

(2) The general meeting of members (meeting of authorised persons) shall elect its representatives for settling the matter. If the bringing of an action is requested by a minority of members (not less than one tenth of the society members), the persons selected by it shall be authorised as representatives in the settlement of the matter.

(3) The minority of members that has requested the bringing of an action shall compensate court costs to the society if the court dismisses the claim.

## **Chapter VIII Union of Co-operative Societies**

*[20 June 2002]*

### **Section 59. Legal Basis for the Operation of the Union of Co-operative Societies [20 June 2002]**

### **Section 60. Founding of the Union of Co-operative Societies [20 June 2002]**

**Section 61. Articles of Association of the Union of Co-operative Societies [20 June 2002]**

**Section 62. Duties of Members of the Union of Co-operative Societies [20 June 2002]**

**Section 63. Management and Control Institutions of the Union of Co-operative Societies  
[20 June 2002]**

**Section 64. Funds and Entrepreneurial Activities of the Union of Co-operative Societies  
[20 June 2002]**

**Section 65. Procedures for Termination of Activity and Liquidation of the Union of Co-  
operative Societies [20 June 2002]**

**Transitional Provisions**

1. With the coming into force of this Law, the Law On Co-operative (Joint Activity) Societies (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, No. 35, 1991; No. 15/16, 1992; No. 22/23, 1993; *Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, No. 12, 1995; No. 9, 1997) is repealed.

2. Founded and registered co-operative (joint activity) societies and their unions shall within a period of three months from the day of entry into force of this Law make amendments to their articles of association in compliance with the requirements of this Law.

3. Amendments in regard of Section 36, Paragraphs three and four of this Law (regarding expulsion of these Paragraphs) shall come into force on 1 January 2001.  
*[6 April 2000]*

4. By 1 December 2002 the Cabinet shall prepare and submit to the *Saeima* the necessary amendments to the tax laws and other regulatory enactments to ensure compliance with Section 33, Paragraph two of this Law.  
*[20 June 2002]*

5. Section 33, Paragraph two of this Law shall come into force concurrently with the relevant amendments to the tax laws and other regulatory enactments.  
*[20 June 2002]*

6. Co-operative societies and unions of co-operative societies registered in the Enterprise Register shall make the relevant amendments to their articles of association in compliance with the requirements of this Law not later than by 1 June 2003.  
*[20 June 2002; 17 October 2002]*

7. If the board of directors, council (if such has been created) and audit commission (auditor) has been elected by the meeting of authorised persons of the co-operative society, these institutions

shall be re-elected by the general meeting of members of the co-operative society not later than by 1 June 2003.

*[20 June 2002; 17 October 2002]*

8. The Ministry of Justice shall develop and by 1 September 2002 publish in the newspaper *Latvijas Vēstnesis* a sample of the articles of association of co-operative societies of apartment owners, co-operative societies of vehicle garage owners, co-operative societies of boat garage owners and horticultural co-operative societies.

*[20 June 2002]*

9. If the general meeting of apartment owners in compliance with the procedures specified in the Law on Residential Property has taken a decision regarding the transfer of the management right of the residential building to another manager, the cooperative society which managed the residential building until the decision of the general meeting of apartment owners shall lose the rights to carry out the management of the residential building. All claims of the previous manager against apartment owners and liabilities against service providers shall be retained until complete fulfilment thereof.

*[17 October 2002; 28 September 2006]*

10. The Cabinet shall, not later than until 31 December 2007, issue:

1) the regulations provided for in Section 16, Paragraph four of this Law regarding documents to be submitted to the Enterprise Register in order to register agricultural services co-operative society;

2) the regulations provided for in Section 36.<sup>1</sup>, Paragraph two of this Law regarding compliance criteria of agricultural services co-operative societies and the procedures for assessment of such societies.

*[18 October 2007]*

11. Until issue of the Cabinet regulations provided for in Paragraph 10 of these Transitional Provisions, but not later than until 31 December 2007 the Cabinet Regulation No.328 of 17 June 2003, *Regulation Regarding Documents Necessary for the Registration of Agricultural Services Co-operative Society and Procedures for Recognition of such Society*, shall be applied insofar as it is not in contradiction with this Law.

*[18 October 2007]*

12. The second sentence of Section 8, Paragraph four of this Law shall come into force from 1 July 2009. The number of founders of an agricultural services co-operative society may not be less than five, if a decision regarding establishment of the society is taken until 1 July 2009 and the registration application is submitted not later than until 1 August 2009.

*[11 June 2009]*

13. Amendments to Section 33, Paragraph two of this Law (regarding the procedures for payment of enterprise income tax by a complying forestry services co-operative society and personal income tax by a member of the complying forestry services co-operative society) shall come into force concurrently with the relevant amendments to tax laws and other regulatory enactments.

*[13 September 2012]*

14. The Cabinet shall, until 31 March 2013, prepare and submit to the *Saeima* the necessary amendments to tax laws in order to ensure the fulfilment of provisions for tax payment procedures of complying forestry services co-operative societies and members thereof provided for in Section 33, Paragraph two of this Law.

[13 September 2012]

15. The Cabinet shall assess the establishment of complying forestry services co-operative societies and the process and results of practical implementation of tax payment procedures of their members provided for in Section 33, Paragraph two of this Law and each year until 1 October shall submit the relevant report to the *Saeima* within a time period from 2013 until 2016.

[13 September 2012]

16. Section 7.<sup>1</sup>, as well as new wording of Section 40, Paragraph three, the first sentence of Paragraph four of Section 45 and the first sentence of Paragraph six of Section 46 of this Law (regarding restrictions on voting rights, if the right to carry out commercial activity of all types or of a specific type have been abrogated within the framework of a criminal procedure) shall come into force from 1 January 2013.

[13 September 2012]

This Law has been adopted by the *Saeima* on 5 February 1998.

Acting for the President,  
Chairman of the *Saeima*

A. Čepānis

Rīga, 24 February 1998