

The *Saeima*¹ has adopted and
the President has proclaimed the following law:

Co-operative Societies Law

Chapter I General Provisions

Section 1. Purpose of this Law

The purpose of this Law is to create favourable management conditions for co-operative societies (hereinafter – the society) – voluntary associations of persons the purpose of which is to promote efficient implementation of the joint economic interests of members thereof.

Section 2. Scope of Application of this Law

- (1) This Law governs the basic principles of activity of the society, its organisational structure, founding, liquidation, and reorganisation.
- (2) If the society is implementing the decisive influence in a capital company, the laws and regulations governing a group of companies shall be applied thereto.
- (3) The provisions of The Commercial Law regarding commercial secret, an undertaking and a branch, a procuration, and an ordinary commercial power of attorney shall be applied to the society.
- (4) The provisions of The Commercial Law regarding commercial transactions shall be applied to transactions of the society, except for the transactions between the society and its member within the scope of the services provided by the society.

Section 3. Legal Status of the Society

- (1) The society is a legal person.
- (2) The society shall be deemed to be founded and shall acquire the status of a legal person from the day when it is entered in the Enterprise Register Journal.

Section 4. Limitations of Liability of the Society

- (1) The society shall be liable for its obligations with the whole of its property.
- (2) The society shall not be liable for the liabilities of its member.
- (3) A member of the society shall not be liable for the liabilities of the society.

Section 5. Name of the Society

- (1) The indication “co-operative society” shall be included in the name of the society.
- (2) The type of activity of the relevant society may be indicated in the name of the society.
- (3) The society whose rights have been infringed by unlawful use of its name or symbols, may demand that the infringer ceases to use this name or symbols, as well as reimburses the losses incurred by the society by unlawful use of its name or symbols.

¹ The Parliament of the Republic of Latvia

Section 6. Restrictions on Commercial Activity Determined for a Natural Person

(1) If the right to conduct commercial activities of all types or of a specific type has been abrogated for a natural person on the basis of a ruling made within the framework of criminal proceedings, during the period of prohibition laid down in the relevant ruling such person is prohibited:

- 1) to be a founder of the society;
- 2) to become a member of the society, except for the case when co-operative shares of the society are inherited;
- 3) to become a representative in the meeting of representatives of the society;
- 4) to be a member of the board of directors of the society;
- 5) to be a council member of the society;
- 6) to be an auditor of the society;
- 7) to be a liquidator of the society;
- 8) to provide advice, to give instructions to the persons referred to in this Paragraph or otherwise influence them.

(2) If the right to conduct 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 laid down in the relevant ruling. If the legal status allows for such person to take decisions in the society or represent the society, he or she does not have the voting rights and he or she is prohibited to represent the society in the matters on the type of commercial activity laid down in the relevant ruling.

(3) If the right to conduct commercial activities of all types or of a specific type has been abrogated for a natural person, he or she has an obligation to inform the society and its members thereof immediately after entering into effect of the relevant ruling.

Section 7. Restrictions on Holding Offices Determined for a Natural Person

(1) If the right to hold specific offices in the society or in the administrative bodies thereof has been abrogated for a natural person on the basis of a ruling made within the framework of criminal proceedings or administrative violation proceedings, he or she is prohibited to be the following in the society:

- 1) a member of the board of directors;
- 2) a council member;
- 3) an auditor;
- 4) a liquidator.

(2) If a court, on the basis of a ruling made within the scope of civil proceedings, has restricted the legal capacity of a natural person of legal age (due to disorders of mental nature or other health disorders or due to dissolute or wasteful life of a person), the relevant natural person is not entitled to hold the offices referred to in Paragraph one of this Section.

(3) If the right to hold specific offices in the society or in the administrative bodies thereof has been abrogated for a natural person or a court has restricted the legal capacity of a natural person of legal age, he or she has an obligation to inform the society and its members thereof immediately after entering into effect of the relevant ruling. If legal capacity has been restricted and trusteeship has been established for a natural person, the obligation of informing shall rely on his or her trustee who provides information immediately as soon as he or she has learned or he or she should have learned that the relevant person holds a specific office.

(4) The restriction of representation rights laid down in this Section shall not be in force in respect of third persons.

Section 8. Support to Individual Types of Activities of Societies

- (1) The society may receive support for rural development if it conforms to the requirements laid down in laws and regulations.
- (2) The Cabinet shall determine the conformity criteria of societies and the procedures for evaluating such societies. The Ministry of Agriculture shall evaluate the conformity of the society, take a decision to grant the status of conformity or to refuse to grant the status of conformity and to cancel the status of conformity, as well as shall perform supervision of the activity of the conforming societies.
- (3) The Ministry of Agriculture may delegate the task referred to in Paragraph two of this Section to a private person or another public person in accordance with the procedures laid down in the State Administration Structure Law. If the conformity evaluation has been delegated to a private person or a public person, the decision which has been taken in relation to the State administrative tasks delegated thereto may be contested to the Ministry of Agriculture. The decision of the Ministry of Agriculture may be appealed to the District Administrative Court. The Cabinet shall determine the price list for paid services provided within the scope of the State administrative tasks.

Chapter II Founding the Society

Section 9. Procedures for Founding the Society

- (1) The number of the founders of the society may not be less than three.
- (2) In founding the society, the founders shall perform the following activities:
 - 1) prepare and sign the documents of incorporation of the society in accordance with Sections 11 and 12 of this Law;
 - 2) pay the equity capital in the laid down amount, open an account in a credit institution on behalf of the society to be founded, and organise paying in the money of the founders;
 - 3) organise the evaluation of material contribution (if material contribution is made);
 - 4) establish the administrative bodies of the society and, if it is intended in the society, appoint an auditor;
 - 5) pay the State fee for entering in the Enterprise Register Journal and fee for the promulgation of the entry in the Register;
 - 6) submit an application to the Enterprise Register of the Republic of Latvia (hereinafter – the Enterprise Register).
- (3) If it is not otherwise provided for in the memorandum of association, the founders shall jointly perform the activities that are associated with founding the society.

Section 10. Documents of Incorporation of the Society

- (1) The memorandum of association and the articles of association are the documents of incorporation of the society.
- (2) After making amendments to the documents of incorporation, the text of the amendments, as well as the new version of the full text of such documents shall be submitted to the Enterprise Register.

Section 11. Memorandum of Association of the Society

- (1) The following shall be indicated in the memorandum of association:
 - 1) information on the founders:

a) for a natural person – the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which issued the document) and address where he or she may be reached;

b) for a legal person and a partnership – the name, registration number, legal address, the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which issued the document), office and address where it may be reached, as well as the person who signs the memorandum of association on behalf of the legal person or the partnership;

2) the name of the society;

3) the objectives and tasks of the society;

4) the size of the equity capital, the nominal value of the co-operative share, division of co-operative shares among founders, and the time periods for payment for them;

5) the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state and authority which issued the document) of members of the board of directors of the society and address where they may be reached;

6) the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which issued the document) of council members of the society and address where they may be reached, if the society has a council;

7) the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which issued the document) of the auditor and address where he or she may be reached, if an auditor has been provided for the council;

8) other provisions which the founders consider to be significant and which are not in contradiction with the law.

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

Section 12. Articles of Association of the Society

(1) The following shall be indicated in the articles of association of the society:

1) the name of the society;

2) the objectives and tasks of the activity;

3) the term of activity (if the society has been established for a specific period of time);

4) the numerical composition of the board of directors as well as the rights of members of the board of directors to represent the society separately or jointly;

5) the numerical composition of the council (if a council has been provided for the society);

6) the procedures for nominating and electing representatives (if a meeting of representatives is provided for the society);

7) the minimum size of the equity capital and the nominal value of the co-operative share;

8) the amount of the joining fee and membership fee (if such are provided for);

9) the criteria for acquiring the status of a member;

10) other provisions which are not in contradiction with the law.

(2) When founding the society, the articles of association shall be signed by all founders.

Section 13. Application for Entering in the Enterprise Register Journal

- (1) The society shall indicate the information referred to in the law On the Enterprise Register of the Republic of Latvia in the application for entering the society in the Enterprise Register Journal.
- (2) All the founders shall sign the application.
- (3) The following shall be attached to an application:
 - 1) the documents of incorporation;
 - 2) a notice from a credit institution or another document of payment of the equity capital (if the equity capital or part of it is paid up in money);
 - 3) documents certifying the value of each property contribution (if property contribution is made);
 - 4) a written consent of each member of the board of directors to be a member of the board of directors;
 - 5) a written consent of each council member to be a council member (if the society has a council);
 - 6) a notification of the board of directors of legal address of the society.
- (4) The society shall submit the application for entering the society in the Enterprise Register Journal after the founders have carried out the activities referred to in Section 9, Paragraph two of this Law.

Chapter III Members

Section 14. Members of the Society

- (1) A member is a person who has been entered in the register of members.
- (2) A person shall obtain the status of a member from the moment when he or she has been entered in the register of members, but shall lose the status of a member when he or she has been excluded from the register of members.
- (3) A person who uses services of the society and complies with the criteria for the status of a member laid down in the articles of association may be a member of the society.
- (4) The founders of the society shall become its members from the time when the society has been registered with the Enterprise Register Journal.

Section 15. Admission of Members to the Society

- (1) A person who wishes to become a member shall submit a written application to the society. The information necessary for admitting a member and keeping the register of members shall be indicated in the application.
- (2) The written application of the person of joining to the society shall be examined without delay, but not later than within three months from the day of submitting it. A decision to admit a member shall be taken by the board of directors unless another administrative body has been laid down in the articles of association.
- (3) A person may be refused admission to the society in the following cases:
 - 1) the person does not comply with the criteria for the status of a member laid down in the articles of association or the law;
 - 2) the person has been excluded from the society in accordance with Section 18, Paragraph one, Clause 2 or 3 of this Law;
 - 3) in conformity with the articles of association the society serves only its members and is not able to serve a larger number of members successfully.

(4) If admission is refused for a person, the society shall inform the applicant within five days in writing by indicating the reason for refusal. The applicant may request examination of the matter in the next meeting of the council or, if none, in the general meeting of members within one month from the day of notifying the decision. Other procedures for internal contesting may be determined in the articles of association of the society providing for that the decision may be contested in at least one body of the society.

Section 16. Register of Members of the Society

(1) The board of directors of the society shall keep a register of members. The following shall be indicated in the register:

- 1) information on the members:
 - a) for a natural person – the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which issued the document) and address where he or she may be reached;
 - b) for a legal person and a partnership – the name, registration number, and legal address;
 - 2) the date when the member has been entered in the register of members;
 - 3) the number of co-operative shares belonging to each member and their nominal value;
 - 4) information on restriction on the voting rights of the member;
 - 5) changes which have occurred to co-operative shares;
 - 6) the date when the member has been excluded from the register of members and when the final settlement with the former member has taken place;
 - 7) other information which the society considers to be significant.
- (2) The board of directors shall make an entry in the register of members immediately after it has received a notification of changes in the information to be entered in the register of members. If the board of directors takes a decision to admit a member, changes in the register of members shall be made concurrently with taking the decision. If another body of the society takes a decision to admit a member, the board of directors shall make changes in the register of members not later than within three days from the day of taking of the decision.
- (3) In order to exercise their rights laid down in the law, members, council members, the auditor, as well as the competent public institutions are entitled to become acquainted with the register of members.
- (4) A member has the right to receive an extract from the register of members about himself or herself which has been certified by the board of directors.

Section 17. Withdrawal from the Society

- (1) A member may withdraw from the society by submitting a written notification to the society. The member may not notify withdrawal after a decision to terminate the activity of the society or a decision to initiate a case of insolvency proceedings has been taken.
- (2) A member shall be excluded from the register of members without delay, but not later than within three months from the day when a notification of withdrawal has been submitted.

Section 18. Exclusion from the Society

- (1) A member may be excluded from the society if:
- 1) he or she does not comply with the criteria for the status of a member laid down in the law or the articles of association;

2) he or she has significantly infringed the provisions of this Law or the articles of association;

3) his or her activity has a negative impact on the reputation of the society or causes significant harm to its interests.

(2) A decision to exclude shall be taken by the board of directors unless another body has been laid down in the articles of association.

(3) The society shall, within five days, notify the member of the decision in writing by indicating the justification for it.

(4) The member may request examination of the matter in the next meeting of the council or, if none, in a general meeting of members within one month from the day of notifying the decision. Other procedures for internal contesting may be determined in the articles of association of the society providing for that the decision may be contested in at least one body of the society.

(5) If a member has not contested the decision to exclude, he or she shall be immediately excluded from the register of members after expiry of the time period referred to in Paragraph four of this Section. If a member has contested the decision, he or she shall be excluded from the register of members after the responsible body of the society has taken a decision unfavourable to the member according to the procedures for internal contesting.

Section 19. Consequences of Termination of Participation of a Member

(1) If a member is excluded from the register of members, the society shall delete the co-operative shares belonging to him or her.

(2) The society shall, within a year from the day of approving the subsequent annual accounts, disburse the co-operative shares to the person who has been excluded from the register of members.

(3) The society shall add profit to the disbursement referred to in Paragraph two of this Section or deduct losses from it for the last reporting year in proportion to the time period when the person who has been excluded from the register of members held the status of a member.

(4) The society may extend the time period referred to in Paragraph two of this Section if the disbursement to be performed during the reporting year to one or several persons in total exceeds three per cent of the equity capital of the society. Extension of the time period shall be applied to the part of the disbursement which exceeds three per cent of the equity capital of the society.

(5) If the society has extended the time period for the disbursement in accordance with Paragraph four of this Section, the disbursement shall be performed in an even manner throughout years, but not later than within three years from the day of approving the annual accounts referred to in Paragraph two of this Section. Another time period for the disbursement may be laid down in the articles of association.

(6) The society shall pay legal interest for the disbursements not performed in the intended amount and within the intended time period to a person who has been excluded from the register of members.

Section 20. Action with Co-operative Shares in Case of Death of a Member

(1) In case of death of a member the co-operative shares shall be inherited by an heir.

(2) An heir may become a member in accordance with the procedures laid down in Section 15 of this Law. If the heir becomes a member of the society, he or she shall not pay a joining fee.

(3) If in case of death of a member an heir does not become a member of the society, the society shall make disbursements to him or her in accordance with the provisions of Section 19 of this Law.

Section 21. Right of a Member to Information

A member has the right to receive the information from the society on any matter related to its activities unless the status of commercial secret has been determined for it.

Section 22. Right of a Member to Access to Documents

(1) If this Law provides for the right to become acquainted with documents or information for members, the society shall, within the time period laid down in the Law, ensure the opportunity for all members to become acquainted with them at the legal address of the society. The members have the right to receive copies of or extracts from the documents.

(2) Paragraph one of this Section shall not be applied if the society ensures continuous free access to documents or information and their downloading in the electronic environment.

Chapter IV Equity Capital of the Society and Use of Profit

Section 23. Equity Capital of the Society

(1) The equity capital of the society shall be formed by the sum total of nominal values of co-operative shares. The equity capital shall be variable.

(2) The minimum amount of the equity capital shall be determined in the articles of association of the society.

(3) If the own funds reduce up to the minimum amount of the equity capital laid down in the articles of association of the society, the board of directors shall, within three months, convene a general meeting of members in which a decision on future activity of the society shall be taken.

Section 24. Co-operative Share

(1) A co-operative share is an investment part of a member in the equity capital of the society. All co-operative shares shall have the same nominal value.

(2) Each member shall make an investment in the equity capital in the amount of at least one co-operative share.

(3) All members shall have the same number of co-operative shares, unless it has been otherwise laid down in the articles of association. If according to the articles of association members may have a different number of co-operative shares, the procedures for determining the number of co-operative shares and for paying for co-operative shares shall be indicated in the articles of association.

Section 25. Increase and Payment of the Equity Capital

(1) A member shall make an additional contribution to the equity capital in accordance with the procedures laid down in the articles of association or a decision of the general meeting of members. Additional contributions shall be made in proportion to the amount of the contribution of each member, unless it has been otherwise laid down in the articles of association or a decision of the general meeting of members which has been taken in accordance with the provisions of Section 38, Paragraph five of this Law.

(2) The equity capital shall be paid in cash, unless the documents of incorporation provide for a property contribution.

(3) Section 153 of The Commercial Law shall be applied to a property contribution.

- (4) A property contribution shall be valued and an opinion shall be provided by all members (founders), or a property contribution shall be valued in conformity with the provisions of Section 154, Paragraphs one, three, and four of the Commercial Law.
- (5) Persons who have valued the property contribution shall be solidarily responsible for the losses incurred due to incorrect valuation of the property contribution.
- (6) Items contributed into the equity capital shall become the property of the society.

Section 26. Annual Accounts of the Society

- (1) After the end of the reporting year the board of directors shall draw up and sign the annual accounts of the society and submit them to the council, if the society has a council, and to a sworn auditor or a commercial company of sworn auditors (hereinafter – the sworn auditor).
- (2) The annual accounts of the society shall be examined (audited) and an opinion thereon shall be submitted by the sworn auditor elected in the general meeting of members if it is provided for in the law, the articles of association or a decision of the general meeting of members.
- (3) After receipt of opinions of the sworn auditor and the council, if the society has a council, the board of directors shall convene a general meeting of members which shall approve the annual accounts of the society.
- (4) If the general meeting of members has been convened in accordance with the procedures referred to in Section 32, Paragraph four or five of this Law, the general meeting of members may approve the annual accounts of the society without receipt of an opinion of the council.

Section 27. Use of Profit of the Society

- (1) The board of directors shall prepare and submit to the general meeting of members its proposal for the use of profit. The following shall be indicated in the proposal:
 - 1) the amount of the profit of the reporting year of the society;
 - 2) the part of the profit to be disbursed to members;
 - 3) the use of the profit for other purposes.
- (2) The part of the profit to be disbursed to a member shall be determined in proportion to the amount of services of the society used thereby.
- (3) It may be determined in the articles of association of the society that the whole profit to be disbursed to a member or its part shall be determined in proportion to the number of co-operative shares paid by the member.
- (4) If a member has not paid for his or her co-operative shares until distribution of profit, the unpaid sum shall be deducted from the part of the profit due to him or her.

Section 28. Losses of the Society

If the society concludes the financial year with losses, the general meeting of members shall decide on the procedures for covering the losses.

Chapter V Administration of the Society

Section 29. Administrative Bodies of the Society

The administrative bodies of the society shall be the general meeting of members and the board of directors, as well as the meeting of representatives and the council (if the society has a council).

Section 30. General Meeting of Members

The general meeting of members shall be the highest administrative body of the society.

Section 31. Competence of the General Meeting of Members

- (1) The competence of the general meeting of members only shall include the following:
- 1) election and recall of members of the council and the auditor;
 - 2) determination of the remuneration for members of the council and the auditor;
 - 3) approval of the annual accounts, distribution of profit of the previous financial year, or determination of the procedures for covering the losses;
 - 4) taking the decision to terminate, continue or reorganise the activity of the society;
 - 5) making amendments to the articles of association;
 - 6) taking the decision to bring a claim against a member of the board of directors or the council or to withdraw a claim against them;
 - 7) taking the decision to appoint a representative of the society for maintaining the claim brought against a member of the board of directors or the council, as well as in claims brought by the board of directors against the society;
 - 8) election and recall of members of the board of directors, except the case when it is provided for in the articles of association of the society that such decisions are within the competence of the council;
 - 9) determination of the remuneration for members of the board of directors, except for the case when it is provided for in the articles of association of the society that such decision is within the competence of the council;
 - 10) general principles, types and criteria for determination of the remuneration for members of the board of directors, if it is provided for in the articles of association of the society that the election and recall of members of the board of directors, as well as the determination of the remuneration for members of the board of directors is within the competence of the council.
- (2) The articles of association of the society may also provide for other matters deciding on which is solely within the competence of the general meeting of members.

Section 32. Convening a General Meeting of Members

- (1) A general meeting of members shall be convened by the board of directors upon its initiative or if it is requested by the council, the auditor, or at least one tenth of the members.
- (2) If the board of directors has received a request for convening a general meeting of members, it shall convene the general meeting of members not later than within three months from the day of receipt of the request.
- (3) If the board of directors fails to announce a general meeting of members within a month from submitting the request, it shall be convened by the council or the auditor.
- (4) If a general meeting of members has not taken place within three months after the day of submitting the request, it may be convened by at least one tenth of the members.
- (5) If the obligation of convening a general meeting of members arises from the law or the articles of association and the general meeting of members has not taken place within the time period provided for, it shall be convened by the council or the auditor without delay. Such right may also be exercised by at least one tenth of the members.

Section 33. Procedures for Convening a General Meeting of Members

(1) The board of directors shall notify a notification of convening a general meeting of members to all members in writing at least 30 days before the general meeting of members. The society may provide for another type of notification in its articles of association which ensures receipt of the notification for all members.

(2) The following shall be indicated in the notification:

- 1) the name and registration number of the society;
- 2) the body convening the general meeting of members;
- 3) the place and time of the general meeting;
- 4) the agenda;

5) the place and time where and when members may become acquainted with draft decisions and documents of importance to taking the decision.

(3) If the general meeting of members is convened by the body (person) referred to in Section 32, Paragraphs three, four, and five of this Law, the contact details where additional matters for the agenda of the general meeting of members may be applied shall be indicated in the notification.

(4) If it is intended to amend the articles of association of the society during the general meeting of members, a document indicating the clauses of the articles of association proposed to be recognised as void or to be amended, and new wording of these clauses shall be appended to the draft decision on amendments to the articles of association.

(5) Members have the right to become acquainted with the information referred to in Paragraph two, Clause 5 of this Section at least 10 days before the general meeting of members.

(6) If it has been laid down in the articles of association of the society that the society convenes a general meeting of members by using electronic means, the board of directors shall notify the notification referred to in Paragraph one of this Section to all members at least 20 days before the general meeting of members.

Section 34. Taking a Decision without Convening a General Meeting of Members

(1) Members may take a decision without convening a general meeting of members, except the matters laid down in Section 31, Paragraph one, Clauses 1, 3, 4, 5, and 8 of this Law. Other matters on which only the general meeting of members may decide may be laid down in the articles of association of the society.

(2) The board of directors shall send a written draft decision and documents that are of importance to taking the decision to all members by indicating the time period within which the member may vote in writing regarding taking the decision. Such time period shall be not less than 10 days from the day of sending the notification. If the board of directors sends the draft decision and documents by using electronic means, such time period may be reduced to five days.

(3) The board of directors shall draw up minutes of the voting results and, within five days from expiry of the time period referred to in Paragraph two of this Section, send it to all members. The following shall be indicated in the minutes:

- 1) the day of sending the draft decision and the time period laid down for voting;
- 2) the information referred to in Section 40, Paragraph one, Clauses 1, 7, 8, 9, and 10 of this Law.

(4) The decision referred to in Paragraph one of this Section has been taken if more than half of the members with voting rights have voted for it, unless a larger number of votes has been laid down in the law or the articles of association.

(5) If a member has not given a written reply within the time period laid down in Paragraph two of this Section, it shall be deemed that he or she has voted against taking the decision.

(6) The provisions of Section 41 of this Law shall be applied for recognising the decision of members as void.

Section 35. Agenda of a General Meeting of Members

(1) The matters to be included in the agenda of a general meeting of members shall be determined by the body (person) which is proposing to convene the meeting.

(2) A member may, within 10 days from the day of receipt of the notification referred to in Section 33, Paragraph two of this Law, request inclusion of additional matters in the agenda of the general meeting of members, unless a longer time period has been laid down in the articles of association or the notification. If it has been laid down in the articles of association that a member may request inclusion of additional matters in the agenda of the general meeting of members by using electronic means only, such time period may be reduced to five days.

(3) Additional matters shall be included into the agenda of the general meeting of members and changes in the agenda shall be notified in accordance with the procedures laid down in Section 33, Paragraph one of this Law not later than 10 days before the general meeting of members.

(4) A general meeting of members may take decisions only on such matters of the agenda which have been included in the notification referred to in Section 33, Paragraph two of this Law and in Paragraph three of this Section.

Section 36. Participation in a General Meeting of Members

(1) A member may participate in a general meeting of members in person or with the intermediation of a proxy. The proxy to participate and vote in a general meeting of members shall be issued in writing. The proxy shall be appended to the minutes of the meeting.

(2) One person may represent, on the grounds of a proxy, not more than three members of the society, except the case when a voting task in respect of each matter of the agenda of the relevant general meeting of members has been included in the proxy.

(3) A special proxy is not necessary for persons who represent a member on the basis of law. Such persons shall present a document which certifies their right of representation.

(4) The society may provide for the following rights for members in the articles of association:

1) to participate and vote in a general meeting of members by using electronic means;

2) to vote on the matters included in the agenda of the general meeting of members by sending their vote to the society not earlier than 10 days before the general meeting of members, unless another time period has been laid down in accordance with Section 35, Paragraph three of this Law.

(5) If a member has exercised the right referred to in Paragraph four of this Section, it shall be included in the list referred to in Section 39 of this Law.

(6) The articles of association of the society may provide for the right to convene a general meeting of members by using electronic means.

(7) The rights provided for in Paragraph four, Clause 1 and Paragraph six of this Section may be exercised only if the society ensures safe identification of members and the procedures for exercising such rights.

Section 37. Voting Rights of a Member

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

(2) A member shall not have voting rights in a general meeting of members if:

- 1) he or she has not settled the liabilities laid down in the articles of association and in the decisions of the general meeting of members until the general meeting of members;
- 2) he or she has been abrogated the right to conduct commercial activity of any type on the basis of a ruling made within the scope of criminal proceedings.
- (3) A member shall not have voting rights if:
 - 1) he or she is a member of the council or board of directors, a liquidator, an auditor – when taking a decision to bring a claim against him or her;
 - 2) a decision is taken in respect of rights which the society may use against him or her;
 - 3) a decision is taken to conclude a transaction with a person related to him or her;
 - 4) on the basis of a ruling made within the scope of criminal proceedings, he or she has been abrogated the right to conduct commercial activity of specific type – in matters in respect of the type of commercial activity laid down in the relevant ruling.

Section 38. Course of a General Meeting of Members

- (1) A general meeting of members is entitled to take decisions irrespective of the number of members present therein if a representation norm is not laid down in the articles of association.
- (2) If a general meeting of members is not entitled due to non-fulfilment of the representation norm, a repeat general meeting of members is convened within one month with the same agenda, and it is entitled regardless of the number of members present. A notification of convening the repeat general meeting of members shall be notified to all members at least 10 days before the meeting.
- (3) A general meeting of members shall take decisions by an open vote, except for the cases when a secret ballot is requested by not less than one tenth of the members with voting rights present. The articles of association of the society may provide for matters on which secret ballot takes place.
- (4) A general meeting of members shall take decisions by a majority of votes of the members with voting rights present, unless the articles of association determine a larger number of votes.
- (5) A decision to make amendments to the articles of association, to terminate or continue the activity of the society, and to reorganise the society shall be taken if not less than three-fourths of members present in the general meeting vote for such decision, unless the articles of association determine a larger number of votes.
- (6) A decision of the general meeting of members in respect of the society, members of its council and of the board of directors, the auditor and members shall be in effect as of the time it was taken, unless in this decision or the law another time period is laid down for the coming into effect of the decision.

Section 39. List of Members Present in the General Meeting of Members

- (1) Prior to the opening of the general meeting of members the board of directors shall draw up the list of members present.
- (2) If a member is participating with the intermediation of a proxy, the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which has issued the document) of the proxy, but for legal persons – the name, registration number and the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which has issued the document) of the representative shall be indicated in the list of members.

(3) A member shall confirm his or her presence in the general meeting of members with a signature, except for the case when he or she is participating in the general meeting of members or is voting in accordance with the procedures referred to in Section 36, Paragraphs four and six of this Law.

(4) The list of members shall be appended to the minutes of the general meeting of members.

Section 40. Minutes of a General Meeting of Members

(1) Minutes of the course of a general meeting of members shall be taken. The following shall be indicated in the minutes:

- 1) the name of the society;
- 2) the body (person) convening the general meeting;
- 3) the place and time of the general meeting;
- 4) the time when convening the general meeting was notified, and the way of notification;
- 5) the total number of members of the society with voting rights;
- 6) the number of representatives necessary for all members to be represented (if a meeting of representatives has been convened);
- 7) the number of members present in the general meeting;
- 8) the issues on the agenda;
- 9) the voting results by indicating the number of “for” votes given in relation to each decision;
- 10) the decisions taken;
- 11) the chair of the general meeting and the minutes taker.

(2) The chair of the meeting and the minutes taker shall sign the minutes. If, when taking a decision of the general meeting of members, it is necessary to apply changes in the entries of the Enterprise Register Journal or to apply registration of documents, the minutes of the general meeting of members or its derivative shall be submitted to the Enterprise Register.

(3) A member is entitled to become acquainted with the minutes and the documents appended thereto.

Section 41. Declaration of a Decision Taken by a General Meeting of Members as Void

(1) A court, on the basis of a claim by a member, a member of the board of directors or of the council, may declare a decision of the general meeting of members as void if such decision or the procedures for taking it are in contradiction with the law or the articles of association, or significant infringements have been allowed in the convening the general meeting or taking the decision.

(2) A claim to declare a decision of the general meeting of members as void may be brought within three months from the day when a member got to know or should have got to know the decision of the general meeting, but not more than a year from the day of occurrence of the general meeting of members.

(3) If the decision has been taken in breach of the procedures for taking a decision or the procedures for convening a general meeting have not been complied with, the decision is not subject to contesting if all members of the society had voted for taking it.

Section 42. Liability for Unjustifiably Contesting a Decision of a General Meeting of Members

A claimant shall be liable for losses incurred by the society which have occurred due to unjustified contesting a decision of the general meeting of members if he or she has brought the claim in bad faith or due to gross negligence.

Section 43. Meeting of Representatives

- (1) A general meeting of members shall be replaced by a meeting of representatives if it is provided for in the articles of association and there are more than 100 members with the right to vote in the society. A larger minimum number of members necessary for convening a meeting of representatives may be provided for in the articles of association.
- (2) Only a member of the society may be a representative.
- (3) Representatives shall be elected and recalled by members of the society in conformity with the procedures for electing representatives laid down in the articles of association, the term of office, and the representation norm.
- (4) The minimum number of representatives shall be 20.
- (5) The norms of this Law regarding the activity and competence of the general meeting of members shall be applied to the activity and competence of the meeting of representatives. Sections 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, and 42 of this Law, except for Section 36, Paragraphs one and two and Section 39, Paragraph two, shall be applied to the rights of representatives.
- (6) A meeting of representatives is entitled to take decisions if more than half of the number of representatives provided for in the articles of association are participating therein, unless the articles of association provide for a higher representation norm.
- (7) If the obligations of a general meeting of members are carried out by a meeting of representatives, members shall retain the rights and obligations referred to in Section 33, Paragraph five, Section 40, Paragraph three, Sections 41 and 42, Section 81, Paragraphs three and four, Section 95, Paragraph three, and Section 98 of this Law.

Section 44. List of Representatives

- (1) If in conformity with the articles of association the obligations of a general meeting of members are carried out by a meeting of representatives, the board of directors shall keep a list of representatives in which the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which has issued the document), term of representation, contact details of the representative, as well as the members to be represented or the aggregate of members to be represented are indicated.
- (2) Each member has the right to become acquainted with the list of representatives and the contact details of the representative who represents the relevant member.

Section 45. Council

- (1) The council shall be the supervisory body of the society which represents the interests of members in between general meetings of members and supervises the activity of the board of directors.
- (2) If the society does not create a council, its functions shall be performed by the general meeting of members.

Section 46. Tasks of the Council

- (1) The council shall have the following tasks:
 - 1) to continuously supervise the activity of the board of directors and make sure that the society operates in accordance with laws, the articles of association of the society, and the decisions of the general meeting of members;
 - 2) to provide an opinion on matters in the agenda of the general meeting of members;

3) upon a motivated request of one third of members to examine the work of the board of directors. If within a month the council has not carried out such examination, the members have the right to give this matter to the general meeting of members for examination;

4) to represent the society in a court in all claims brought by the society against members of the board of directors, as well as in claims brought by members of the board of directors against the society and to represent the society in other legal relations with members of the board of directors;

5) to prepare a report on the annual accounts submitted by the board of directors, including an evaluation of the activity and financial situation of the society, an evaluation of the board of directors, and a review on the activity of the council in the reporting period.

(2) It may be provided for in the articles of association of the society that the council elects and recalls members of the board of directors, as well as determines remuneration for the members of the board of directors.

Section 47. Rights of the Council

(1) The council has the following rights:

1) at any time to request that the board of directors reports on the situation of the society and to become acquainted with all the activities of the board of directors;

2) to examine the registers, documents of the society, and the property of the society;

3) to submit to the general meeting of members a report where the activity of the society and the report by the board of directors have been assessed, as well as express proposals for improvement of the activity of the society;

4) at the expense of the society to invite experts for examination of the activity of the society.

(2) The council does not have the right to decide matters which are within the competence of the board of directors.

Section 48. Composition of the Council

(1) Only a natural person may be a member of the council.

(2) A member of the board of directors of the society, an auditor, and a procurator holder may not be a member of the council. The articles of association may specify stricter restrictions for a member of the council.

(3) The minimum number of members of the council shall be three.

(4) A member of the council shall be elected for five years, unless a shorter period of time has been laid down in the articles of association.

(5) The chairperson of the council shall be elected by members of the council from amongst themselves. It may be laid down in the articles of association that the chairperson of the council is elected by the general meeting of members.

Section 49. Convening a Meeting of the Council

(1) A meeting of the council shall be convened by the chairperson of the council not less than once every three months.

(2) Each member of the council, as well as the board of directors may request convening a meeting of the council by motivating the necessity for convening the meeting.

(3) If a meeting of the council has not taken place within two weeks after receipt of the request referred to in Paragraph two of this Section, the initiator of convening a meeting may convene a meeting of the council by explaining the circumstances of the matter.

Section 50. Taking Decisions by the Council

- (1) The council shall have a quorum if more than one half of the number of council members laid down in the articles of association is present at its meeting.
- (2) The council shall take decisions by a simple majority of votes of those present, unless the articles of association determine a larger majority of votes. It may be laid down in the articles of association that in the event of tied vote, the vote of the chairperson of the council shall prevail.
- (3) Minutes shall be taken during meetings of the council. The accuracy of the minutes shall be certified by all members of the council present.
- (4) If a member of the council disagrees with a decision of the council and votes against it, his or her different opinion shall be taken in the minutes of the meeting of the council upon his or her request.

Section 51. Board of Directors

- (1) The board of directors is the executive body of the society which manages and represents the society.
- (2) The board of directors shall supervise and manage the affairs of the society. It shall be responsible for the commercial activity of the society, as well as for accounting in conformity with the law.
- (3) The board of directors shall administer the property of the society and shall act with its resources in conformity with laws, the articles of association, and decisions of the general meeting of members.
- (4) Only a natural person may be a member of the board of directors.

Section 52. Rights of the Board of Directors to Manage the Society

Members of the board of directors shall manage the society only jointly.

Section 53. Rights of the Board of Directors to Represent the Society

- (1) All members of the board of directors have representation rights. Members of the board of directors shall represent the society jointly, unless the articles of association determine otherwise.
- (2) In case of joint representation, members of the board of directors may authorise from amongst themselves one or more members of the board of directors to conclude specific transactions or specific types of transactions.
- (3) The representation rights of the board of directors in respect of third parties may not be restricted. The rights of members of the board of directors which are laid down in the articles of association, to represent the society jointly or individually shall not be deemed to be a restriction of the representation rights of the board of directors within the meaning of this Section.

Section 54. Election of Members of the Board of Directors

- (1) A member of the board of directors shall be elected to office for five years, unless the articles of association determine a shorter term.
- (2) The chairperson of the board of directors shall be elected by members of the board of directors from amongst themselves. It may be laid down in the articles of association that the chairperson of the board of directors is elected by the general meeting of members.

Section 55. Taking Decisions by the Board of Directors

- (1) The board of directors shall have a quorum if more than one half of the number of members of the board of directors laid down in the articles of association is present at its meeting.
- (2) The board of directors shall take a decision by a simple majority vote of members of the board of directors entitled to vote present. If the board of directors consists of at least three members of the board of directors, it may be laid down in the articles of association that upon a tied vote the vote of the chairperson of the board of directors shall prevail.
- (3) If a member of the board of directors disagrees with a decision of the board of directors and votes against it, his or her different opinion shall be taken in the minutes of the meeting of the board of directors upon his or her request.
- (4) The accuracy of the minutes of the meeting of the board of directors shall be certified by all members of the board of directors present.

Section 56. Consent for the Activities of the Board of Directors

- (1) It may be laid down in the articles of association that the board of directors shall require the consent of the general meeting of members or of the council to decide on matters of major importance. The following shall be deemed to be important matters:
 - 1) acquisition of participation in another society or commercial company, increasing, reduction, or termination of the participation;
 - 2) founding another society or commercial company, termination, continuation, or reorganisation of the activity;
 - 3) acquisition or alienation of an undertaking;
 - 4) purchase, sale of immovable property or encumbering thereof with property rights;
 - 5) opening or closing branches and representative offices;
 - 6) granting such loans which are not related to the usual economic activity to be performed by the society;
 - 7) commencement of new types of activity, as well as termination of the existing types of activity.
- (2) If the council rejects the proposal submitted by the board of directors, the board of directors may propose examination of the matter at a general meeting of members.
- (3) The fact that the board of directors has not received a consent of the general meeting of members or of the council shall not be binding on the third party, except for the case when the third party was aware that a consent of the general meeting of members or of the council is necessary and that it has not been given.

Section 57. Internal Audit of the Financial and Economic Activity

- (1) A general meeting of members may appoint one or several auditors for the performance of the internal audit of financial and economic activity of the society (hereinafter in this Section – the internal auditor). If the society has attracted the internal auditor for the control of financial and economic activity, it shall not be released from the duty to attract the sworn auditor in the case laid down in the law for review (audit) of the annual accounts of the society.
- (2) The internal auditor may not be a member of the board of directors of the society.
- (3) The internal auditor shall:
 - 1) perform an audit of the property and financial resources of the society, review economic activity;
 - 2) provide an opinion on the budget of the society;
 - 3) evaluate the accounting and record-keeping work of the society;

- 4) provide recommendations for the improvement of financial and economic activity of the society.
- (4) The board of directors has an obligation to provide all the information and documents to the internal auditor necessary for the performance of the audit.
- (5) The internal auditor shall report to the administrative bodies of the society of deficiencies detected during the year by submitting an opinion on the results of the audit.

Chapter VI

Liability

Section 58. Liability of Founders for Obligations of the Society which have Arisen Before Entering the Society in the Enterprise Register Journal

- (1) Founders who have acted in the name of the society to be founded before entering the society in the Enterprise Register Journal shall be solidarily liable for the obligations which arise from such actions.
- (2) An agreement which is contrary to the provisions of Paragraph one of this Section shall be void in relation to third parties.
- (3) The obligations referred to in Paragraph one of this Section shall devolve to the society if its board of directors or at least one tenth of the members with voting rights do not raise objections against devolvment of such obligations to the society within three months after entering the society in the Enterprise Register Journal. If such objections have been raised, the matter of devolvment of the obligations shall be decided by the general meeting of members. Devolvment of the obligations shall not restrict the rights of the society to request the fulfilment of the obligations by the founders.
- (4) If the property of the society is not sufficient to satisfy the claims of creditors of the society, the founders shall be solidarily liable against the creditors for the obligations of the society to the extent of that reduction in the property of the society which has occurred because of the obligations which were undertaken by the society to be founded. The statute of limitations time period for such claims shall be three years from the date when the society was entered in the Enterprise Register Journal.

Section 59. Liability of Founders for Submitting False Information

Founders of the society shall be solidarily liable for such losses incurred by the society as a result of false information which have been submitted until entering the society in the Enterprise Register Journal.

Section 60. Liability of Founders for Losses Incurred by the Society and Third Parties

- (1) Founders shall be solidarily liable for the losses incurred by the society and third parties during founding the society as a result of the founders themselves having acted maliciously or negligently.
- (2) Actions which are in contradiction with the law or the memorandum of association shall be in any case deemed to be malicious.
- (3) For the claims referred to in this Section, the statute of limitation period shall be five years from the date of entering the society in the Enterprise Register Journal.

Section 61. Liability of Members of the Board of Directors and of the Council

- (1) A member of the board of directors and council shall perform his or her obligations as would an honest and careful manager.

- (2) Members of the board of directors and council shall be solidarily liable for the losses that they have caused to the society.
- (3) A member of the board of directors and council shall not be liable in accordance with Paragraph two of this Section if he or she proves that he or she has acted as would an honest 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 good faith according to a legal decision by the general meeting of members. The fact that the council has approved the actions of the board of directors shall not release the members of the board of directors from liability to the society.
- (5) Claims against a member of the board of directors and of the council shall expire within five years from the day of causing losses.

Section 62. Release from Liability

- (1) A general meeting of members may release members of the board of directors or council from liability or take a decision to enter into an amicable settlement only for specific actions which were actually performed by them and were revealed at the general meeting of members, and as a result of which the society has incurred losses.
- (2) A decision of a general meeting of members to release from liability or to enter into an amicable settlement with the members of the board of directors or council shall not restrict the right of a minority of members to bring an action in accordance with the provisions of Section 66 of this Law.

Section 63. Liability for Influencing Members of the Board of Directors, Council of the Society, Procuration Holders and Persons with a Commercial Power of Attorney

- (1) A person who with malicious intent induces a member of the board of directors or council of the society, the procuration holder or a person with a commercial power of attorney to act in 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 is a basis for a member of the board of directors or the council to be held liable in accordance with Section 61 of this Law, he or she shall be solidarily liable with the person who has used his or her influence. If there are grounds for holding the procuration holder or the person with a commercial power of attorney liable, he or she shall be solidarily liable with the person who has exercised his or her influence.
- (3) A member of the board of directors, a member of the council, a procuration holder, or a person with a commercial power of attorney shall not be liable in accordance with Paragraph two of this Section if they prove that they were acting as honest and careful managers.
- (4) The claims referred to in Paragraphs one and two of this Section shall lapse within five years following the day when the right to the claim arose.

Section 64. Liability of the Auditor of the Society

The auditor shall be liable for the losses incurred by the society, its members or third parties, if he or she has not carried out the obligations entrusted to him or her intentionally or due to negligence.

Section 65. Liability of the Liquidator of the Society

The provisions of Section 61 of this Law shall be applied to the liability of the liquidator.

Section 66. Bringing a Claim of the Society

- (1) The society may bring a claim against the founders, members of the board of directors or council, or the auditor on the basis of a decision taken by the general meeting of members.
- (2) The society has an obligation to bring a claim against the persons referred to in Paragraph one of this Section, also if it is requested by a minority of members – at least one tenth of members of the society.
- (3) The general meeting of members shall elect its representatives for conducting the proceedings. If the bringing a claim is requested by a minority of members, the persons selected thereby are authorised as representatives in conducting the proceedings.
- (4) In respect of losses which have been incurred by the society due to an unjustified claim, those members who voted for the bringing the claim or the minority of members in whose actions maliciousness or gross negligence has been detected shall be solidarily liable.

Chapter VII Termination of Activity and Liquidation of the Society

Section 67. Grounds for Terminating the Activity of the Society

The activity of the society is terminated:

- 1) by a decision of the general meeting of members;
- 2) by a decision of the board of directors;
- 3) by a court ruling;
- 4) by a decision of the Enterprise Register;
- 5) by a decision of the State Revenue Service;
- 6) in accordance with the laws and regulations governing the field of insolvency;
- 7) in other cases laid down in the law.

Section 68. Obligation to Decide on Termination of the Activity of the Society

- (1) A general meeting of members shall take a decision to terminate the activity of the society:
 - 1) if the number of members of the society has been less than that laid down in the law or the articles of association for at least three successive months;
 - 2) upon termination of the time period laid down in the articles of association if the society was founded for a definite time period;
 - 3) having achieved the objectives laid down in the articles of association if the society was founded to achieve certain objectives;
 - 4) another case laid down in the articles of association sets in.
- (2) If the general meeting of members has not taken the decision referred to in Paragraph one of this Section within three months from the moment of setting in of the circumstances referred to in Paragraph one of this Section or has not rectified the abovementioned circumstances, a decision to terminate the activity of the society shall be taken by the board of directors.

Section 69. Termination of the Activity of the Society on the Basis of a Court Ruling

(1) A member of the society, a member of the board of directors, or a council member may bring a claim in a court on termination of the activity of the society:

- 1) if the documents of incorporation of the society are in contradiction with the law;
- 2) if the society fails to submit to the Enterprise Register the information or documents provided for in the law;
- 3) in other cases laid down in the law.

(2) The Enterprise Register may bring a claim in a court in the cases referred to in Paragraph one, Clauses 1 and 2 of this Section if the society has not rectified the indicated deficiencies within three months after receiving a written warning.

(3) The third party whose lawful rights have been infringed may bring a claim in a court in the case referred to in Paragraph one, Clause 2 of this Section.

(4) Until the moment of making the ruling to terminate the activity of the society, a court may determine a time period within which the society must rectify the deficiencies which would be the grounds for termination of its activity. The time period for rectification of deficiencies may not exceed three months.

(5) If a claim has been brought in a court on termination of the activity of the society, the liquidator shall be appointed by a court on the basis of a recommendation of any person interested in liquidation of the society. The person interested in liquidation shall indicate the information referred to in Section 76, Paragraph one, Clause 2 of this Law on the liquidator, as well as the place of applying the claim of creditors and shall append the document referred to in Section 76, Paragraph two of this Law.

Section 70. Termination of the Activity of the Society by a Decision of the Enterprise Register or the State Revenue Service

(1) The activity of the society may be terminated by a decision of the Enterprise Register if:

- 1) the board of directors of the society has not had the right of representation for more than three months and the society has not rectified the indicated deficiency within three months after receipt of a written warning;
- 2) the society cannot be reached at its legal address and has not rectified the indicated deficiency within one month after receipt of a written warning.

(2) The activity of the society may be terminated by a decision of the State Revenue Service if:

- 1) the society has not submitted annual accounts within one month after an administrative punishment was imposed and at least six months have passed since committing the infringement;
- 2) the society has not submitted the declarations provided for in tax laws in respect of the time period of six months within one month after imposition of an administrative punishment;
- 3) activities of the society have been suspended on the basis of a decision of the State Revenue Service, and the society has not rectified the indicated deficiency within three months after suspension of its activities.

(3) A decision of the Enterprise Register or the State Revenue Service to terminate the activity of the society shall enter into effect at the time when it has been notified to the addressee. The Enterprise Register shall make an entry in the Enterprise Register Journal on termination of the activity of the society after the decision of the Enterprise Register or the State Revenue Service to terminate the activity of the society has become uncontested.

(4) If the activity of the society has been terminated on the basis of a decision by the Enterprise Register or the State Revenue Service, the person interested in liquidation of the

society is entitled to apply a liquidator in accordance with the procedures laid down in Section 74 of this Law.

Section 71. Liquidation

- (1) If the activity of the society has been terminated, its liquidation shall take place.
- (2) Liquidation of the society shall not take place and the Enterprise Register shall take a decision to exclude the society from the Enterprise Register if none of the persons interested in liquidation of the society submits an application to a court (Section 69, Paragraph five of this Law) or the Enterprise Register (Section 74 of this Law) on appointing a liquidator and insolvency proceedings have not been declared in relation to the society.
- (3) The property which has remained after exclusion of the society from the Enterprise Register in accordance with the procedures laid down in Paragraph two of this Section shall be considered as equivalent to property without heirs in accordance with Section 416 of The Civil Law.
- (4) During liquidation, the word “likvidējamā” [under liquidation] shall be added to the name of the society.

Section 72. Rights and Obligations of Liquidators

- (1) Liquidators shall have all the rights and obligations of the board of directors and the council which are not in contradiction with the purposes of the liquidation.
- (2) Only a natural person may be a liquidator.
- (3) A liquidator has a duty to notify members of possible obstacles for holding such office in accordance with Sections 6 and 7 of this Law or to certify that there are no such obstacles for him or her.
- (4) A liquidator shall recover debts, satisfy claims of creditors, and divide the remaining property of the society among persons who have the right to such property.
- (5) A liquidator may only conclude such transactions which are necessary for the liquidation of the society.
- (6) If the liquidation of the society is performed by several liquidators, they have the right to represent the society only jointly. Liquidators may authorise one or several persons from amongst themselves for the performance of individual activities or individual types of activities.
- (7) The restrictions on representation of a liquidator shall not be binding on third parties.

Section 73. Appointing a Liquidator

Liquidation shall be performed by members of the board of directors, unless it has been otherwise laid down in the law, the articles of association, or a decision of the general meeting of members.

Section 74. Appointing a Liquidator on the Basis of an Application of the Person Interested in Liquidation of the Society

- (1) In the case referred to in Section 70 of this Law the Enterprise Register, after an entry of termination of the activity of the society has been made in the Enterprise Register Journal, the Enterprise Register shall promulgate a notification of termination of the activity of the society in the official gazette *Latvijas Vēstnesis*. In the notification the persons interested in liquidation of the society shall be invited to submit an application of appointing a liquidator to the Enterprise Register within a month after the day when it was published.

(2) In the application referred to in Paragraph one of this Section the person interested in liquidation of the society shall indicate the information referred to in Section 76, Paragraph one, Clause 2 of this Law on the liquidator, as well as the place where claims of creditors may be applied. The document referred to in Section 76, Paragraph two of this Law shall be appended to the application.

(3) The Enterprise Register shall make an entry of appointing a liquidator on the basis of the first application of appointing a liquidator submitted by the person interested in liquidation of the society.

(4) The procedures referred to in this Section shall also be applied if the activity of the society has been terminated on the basis of a court ruling, and no interested person has suggested a candidate for a liquidator to a court.

Section 75. Determination of the Remuneration of a Liquidator

(1) A liquidator has the right to remuneration which is commensurate with his or her obligations and the financial situation of the society.

(2) If a general meeting of members appoints a liquidator, it shall determine the amount of and procedures for disbursing the remuneration of the liquidator.

(3) If a liquidator is appointed by a court in accordance with Section 69, Paragraph five of this Law, the amount of and procedures for disbursing the remuneration of the liquidator shall be determined by the court.

(4) If a liquidator is appointed in accordance with Section 74 of this Law, the amount of and procedures for disbursing the remuneration of the liquidator shall be determined by the person interested in liquidation of the society who has submitted an application of appointing a liquidator.

Section 76. Application for Termination of the Activity of the Society and Its Liquidation

(1) The society shall, within three days from the date of taking a decision to terminate the activity of the society, submit the decision to the Enterprise Register for entering in the Enterprise Register Journal. The following shall be indicated in the application:

1) the grounds for terminating the activity;

2) the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state which has issued the document) of the liquidator and address where he or she may be reached.

(2) A written consent of each liquidator to be a liquidator shall be appended to the application. In the written consent the liquidator shall indicate the name and registration number of the society in which he or she agrees to become a liquidator.

(3) If liquidation is carried out by members of the board of directors, this fact shall be indicated in the application, and the documents referred to in Paragraph two of this Section need not be appended thereto.

(4) If a decision to terminate the activity of the society is taken by the board of directors or the general meeting of members, an extract from the minutes with a decision to terminate the activity of the society shall be appended to the application.

(5) If a court makes a ruling on termination of the activity of the society, it shall, within three days from the day of entering into effect of the ruling, send the relevant ruling for making an entry in the Enterprise Register Journal.

(6) If the society terminates the activity on the basis of a decision by the State Revenue Service, the State Revenue Service shall, after the decision has become undisputable, send the relevant decision for making an entry in the Enterprise Register Journal.

Section 77. Dismissal of a Liquidator

- (1) A liquidator may be dismissed by a decision of the general meeting of members. A liquidator may be dismissed by a court ruling on the basis of an application of the member or a third party whose lawful rights have been infringed if there are important reasons for it.
- (2) A liquidator appointed by a court may only be dismissed by a court ruling on the basis of an application of the person interested in liquidation of the society if there are important reasons for it.
- (3) A liquidator who has been appointed on the basis of an application to the Enterprise Register of the person interested in liquidation of the society may be dismissed only by a court or the interested person who appointed the liquidator.
- (4) By the decision to dismiss a liquidator the person (body) who dismisses the liquidator shall appoint a new liquidator.
- (5) A decision to dismiss a liquidator shall be submitted to the Enterprise Register within three days from the day when the decision was taken.

Section 78. Covering the Costs of Liquidation

- (1) The costs of liquidation shall be covered from the property of the society.
- (2) In the case referred to in Section 74 of this Law the costs of liquidation shall be covered by the person interested in liquidation of the society who has submitted the application referred to in Section 74, Paragraph three of this Law. The costs of liquidation covered by the person interested in liquidation of the society shall be repaid from the property of the society.

Section 79. Informing the Creditors

- (1) The Enterprise Register shall, on the account of the society to be liquidated, promulgate a notification of termination of the activity of the society and its liquidation in the official gazette *Latvijas Vēstnesis* within three days from the day when an entry was made in the Enterprise Register Journal.
- (2) The liquidator shall notify of the commencement of liquidation to all known creditors of the society.
- (3) In the notification of termination of the activity of the society referred to in Paragraphs one and two of this Section the creditors of the society shall be invited to submit their claims within three months after the day of publishing the notification if a longer period of time for submitting claims by creditors has not been laid down in a decision of the general meeting of members or a court ruling on termination of the activity of the society. The contents of the claim, the basis and amount thereof shall be indicated in the claim, and the documents justifying the claim shall be appended thereto.

Section 80. Protection of Creditors

- (1) If a known creditor has not submitted his or her claim, does not accept fulfilment or the obligation is not ripe for fulfilment, the amounts due to him or her shall be deposited at a sworn notary according to the legal address of the society.
- (2) Upon existence of a disputable claim of a creditor, the property of the society may be divided among members only if the relevant creditor is given security.

Section 81. Closing Financial Account and Property Division Plan

- (1) After the claims of creditors have been satisfied or the monies due to them are deposited and the liquidation expenses have been covered, the liquidator shall compile a liquidation closing financial account and a plan for the division of the remaining property of the society in which a liquidation quota shall be determined.
- (2) The liquidation closing financial account and the plan for the division of the remaining property of the society shall be examined by an auditor if in accordance with the articles of association it is provided that the auditor examines the annual accounts of the society, or if it is so decided by the general meeting of members.
- (3) The liquidator shall send the liquidation closing financial account and the plan for the division of the remaining property of the society to all members.
- (4) If the law, the articles of association or the decisions of the general meeting of members have been infringed in the preparation of the liquidation closing financial account and the plan for the division of the remaining property of the society, a court, on the basis of a claim by the interested person, may decide on preparation of a new liquidation closing financial account and a plan for the division of the remaining property of the society or the performance of additional liquidation activities. The time period for bringing a claim shall be two months from the day when the liquidation closing financial account and the plan for the division of the remaining property of the society have been notified to members.

Section 82. Division of the Remaining Property of the Society

- (1) The remaining property of the society shall be divided among the members according to the plan for the division of the remaining property prepared by the liquidator, in proportion to the part of investment by each member, unless it has been otherwise laid down in the documents of incorporation.
- (2) The property may be divided not earlier than two months from the day when the liquidation closing financial account and the plan for the division of the remaining property of the society have been notified to members.
- (3) The property may be divided before the time period laid down in Paragraph two of this Section, if all members agree thereto.

Section 83. Continuation of the Activity of the Society

- (1) If the society is liquidated on the basis of a decision by the board of directors or the general meeting of members, the general meeting of members, until the commencement of dividing the property, may take a decision to continue the activity of the society or to reorganise the society. The decision shall be considered as taken if it is voted for by the members present with the same number of votes as is provided for the taking a decision to terminate the activity of the society.
- (2) When taking a decision to terminate the activity of the society, the board of directors of the society and other bodies provided for in the articles of association shall be established concurrently.
- (3) The society shall submit an application for continuation of the activity of the society to the Enterprise Register. The decision to continue the activity of the society shall enter into effect after entering thereof in the Enterprise Register Journal.

Section 84. Storage of the Documents of the Society

A liquidator shall, in conformity with the provisions of the Law on Archives, ensure the storage of and access to the documents of the society. The liquidator shall give the

documents of the society for storage to one of the members of the society or to the third party in Latvia by co-ordinating the place of their storage with the National Archives of Latvia. The documents of archival value of the society shall be given for storage to the National Archives of Latvia in conformity with the provisions of the Law on Archives. Expenses related to the giving of the documents for storage to the National Archives of Latvia shall be covered from the property of the society to be liquidated.

Section 85. Exclusion of the Society from the Enterprise Register Journal

(1) After division of the remaining property of the society, the liquidator shall submit an application for the completion of liquidation to the Enterprise Register. The following shall be appended to the application:

- 1) the liquidation closing financial account;
- 2) the plan for the division of the remaining property of the society;
- 3) the opinion of the auditor if an examination by an auditor was performed.

(2) In the application, the liquidator shall certify that:

- 1) the liquidation closing financial account and the plan for the division of the remaining property of the society have not been contested in a court or that a claim was rejected;
- 2) all the claims of creditors have been satisfied or the amounts to meet the claims were deposited and all liquidation expenses have been covered;
- 3) the documents of the society have been given for storage in accordance with Section 84 of this Law;
- 4) in the case referred to in Section 82, Paragraph three of this Law all members have agreed to the division of the remaining property of the society prior to the time period laid down in Section 82, Paragraph two of this Law.

Chapter VIII Reorganisation

Section 86. Types of Reorganisation

The society may be reorganised by way of merging, division or restructuring.

Section 87. Merging Societies

- (1) Merging of societies may take the form of acquisition or consolidation.
- (2) Acquisition is a process in which the acquired society transfers all of its property to the acquiring society.
- (3) Consolidation is a process in which two or more acquired societies transfer all of their property to a newly founded acquiring society.
- (4) In the case of merging, all the rights and obligations of the acquired society are transferred to the acquiring society.
- (5) In the case of merging, the acquired society ceases to exist without liquidation proceedings.
- (6) In the case of merging, members of the acquired society become members of the acquiring society.

Section 88. Division of Societies

- (1) Division is a process in which the dividing society transfers all of its property to one or more acquiring societies through splitting up or divestiture.

- (2) In the case of splitting up, the dividing society transfers all of its property to two or more acquiring societies and ceases to exist without liquidation proceedings.
- (3) In the case of splitting up, members of the dividing society become members of the acquiring societies, unless all members agree on another division.
- (4) In the case of divestiture, the dividing society transfers part of its property to one or more acquiring societies. In the case of divestiture, the dividing society shall continue to exist.
- (5) In the case of divestiture, members of the dividing society become members of the acquiring society, unless all members agree on another division.

Section 89. Restructuring the Society

- (1) Restructuring is a process in which the society is restructured into a capital company. If the acquiring capital company is a limited liability company, the equity capital thereof may not be less than the equity capital laid down in Section 185 of The Commercial Law.
- (2) In the case of restructuring, all the property of the restructured society are transferred to the acquiring capital company.
- (3) In the case of restructuring, the members of the restructured society become stockholders (shareholders) of the acquiring capital company.
- (4) In the case of restructuring, the restructured society ceases to exist without liquidation proceedings.

Section 90. Reorganisation Agreement

- (1) If two or more already existing societies are involved in the reorganisation process, they shall enter into a reorganisation agreement (hereinafter – the agreement) in writing by indicating the following therein:
 - 1) the names, legal addresses, and registration numbers of all the societies involved in reorganisation;
 - 2) the co-operative shares exchange coefficient and the amount of supplements (if such are provided for);
 - 3) the distribution of co-operative shares among members of the acquiring society;
 - 4) the day from which the transactions of the acquired, dividing or restructured society will be regarded as transactions of the acquiring society in the accounting of the acquiring society;
 - 5) the consequences of reorganisation for members of the societies involved in reorganisation;
 - 6) the activities to be conducted in the reorganisation process and the time periods for conducting them.
- (2) If the agreement provides for conditions precedent and if these conditions do not set in within three years from the day when the agreement is entered into, each of the societies involved in the reorganisation process may unilaterally withdraw from the agreement by notifying the other contracting parties thereof not later than six months in advance, unless the agreement provides for a shorter period of time for notification.
- (3) Each society involved in the reorganisation process shall submit a notification of reorganisation, with the draft agreement appended, to the Enterprise Register. The date of registration of a draft agreement and its amendments and the number of the Enterprise Register file in which the draft agreement is located shall be promulgated in the official gazette *Latvijas Vēstnesis*.

Section 91. Reorganisation Prospectus

(1) Each society involved in the reorganisation process shall prepare in writing a reorganisation prospectus (hereinafter – the prospectus) in which the following is indicated and explained:

- 1) the provisions of the draft agreement;
- 2) the legal and economic aspects of the reorganisation;
- 3) the co-operative shares exchange coefficient and the amount of supplements (if such are provided for).

(2) Societies may prepare a joint prospectus. In such case each society involved in the reorganisation process shall indicate the data referred to in Paragraph one of this Section in the prospectus.

(3) The society need not prepare the prospectus if all members agree thereto.

Section 92. Examination by an Auditor

(1) A draft agreement shall be examined by the sworn auditor. The societies involved in the reorganisation process may elect a joint auditor.

(2) The agreement shall not be examined by the auditor if all members agree thereto.

(3) The societies which are involved in the reorganisation process shall ensure that the auditor has access to all the documents and information which are of significance for performing the obligations of an auditor.

Section 93. Opinion of the Auditor

(1) The auditor shall draft a written opinion on the results of examination of the draft agreement and shall submit it to the society. If one auditor is elected for all the societies, he or she shall submit the opinion to all the societies.

(2) The following shall be indicated in the opinion:

- 1) whether all the necessary documents were submitted to the auditor;
- 2) whether the co-operative shares exchange coefficient and the amount of supplements indicated in the draft agreement are fair and justified;
- 3) whether the reorganisation may cause losses to the creditors of the society;
- 4) whether the methods which were used to determine the co-operative shares exchange coefficient and the amount of premium are adequate;
- 5) special problems which have arisen in the application of the valuation methods used.

Section 94. Report on Economic Activity

(1) Not earlier than three months until submitting the notification referred to in Section 90, Paragraph three of this Law to the Enterprise Register each society involved in the reorganisation process shall prepare a report on economic activity.

(2) The report on economic activity of the society shall be prepared in accordance with the requirements of the law on drawing up of annual accounts.

(3) The society need not prepare the report on economic activity, if the previous annual accounts have been drawn up not earlier than six months prior to submitting the notification referred to in Section 90, Paragraph three of this Law to the Enterprise Register or if all members agree thereto.

Section 95. Decision on Reorganisation

(1) The general meeting of members of each society involved in the reorganisation process shall examine the draft agreement and take a decision on reorganisation, and the meeting shall take place not earlier than a month after information on the draft agreement has been notified in accordance with Section 90, Paragraph three of this Law.

(2) If amendments in relation to the reorganisation need to be made to the articles of association, they shall be approved concurrently with the decision on reorganisation.

(3) Not later than a month until the day when a general meeting of members in respect of approval of the agreement is intended, all members have the right to become acquainted with:

- 1) the draft agreement;
- 2) the prospectus;
- 3) the opinion of the auditor;

4) the annual accounts of all the societies involved in the reorganisation process for the last three reporting years;

5) the report on economic activity of the society (if any should be prepared in accordance with the law).

(4) At the general meeting of members, the board of directors of the society shall, upon request of a member, provide explanations on the draft agreement and prospectus, on the legal and economic consequences of the reorganisation, as well as information on the other societies involved in the reorganisation process.

(5) The decision on reorganisation shall be drawn up in the form of a separate document.

(6) On the basis of a decision on reorganisation the relevant society shall enter into an agreement.

(7) The list of such members (with their signatures) shall be appended to the decision on reorganisation who have voted against the decision at the general meeting of members or have informed in accordance with the procedures referred to in Paragraph eight of this Law that they do not agree to reorganisation.

(8) If the general meeting of members is substituted with a meeting of representatives, a member is entitled to inform the society that he or she does not agree to reorganisation within one month from the day of taking the decision on reorganisation. The decision on reorganisation of the meeting of representatives shall enter into effect if, within a month, at least one fourth of the members with voting rights do not inform that they do not agree to reorganisation.

Section 96. Obligation to Notify of Substantial Changes in the Property Circumstances of the Society

The board of directors of the acquired or dividing society shall notify the general meeting of members and the acquiring society of all substantial changes in the status of the property of the acquired or dividing society which have occurred until the expiry of the powers of the board of directors or until the time the reorganisation enters into effect.

Section 97. Protection of Creditors

(1) Each society involved in the reorganisation process has an obligation, within 15 days from the day of entering into effect of the decision on reorganisation, to publish a notification in the official gazette *Latvijas Vēstnesis* that a decision on reorganisation has been taken. The following shall be indicated in the notification:

- 1) the name, registration number, and legal address of the society;
- 2) the names, registration numbers, and legal addresses of other societies involved in reorganisation;

- 3) the type of reorganisation;
 - 4) the place and time period for creditors to submit their claims which may not be less than one month from the day when the notification is published.
- (2) The acquired or dividing society shall secure the claim of the creditor if he or she is requesting it and if it has been applied within the time period laid down in the notification referred to in Paragraph one of this Section.
- (3) A creditor of the acquiring society may request to have his or her claim secured only if he or she can prove that the reorganisation threatens the satisfaction of his or her claims.
- (4) A secured creditor may request security only for the amount of the unsecured part of a debt.
- (5) The provisions of this Section shall not be applied if the society is restructured into a capital company

Section 98. Contesting a Decision on Reorganisation

- (1) On the basis of a claim of a member of the society involved in reorganisation, a member of the board of directors or council, a court may declare a decision on reorganisation as void, if it has been taken in breach of the law or the articles of association of the society, and it is not possible to rectify such infringements or they are not rectified within the time period laid down by the court.
- (2) The time period for bringing a claim shall be three months from the day of publishing the notification referred to in Section 97, Paragraph one of this Law.
- (3) The society the decision on reorganisation of the general meeting of members of which has been declared as void has an obligation to publish a notification thereof in the official gazette *Latvijas Vēstnesis* within 15 days from the day of entering into effect of the court ruling.
- (4) Declaring a decision on reorganisation as void shall not affect the liabilities undertaken by the society in the reorganisation process in relation to third parties.
- (5) A decision on reorganisation may not be declared as void only because too low exchange coefficient of co-operative shares or amount of supplements has been laid down.
- (6) If too low exchange coefficient of co-operative shares has been laid down, a member of the acquired, dividing or restructured society may request a one-time additional supplement from the acquiring society.

Section 99. Application to the Enterprise Register

- (1) Each society involved in the reorganisation process shall, not earlier than three months after the day of publishing the notification referred to in Section 97, Paragraph one of this Law, submit an application to the Enterprise Register in order to make an entry of reorganisation in the Enterprise Register Journal. The following shall be appended to the application:
- 1) an agreement or an accordingly certified copy thereof;
 - 2) an extract of the minutes and the decision on reorganisation;
 - 3) a list of the members referred to in Section 95, Paragraph seven of this Law;
 - 4) the prospectus (if the law requires the preparation of a prospectus);
 - 5) the opinion of the auditor (if the law requires an auditor's review);
 - 6) the closing financial account of the acquired society or the society divided by way of splitting up (if the application is being submitted by the acquired or dividing society);
 - 7) the articles of association of the acquiring society (if a new society is created as a result of reorganisation);
 - 8) a list of the members of the board of directors of the acquiring society who have the right to represent the society (if a new society is created as a result of reorganisation);

9) a list of the council members of the acquiring society (if a new society is created as a result of reorganisation and a council is intended for the acquiring society).

(2) In its application, the society shall certify that:

1) the claims of those creditors who have submitted their claims within the laid down time period have been secured or satisfied;

2) the decision on reorganisation has not been contested in a court or the relevant action has not been satisfied;

3) in the case referred to in Section 91, Paragraph three of this Law all members have agreed that a reorganisation prospectus is not prepared;

4) in the case referred to in Section 92, Paragraph two of this Law all members have agreed that the auditor does not examine the agreement;

5) in the case referred to in Section 94, Paragraph three of this Law all members have agreed that a report on economic activity need not be prepared.

Section 100. Name of the Acquiring Society

(1) After reorganisation, the acquiring society may use the name of the acquired society.

(2) The provisions for further use of the name of the dividing society shall be provided for in the agreement.

Section 101. Entry of Reorganisation in the Enterprise Register Journal

(1) An entry of the acquired or dividing society shall be made in the Enterprise Register Journal after entries of all acquiring societies have been made.

(2) After an entry of reorganisation has been made in the Enterprise Register Journal, the acquired society shall be excluded from the Enterprise Register Journal.

(3) After an entry of reorganisation of the dividing society has been made, the relevant entries from the file of the dividing society shall be appended to the files of acquiring societies and, if dividing takes place by way of splitting up, the dividing society is excluded from the Enterprise Register Journal.

(4) The capital company acquiring in case of restructuring may be entered in the Commercial Register after an entry of reorganisation of the restructured society has been made.

Section 102. Legal Importance of the Entry of Reorganisation in the Enterprise Register Journal

(1) Reorganisation shall be considered in effect from the time when entries of all societies involved in the reorganisation process have been made in the Enterprise Register Journal (in case of restructuring – also in the Commercial Register).

(2) From the time when reorganisation enters into effect:

1) the property of the acquired society shall be considered to have been transferred into the ownership of the acquiring society;

2) the property of the dividing society shall be considered to have been transferred into the ownership of the acquiring society.

(3) With exclusion of the society from the Enterprise Register Journal such society shall be deemed liquidated.

(4) From the time when reorganisation enters into effect members of the acquired or dividing society become members of the acquiring society, and their co-operative shares shall be exchanged to the co-operative shares of the acquiring society in proportion to the co-operative shares belonging to them. From the time when reorganisation enters into effect members of the restructured society become stockholders (shareholders) of the acquiring capital company,

and their co-operative shares shall be exchanged to the stocks (shares) of the equity capital of the acquiring company in proportion to the co-operative shares belonging to them.

(5) The rights of the third parties to the co-operative shares of the acquired, dividing or restructured society shall be retained in relation to the co-operative shares (shares or stocks of the equity capital) of the acquiring society.

(6) The co-operative shares of the acquired or dividing society which have belonged to the acquiring society or a person who is operating in its own name, but for the benefit for the acquired, dividing or restructured society accordingly, are not exchanged and are subject to extinguishing.

(7) Reorganisation may not be contested in a court after it has entered into effect.

Section 103. Liability of Societies Involved in the Reorganisation Process

(1) The acquiring society shall be liable for all liabilities of the acquired or restructured society.

(2) All societies involved in division, including newly established societies, shall be solidarily liable for the liabilities of the dividing society which have occurred until the time of entering into effect of reorganisation. In the mutual relations between such solidarily liable debtors, only that person shall be considered the obligated subject whose liabilities are provided for in the agreement.

(3) If the liabilities of the society involved in division are not laid down in the agreement, it shall be solidarily liable, together with other societies involved in the division, for those liabilities of the dividing society which have occurred until the time of entering into effect of reorganisation and which shall become due within five years from the time when the reorganisation enters into effect.

(4) In case of splitting up the property the division of which is not laid down in the agreement shall be divided among the acquiring societies in proportion to the part of the property which have been acquired thereby from the dividing society in accordance with the agreement.

Section 104. Liability of Members of the Board of Directors and of the Council of Societies Involved in the Reorganisation Process

(1) Members of the council and of the board of directors of societies involved in reorganisation shall be solidarily liable for losses which have been incurred, due to their fault, during the course of reorganisation to its members or creditors.

(2) The claims referred to in Paragraph one of this Section shall expire within five years from the time of entering into effect of reorganisation.

Section 105. Disbursement of Co-operative Shares to a Member who does not Agree to Reorganisation

(1) A member of the society who does not agree to reorganisation is entitled to request, within two months from the time of entering into effect of reorganisation, that the acquiring society disburses the co-operative shares of the acquiring society. The co-operative shares shall be disbursed within three months from the time of entering into effect of reorganisation.

(2) A member who has been entered in the list referred to in Section 95, Paragraph seven of this Law has the rights referred to in Paragraph one of this Section.

(3) If the society is restructured into a capital company, the member included in the list referred to in Paragraph two of this Section is entitled to request that the acquiring capital company buys back its stocks (shares) in the acquiring capital company in accordance with the procedures referred to in Section 353 of this Law.

(4) From the time of entering into effect of reorganisation the acquiring society shall pay the legal interest for disbursements of co-operative shares not made in the amount and within the time period provided for.

Section 106. Founding the Society upon Consolidation of Societies

(1) When founding the new society, the provisions for founding the society shall be applicable, unless it is otherwise laid down in this Chapter.

(2) In addition to the information referred to in Section 90, Paragraph one of this Law the name and legal address of the acquiring society shall be indicated in the agreement. The draft articles of association of the society to be founded which shall be approved by the decisions on reorganisation of general meetings of all acquired societies shall be appended to the agreement.

(3) The acquired societies shall submit a joint application for entering of the new society in the Enterprise Register Journal to the Enterprise Register.

Section 107. Founding the Society upon Division of the Society

(1) The provisions for founding a society shall be conformed to in founding the acquiring society, unless it has been otherwise laid down in this Chapter.

(2) If, upon division of the society, a new acquiring society is being established and another already existing society is not involved in reorganisation, the dividing society shall take a decision on division which replaces the agreement referred to in Section 90 of this Law. The name, legal address of the acquiring society and the division of the property of the dividing society among the acquiring societies shall be indicated in the decision on division in addition to the information referred to in Section 90, Paragraph one of this Law. The division of property act may be appended to the decision in the form of a separate document.

(3) The draft articles of association of the acquiring society shall be appended to the draft agreement or draft decision.

(4) The dividing society shall also submit an application for entering the acquiring society in the Enterprise Register Journal together with an application for reorganisation.

Section 108. Founding the Capital Company upon Restructuring the Society

(1) The provisions for founding a capital company shall be applied in restructuring of the society, unless it has been otherwise laid down in this Chapter.

(2) If the society is restructured, the general meeting of members shall take a decision on restructuring which replaces the agreement referred to in Section 90 of this Law. The type, name, and legal address of the acquiring capital company shall be indicated in the decision in addition to the information referred to in Section 90, Paragraph one of this Law.

(3) The draft articles of association of the acquiring capital company which shall be approved by a decision on reorganisation of the general meeting of members shall be appended to the decision.

(4) Concurrently with the decision on restructuring the board of directors and the council of the acquiring company shall be elected, if such is necessary in accordance with the law or the articles of association.

Section 109. Evaluation of the Property in Restructuring the Society

(1) If the society is restructured, it is necessary to value the property contribution in order to detect the sufficiency of the property of the society to be restructured for establishment of the equity capital of the acquiring capital company.

(2) The property shall be valued in accordance with the procedures laid down in The Commercial Law, and the documents certifying the valuation shall be submitted to the Enterprise Register together with the application for restructuring.

Transitional Provisions

1. With the coming into force of this Law the Law on Co-operative Societies (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1998, No. 6; 2000, No. 10; 2002, No. 16, 22; 2006, No. 21; 2007, No. 23; 2009, No. 14; *Latvijas Vēstnesis*, 2012, No. 154; 2013, No. 193; 2015, No. 208), is repealed.

2. If, according to the legal framework which was in force until 31 December 2018, the status of a merchant had not been laid down for the society, the provisions of The Commercial Law regarding commercial transactions shall not be applied to its transactions which were entered into until 31 December 2018.

3. The society which was entered in the Enterprise Register Journal until 31 December 2018, may keep the words “*kopdarbības sabiedrība*” [joint activity society] or “*kooperatīvā biedrība*” [co-operative association] in its name if it does not apply changes in the name of the society to the Enterprise Register.

4. If, according to the legal framework which was in force until 31 December 2018, the documents of incorporation and an application were not submitted to the Enterprise Register, the State notary of the Enterprise Register may take a decision to enter the society in the Enterprise Register Journal, to make changes in the Enterprise Register Journal, as well as to register documents (to append to the file).

5. If a person who wishes to become a member submits a written application to the society for admission to the society by 31 December 2018, the provisions of the law and the articles of association which were in force on the day of submitting the application shall be applied to admission of the person.

6. If a member submits a notification to the society of withdrawal from the society by 31 December 2018, the provisions of the law and the articles of association which were in force on the day of submitting the notification shall be applied to the procedures for withdrawal of a member and disbursement of co-operative shares.

7. If the society takes a decision to exclude a member from the society by 31 December 2018, the provisions of the law and the articles of association which were in force on the day of taking the decision shall be applied to the procedures for exclusion of a member and disbursement of co-operative shares.

8. The division of co-operative shares among members as it was on 31 December 2018 may be retained for the society which is registered in the Enterprise Register Journal or has been applied for registration in the Enterprise Register Journal and the articles of association of which do not provide for a different number of co-operative shares for members.

9. The provisions of this Law on use of profit (Section 27) and covering losses (Section 28) shall be applied starting from the reporting year of 2019. For division of profit and covering losses for the reporting year of 2018 the norms of the law and the provisions of the articles of association which were in force on the day of taking the decision to use profit or to cover losses shall be applied.

10. If the general meeting of members (meeting of authorised persons) has been notified until 31 December 2018, the provisions of the law and the articles of association which were in force on the day of notifying the meeting shall be applied to the competence, convening, course of a general meeting of members (meeting of authorised person), as well as a repeat general meeting of members (meeting of authorised person), the participation of members (authorised person), and determination of voting rights.

11. If a member of the board or the council of the society has been elected until 31 December 2018, his or her term of office shall expire on the day when it would have expired in accordance with the provisions of the law and the articles of association which were in force on the day of electing the member of the board of directors or the council.

12. If it is laid down in the articles of association of the society that the society is represented by members of the board of directors together with the procuration holder, starting from 1 January 2019, it shall be considered that members of the board of directors jointly represent the society.

13. If it is laid down in the articles of association of the society that the society is represented by members of the board of directors together with the procuration holder and the society has not applied the relevant amendments to the articles of association prior to 1 January 2019, the Enterprise Register shall, without taking a separate decision, make changes in the Enterprise Register Journal by replacing joint representation by the procuration holder with joint representation of members of the board of directors.

14. The audit commission (auditor) elected until 31 December 2018 shall be considered the internal auditor within the meaning of Section 57 of this Law. If a member of the audit commission has been elected by 31 December 2018, his or her term of office shall expire on the day when it would have expired in accordance with the provisions of the law and the articles of association which were in force on the day of electing the member of the audit commission.

15. If on 1 January 2019 the term of expiration of the liability of founders, members of the board of directors and the council in accordance with The Civil Law has not expired, the term of expiration laid down in Section 60 and 61 of this Law shall be applicable counting from 1 January 2019. If according to such calculation the term of expiration is longer than the current term of expiration, the term of expiration shall expire on the day when it would have expired in accordance with The Civil Law.

16. The norms of the law and the articles of association which were in force on the day of commencing liquidation or reorganisation shall be applied to the liquidation or reorganisation process which has been commenced until 31 December 2018.

17. Starting from 1 July 2019, the society, when applying changes to the Enterprise Register in entries in the Enterprise Register Journal or when applying registration of documents (appending to the registration file), shall concurrently submit amendments to the articles of association to the Enterprise Register which ensure their conformity with the requirements of this Law.

18. Until the day of coming into force of the provisions provided for in Section 8, Paragraph two of this Law, but not longer than until 30 June 2019, Cabinet Regulation No. 77 of 2 February 2016, Regulations Regarding Conformity Assessment of Co-operative Societies of

Agricultural Services and Co-operative Societies of Forestry Services, shall be applicable, insofar as they are not in contradiction with this Law.

The Law shall come into force on 1 January 2019.

This Law has been adopted by the *Saeima* on 12 April 2018.

President

R. Vējonis

Riga, 26 April 2018