UNOFFICIAL TRANSLATION
Ministry of Justice, Finland 2012

Limited Liability Housing Companies Act

(1599/2009; amendments up to 547/2010 included; *asunto-osakeyhtiölaki*)

PART I — GENERAL PRINCIPLES, SHARES AND CHARGE FOR COMMON EXPENSES

Chapter 1 — Scope of application of this Act and main principles of housing company operations

Scope of application

Section 1 − Application

(1) This Act applies to all limited liability companies, which have been registered in accordance with Finnish law as a limited liability housing company, unless it is otherwise provided in some other act.

(2) This Act also applies to all limited liability companies that have been registered before 1 March 1926 and in which the apartments have been reserved by a decision of the General Meeting for shareholders in accordance with section 2.

(3) The application of this Act to joint-stock property companies and other limited liability companies is laid down in chapter 28.

Section 2 – Limited liability housing company

(1) A limited liability housing company is a limited liability company whose purpose, provided in its Articles of Association, is to own and control at least one building or part thereof in which at least half of the combined floor area of the apartment or apartments is reserved in the Articles of Association for use as residential apartments possessed by the shareholders.

(2) On its own or combined with other shares, each share of the limited liability housing company provides the right of possession to the apartment or other part of the building or real estate as provided in the Articles of Association, within the building or real estate in the possession of the housing company.

Owner apartment and transfer of its possession

Section 3 – Owner apartment

(1) In this Act, owner apartment means an apartment or other part of a building or real estate, possession of which is conferred by the shares.

(2) The owner apartment includes any balcony that can only be accessed through the apartment. If the balcony can be accessed through more than one owner apartment, the maintenance and

alteration work of the balcony is subject to mutual agreement between the owners of the shares in these apartments. However, a shareholder is entitled to perform any necessary maintenance work. The costs of the maintenance and alteration work of the balcony shall be divided equally among these shareholders. The right of possession to and responsibility for the maintenance of the balcony may be otherwise provided in the Articles of Association.

Section 4 – Transfer of possession of an owner apartment

The shareholder has the right to transfer the entire owner apartment or some part of it into the possession of another party, unless otherwise provided in the legislation or the Articles of Association.

Main principles of housing company operations

Section 5 – Operation of a housing company

(1) In order to fulfil its purpose, the limited liability housing company must assume responsibility for the upkeep of the real estates and buildings in its possession, in accordance with this Act and its Articles of Association.

(2) Provisions concerning the housing company's operations related to the use of the real estate or building may also be included in the Articles of Association.

(3) The housing company organises the construction of the real estate and buildings in accordance with what is provided in the Memorandum of Association, or Articles of Association, or with what is otherwise agreed. Shareholders' rights in the construction phase are laid down in chapter 2 of the Housing Transactions Act (843/1994).

Section 6 – Legal personality and shareholder's obligation to pay

(1) A limited liability housing company, which is established when the housing company has been registered, shall be a legal person distinct from its shareholders. Provisions on the incorporation and the registration of a housing company are included in chapter 12.

(2) The charge for common expenses and shareholders' other payment obligations to the housing company, based on the Articles of Association, are laid down in chapter 3.

(3) Responsibility for maintenance is laid down in chapter 4.

(4) The shareholders shall have no personal liability for the obligations of the housing company.

Section 7 – Capital and the permanence of the capital

(1) A housing company shall have share capital of at least EUR 2,500.

(2) The assets of a housing company may be distributed only as provided in chapter 11.

Section 8 – Transfer of shares

(1) A share may be transferred without restriction on the basis of a transaction, exchange, donation, inheritance, distribution, will, or by some other means, unless otherwise provided in the Articles of Association.

(2) Shares and their transfer are laid down in chapter 2.

Section 9 – Principle of majority rule

The shareholders shall exercise their power of decision at the General Meeting. Decisions shall be made by the majority of the votes cast, unless it is otherwise provided in this Act or in the Articles of Association.

Section 10 – Equal treatment

All shares shall carry the same rights in the housing company, unless it is otherwise provided in the Articles of Association. The General Meeting, the Board of Directors or the Manager shall not make decisions or take other measures that are conducive to conferring an undue benefit to a shareholder or another person at the expense of the housing company or another shareholder.

Section 11 – Duty of the management

(1) The Board of Directors and the Manager of the housing company shall act with due care and promote the interests of the housing company.

(2) Chapter 7 contains provisions regarding the Board of Directors and the Manager.

Section 12 - Discretion of shareholders

The shareholders may include provisions on housing company operations in the Articles of Association. Provisions contrary to a mandatory provision of this Act or some other act shall not be included in the Articles of Association.

Articles of Association

Section 13 – Contents of the Articles of Association

(1) A limited liability housing company shall have Articles of Association, which shall always contain the following information on the housing company:

(1) its trade name;

(2) the municipality in Finland where it has its registered office;

(3) the location and tenure status of the buildings and real estate in the housing company’s possession;

(4) the location of each owner apartment in the real estate or building, its identifying number or letter, floor area calculated in accordance with generally accepted construction-sector measurement methods, purpose of use, and the number of rooms in the apartment;

(5) the share or shares (*share group*) that confer the right of possession to each owner apartment, identified by means of the order number;

(6) facilities corresponding to the owner apartments that are in the direct possession of the housing company, in compliance with paragraph (4), and other facilities in the direct possession of the housing company;

(7) the grounds for the determination of the charge for common expenses and who determines the amount and payment method.

(2) If the trade name of the housing company is to be used in two or more languages, all of the language versions shall be mentioned in the Articles of Association.

(3) Insofar as small storage rooms or other similar facilities are concerned, their purpose of use is the only information that needs to be mentioned of the information specified in subsection (1)(4).

(4) Provisions on the financial year shall be included in the Articles of Association or in the Memorandum of Association, specified in chapter 12, section 1.

(5) The measurement methods used in calculating the floor area of apartments may be laid down in more detail by Government Decree.

(6) Model Articles of Association for a limited liability housing company may be issued by a Decree of the Ministry of Justice.

Section 14 – Amendment of the Articles of Association

Chapter 6 contains provisions on amending the Articles of Association and rendering them more reasonable.

Chapter 2 – Shares

General provisions

Section 1 – Equality of shares

All shares shall carry equal rights in the housing company unless it is otherwise provided in this Act or in the Articles of Association.

Section 2 – Exercise of shareholder rights

(1) The acquirer of a share shall have the right to exercise shareholder rights in the housing company only when the acquirer has been entered into the share register referred to in section 12(1), or when the acquirer has declared to the housing company that the ownership of the shares has been transferred to him or her and has produced reliable evidence of the transfer. However, this provision does not apply to shareholder rights that are exercised by producing the share certificate or some other specific certificate issued by the housing company.

(2) However, the acquirer shall have right of possession to the apartment once the housing company has been notified of the acquirer's ownership for the purpose of collecting the charge for common expenses.

(3) If several persons own a share jointly, they shall exercise shareholder rights in the housing company only by means of a common representative.

(4) A treasury share shall not carry any shareholder rights.

Accountable par and nominal value of a share

Section 3 – Accountable par and nominal value

(1) Chapter 12, section 3, chapter 13, section 6(1), and chapter 14, section 7(1), contain provisions on the amount to be credited to the share capital for each share when the housing company is incorporated and when new shares are issued (*accountable par*). Accountable par may differ between shares.

(2) It may be provided in the Articles of Association that the shares of the housing company have a nominal value. In this event, all shares in the housing company shall have the same nominal value.

(3) If the shares in the housing company have a nominal value, the amount to be credited to the share capital for each share at incorporation shall be at least equal to the nominal value. Likewise, in a share issue of new shares or when new shares are issued against option rights, the share capital of the housing company shall be increased by at least the nominal value of the shares thus issued. The share capital shall not be reduced so that it would be less than the sum total of the nominal values of the shares.

Transferability of shares

Section 4 – Right to restrict the transfer of shares

(1) Restrictions on the transfer of shares may be included in the Articles of Association only as provided in section 5, unless otherwise provided in some other act.

(2) Shares belonging to the same share group shall not be subscribed, conveyed or in any other manner transferred or pledged, except where the apartment is divided or a part of the apartment is combined with another apartment.

Section 5 – Redemption clause

(1) It may be provided in the Articles of Association that a shareholder, the housing company or another person has the right to redeem shares when the ownership of the shares is transferred to a third party by a shareholder other than the housing company. The redemption clause shall indicate who has the right of redemption.

(2) The following provisions apply to the redemption clause:

> (1) the right of redemption shall apply to all types of transfers of ownership of the shares; however, the right of redemption is not applicable if:

a) the acquirer of the share is a current shareholder in the housing company;

b) the acquirer of the share is the previous holder's relative or spouse, as referred to in chapter 2 of the Code of Inheritance (40/1965); or

c) the share was acquired on the basis of a will;

(2) all of the shares subject to the same transfer of ownership are redeemable;

(3) the redemption price shall be equal to the fair price of the share; in the absence of other evidence, the fair price of a share in a transaction or exchange shall be the price agreed for the share;

(4) the Board of Directors shall notify the transfer of the share to the person who has the right of redemption, in writing within two weeks of the Board of Directors being notified of the share transfer;

(5) the demand for redemption shall be presented to the housing company or, where the housing company is exercising the right of redemption, to the acquirer of the share, within one month of the Board of Directors being notified of the transfer of the share;

(6) the housing company shall have first priority in exercising the right of redemption, and the Board of Directors shall draw lots to decide the order of priority for the other parties entitled to exercise said right; and

(7) the redemption price shall be paid within two weeks of the expiry of the period referred to in paragraph (5) or, if the redemption price has not been fixed, of the determination of the redemption price.

(3) The provisions on redemption laid down in subsections (2)(1)–(2)(3) and (2)(6) can be otherwise provided in the Articles of Association, and a shorter period than that given in subsections (2)(4), (2)(5) and (2)(7) can also be provided in the Articles of Association. Nevertheless, all shares belonging to the same share group must be redeemed.

(4) Before it has been determined whether the right of redemption is to be exercised, the acquirer of the share shall have no shareholder rights in the housing company except for the right of possession to the apartment, as well as the right to payment in the event that assets are distributed and the pre-emptive right in a share issue. During this period, the provisions of the Articles of Association regarding shareholders' payment of the charge for common expenses shall apply to the acquirer. The rights and obligations in a share issue shall devolve on the person who exercises the right of redemption.

(5) The redemption price must be paid to the Board of Directors, either in cash or by means of a payment instrument for which a bank operating in Finland is responsible. In the event that the redemption price is paid by bank transfer, the day which the payer has paid the redemption price to the bank for further transfer, or has taken similar action in order to perform payment, is considered the payment date. The Board of Directors may not pay the redemption price to the holder from whom the share is redeemed before the holder hands over the share certificate.

(6) The housing company may redeem shares only with distributable assets. The provisions in chapter 18, section 4, apply to decision-making in the housing company regarding redemption.

(7) If application of the provision of the Articles of Association concerning the amount of the redemption price would unreasonably benefit some party, the redemption price can be adjusted.

(8) If any provisions related to redemption that are different from this section exist in some other act, they shall take precedence over this section.

Share certificate and other certificates relating to shareholder rights

Section 6 – Issue of share certificates

(1) A share certificate for a share group must be issued to the shareholder; these shares must have been printed by a printing plant with equipment designed for secure printing, as well as with a security system that prevents the printing of two or more share certificates for one share group. The decision on approving a printing plant to print share certificates is made by the Ministry of Finance, upon application.

(2) Share certificates shall be issued when the housing company and the shares have been registered. A share certificate may be issued only to a shareholder entered into the share register.

Section 7 – Contents of the share certificate

(1) A share certificate shall be issued only to a specified person.

(2) The share certificate shall contain the following information:

(1) the trade name of the housing company and its business identity code;

(2) the serial numbers of the shares, or the quantity of shares and the serial number of the share certificate;

(3) information regarding the owner apartment whose possession is conferred by the share group;

(4) mention of the redemption clause referred to in section 5, if such provision has been included in the Articles of Association; and

(5) other information to be entered in the Articles of Association in accordance with provisions elsewhere in the law.

(3) The share certificate shall be dated and signed by a quorum of the Members of the Board of Directors.

Section 8 – Making a note on the share certificate in certain situations

(1) The share certificate shall, without delay, be marked in an appropriate manner when:

(1) The subject of ownership or other factor concerning the rights of the shareholders marked down in the share certificate is altered due to an amendment of the Articles of Association, or the share is cancelled;

(2) assets are distributed or shares issued against the presentation of the share certificate; or

(3) a certificate referred to in section 10(2) is issued against the presentation of the share certificate.

(2) If the share certificate is issued as a replacement for a cancelled share certificate, this shall be mentioned in the share certificate.

Section 9 – Replacement of the share certificate

If a share group is altered due to the division or expansion of an apartment, the combination of apartments or some other measure, the Board of Directors must issue a share certificate reflecting the new situation, while also cancelling the previous share certificate. A reasonable fee, approved by the Board of Directors, may be collected for the replacement of the share certificate.

Section 10 – Other certificates relating to shareholder rights

(1) Before issuing a share certificate, the housing company may issue a certificate concerning the right to one or several shares and containing the condition that a share certificate is issued only in exchange for the certificate (*interim certificate*). On request, a note shall be made on the certificate upon the payment made for the share. In other respects, the provisions in section 8 on a share certificate apply to the interim certificate.

(2) The housing company may issue a certificate on an option right (*option certificate*) containing the condition that the right can be exercised only in exchange for the certificate. The certificate shall indicate the terms of the subscription for shares. The provisions in section 7(3) on a share certificate apply to the signing of the certificate.

(3) The share certificate may include dividend coupons that may be used upon the distribution of the housing company's assets.

Section 11 – Application of the provisions of the Promissory Notes Act on share certificates and other certificates

If a share certificate, an interim certificate or an option certificate is conveyed or pledged, the provisions in sections 13, 14 and 22 of the Promissory Notes Act (622/1947; *velkakirjalaki*) on promissory notes given to a specified person or a nominee apply correspondingly. In this event, the holder of a share certificate or an interim certificate, who according to a note made by the housing company on the certificate or who according to the Manager’s certificate has been entered into the share register as a shareholder, shall be deemed to have the same status as a person who under section 13(2) of the Promissory Notes Act is presumed to hold the right indicated in the promissory note. The provisions in sections 13, 14 and 22 of the Promissory Notes Act on bearer notes apply to an option certificate, which is not issued to a specified person.

Share register

Section 12 – Share register

(1) The Board of Directors shall keep a register on shares (*share register*). The register shall contain:

(1) a list of all shares broken down by share group in numerical order;

(2) the owner apartment whose possession is conferred by the share group;

(3) the dates of issue of shares;

(4) the names and addresses of the shareholders, the date of birth in the case of natural persons, and the domicile, register number and the register in which the legal person is registered in the case of legal persons;

(5) the information provided elsewhere in the law for entry in the share register, and;

(6) any restriction, based on some other act, imposed on the right of possession to the apartment, if such an entry is specifically required.

(2) The share register shall be created without delay after the housing company has been incorporated. The register shall be maintained in a reliable manner.

Section 13 – Entering transfers of ownership into the share register

(1) When the acquirer has notified the housing company of a transfer of ownership or other changes to the information in the share register, the changes shall be entered into the share register without delay, after reliable evidence of the changes has been produced. Before an entry regarding the transfer of ownership is made, reliable evidence of the payment of the transfer tax shall be provided. The entry shall be dated.

(2) If the share is subject to the right of redemption referred to in section 5, the entry shall not be made until it is clear that the right of redemption will not be exercised. If the share is subject to a restriction of transfer of ownership, provided in some other act, the entry shall not be made until it is clear that the ownership was transferred.

(3) If the last transfer of the share has been noted on the share certificate or the interim certificate as an anonymous transfer, the name of the new shareholder shall be written on the share certificate or the interim certificate before the acquisition can be entered into the register. A statement to the effect that the acquisition has been entered into the share register, and of the date of the entry, shall be written on a share certificate or interim certificate presented to the housing company.

Section 14 – Previous holder register

The share register data concerning the previous holders of the share must be stored in a reliable manner for 10 years after any new holder is entered into the share register.

Section 15 – Publicity of registers

(1) Everyone is entitled to access the share register. The Chairman of the Board of Directors or the Manager must arrange this within a reasonable time of being requested to do so.

(2) Everyone shall have the right to receive copies of the share register or parts thereof against compensation for the expenditures of the housing company.

(3) Shareholders shall have the right to access the share register data concerning previous holders and to receive copies thereof, in accordance with the provisions in subsections (1) and (2). This same right shall apply to previous shareholders and anyone else able to demonstrate that he or she is entitled to do so.

(4) Addresses and dates of birth of natural persons may only be disclosed to shareholders or persons who are able to demonstrate their entitlement to disclosure of this information.

(5) After the deadline referred to in section 14, any information concerning the previous owner may be stored, used or otherwise processed only for the purposes of scientific research, the writing of a corporate history and the compilation of statistics.

(6) If, on the basis of section 36 of the Act on the Population Information System and the Certificate Services of the Population Register Centre (661/2009), the Local Register Office has imposed a restriction on the disclosure of information pertaining to a shareholder, and the housing company has been informed of this restriction, information concerning the shareholder entered in the share register may only be disclosed to the authorities and shareholders or persons who are able to demonstrate their entitlement to this information.

Chapter 3 – Charge for common expenses

Obligation to pay and the criteria for paying the charge for common expenses

Section 1 – Obligation to pay

In order to cover the housing company's expenditures, the shareholder is obliged to pay charge for common expenses in accordance with the criteria provided in the Articles of Association.

Section 2 – Expenditures covered by the charge for common expenses

(1) The charge for common expenses may be used for covering the housing company’s expenditures accrued by:

(1) the acquisition and construction of the real estate;

(2) the use and maintenance of the real estate and buildings;

(3) the renovation and expansion of the real estate and buildings, and the acquisition of additional area (modernisation);

(4) the joint acquisition of a commodity related to the housing company’s operations or the use of the real estate or building, and;

(5) the other responsibilities of the housing company.

(2) In the Articles of Association it may be provided that the provisions in section 7, relating to the responsibility of new holders of shares, and those in chapter 8, pertaining to the collection of the charge for common expenses, shall also be applied in the event that the shareholder's obligation to pay is based on an agreement regarding a user fee related to the use of the real estate or building, or the joint acquisition of certain equipment or other commodities used in owner apartments.

Section 3 – Various types of charges for common expenses

(1) The Articles of Association may contain a provision that the charge for common expenses be paid such that different payment criteria exist for certain expenditures or such that the obligation to pay only applies to the holders of certain shares.

(2) If the Articles of Association include a provision on a charge for common capital expenditures and unless otherwise provided in the Articles of Association, the charge for common capital expenditures covers long-term expenditures due to the acquisition, construction, renovation and modernisation of the real estate and building.

Section 4 – Payment criterion for the charge for common expenses

(1) The payment criteria for the charge for common expenses must be provided in the Articles of Association. Such a criterion may be, for instance, the floor area of the apartment, the number of shares, or the real or reliably estimated consumption of water, electricity, heat or some other commodity.

(2) The shareholder must report to the housing company the number of people living in the apartment or otherwise using it, if the number of people is a payment criterion for the charge for common expenses.

Section 5 – Prevention of the use of an owner apartment

If an owner apartment cannot be used in accordance with its purpose of use, the charge for common expenses collected from the shareholder will be reduced by the amount of lost operating and maintenance expenditures incurred by the housing company because the use of the apartment is prevented.

Commencement of the obligation to pay, deviation from the payment criterion, and alteration of the criterion

Section 6 – Commencement of the obligation to pay

(1) The obligation to pay the charge for common expenses shall commence once a share has been registered, unless otherwise provided in the Memorandum of Association, by a decision of the General Meeting regarding the issue of new shares, or in the Articles of Association.

(2) The new holder of the share shall be responsible for paying the charge for common expenses once the ownership has been transferred.

Section 7 – Liability of the new holder for the previous holder's default of payments

(1) In addition to the previous holder, the new holder of the share shall be liable for the previous holder's failure to pay the charge for common expenses and the fee specified in section 2(2).

(2) The new holder's maximum liability equals that of the combined amount of the charge for common expenses for the month in which the ownership was transferred as well as for the five preceding months.

(3) However, the new holder shall not be liable for any of the previous holder's defaulted payments that are not mentioned in the Manager's certificate and that have fallen due prior to the date on the certificate.

Section 8 – Deviation from the payment criterion for the charge for common expenses, and amendment of the criterion

(1) Deviation from the payment criterion for the charge for common expenses by a decision of the General Meeting is laid down in section 5 of this chapter and in chapter 6, sections 32 and 33.

(2) The amendment of the provisions of the Articles of Association regarding the charge for common expenses is laid down in chapter 6, sections 27 and 35.

PART II – MAINTENANCE AND ALTERATION WORKS

Chapter 4 – Maintenance

General provisions

Section 1 – Division of responsibility for maintenance and right to maintenance

(1) Responsibility for the maintenance of the housing company's building and other facilities is divided between the shareholders and the housing company in accordance with the provisions in sections 2 and 3, unless otherwise provided in the Articles of Association.

(2) However, the General Meeting may decide to perform maintenance work, for which a shareholder is responsible, at the housing company's cost, if such work is related to the maintenance work or modernisation by the housing company, or if it is otherwise financially advantageous to the housing company and does not violate the equal treatment of the shareholders. In addition, provisions regarding the housing company's right to perform maintenance work for which the shareholder is responsible and the shareholder's right to perform maintenance work for which the housing company is responsible are laid down in sections 4 and 5.

(3) The housing company or the shareholder that performs the maintenance work shall ensure that generally accepted construction methods and practices are complied with in such work.

(4) Chapter 24 contains provisions on liability for damages.

Section 2 – Responsibility of the housing company for maintenance

(1) The housing company shall be responsible for maintenance that is not the responsibility of the shareholder.

(2) The housing company shall keep the building structures and insulating materials of owner apartments in good condition. Moreover, the housing company shall be responsible for the maintenance of systems for heating, electricity, data communications, gas, water, sewer and ventilation and other similar basic utility systems. However, the housing company shall not be responsible for sinks, tubs, bowls, basins or other such products located in the owner apartments. The housing company shall repair those indoor parts of the apartments that are damaged due to a failure in, or the repair of, the building structure or some other part of the building for whose maintenance the housing company is responsible.

(3) The responsibility referred to above, in subsection (2), applies to building structures, insulating material and basic utility systems that the housing company has installed or assumed responsibility for, and to the repair of the indoor parts of apartments to the current basic level within the housing company. The housing company shall also be responsible for any installations carried out or commissioned by a shareholder that are comparable to measures that the housing company has carried out or assumed responsibility for and the implementation of which the housing company has been able to monitor in accordance with this Act.

(4) The housing company shall also keep the building facade in good condition, including the part on balconies that are in the possession of shareholders, in accordance with chapter 1, section 3.

Section 3 – Responsibility of a shareholder for maintenance

(1) The shareholder shall keep the indoor parts of his or her owner apartment in good condition.

(2) Shareholders shall tend to their owner apartments with due care and perform any maintenance work in a manner that does not damage the parts of the real estate, building or apartment for which the housing company is responsible. However, the shareholder shall not be responsible for normal wear and tear that results from the use of the space for its intended purposes.

Commissioning of maintenance work

Section 4 – Commissioning of maintenance work in the owner apartment

(1) The housing company may commission maintenance work at the expense of the shareholder if the shareholder neglects his or her responsibility for maintenance, which is provided in legislation or the Articles of Association, and such negligence may cause harm to the housing company or another shareholder.

(2) For his or her own apartment, the shareholder may commission urgent maintenance work, necessary to preventing further damage, at the housing company’s expense. Moreover, the shareholder may commission such maintenance work where failure to perform the said work causes more than a minor inconvenience to the shareholder and with respect to which the housing company has failed to take adequate action without delay after being informed in writing of the problem. When assessing the adequacy of action, the quality of the work, harm to the shareholder and other circumstances shall be taken into account.

(3) The housing company or shareholder responsible for maintenance work must provide compensation for all necessary and reasonable expenditures resulting from having such work performed.

Section 5 – Commissioning maintenance work in facilities in the housing company's possession

(1) The shareholder may commission maintenance work, for which the housing company is responsible, at the housing company's expense in facilities in the housing company's possession:

(1) if neglect of the responsibility for maintenance significantly restricts the use of the shareholder's owner apartment; and

(2) if, after receiving a written notice, the housing company has failed to take adequate action.

(2) When assessing the adequacy of action specified in subsection (1)(2), the quality of the work, harm to the shareholder and other circumstances shall be taken into account.

(3) The housing company shall compensate the shareholder for all necessary and reasonable expenditures resulting from having the maintenance work performed.

Notification and supervision regarding maintenance

Section 6 – Obligation of the housing company to provide notification

(1) In good time, the housing company shall notify the shareholder and the holder of the right of use for the owner apartment of any maintenance work that will affect the use of the apartment. The notice shall be delivered to the apartment and the address provided by the shareholder to the housing company. However, the housing company is entitled to perform any maintenance or repair work immediately that cannot be delayed without causing damage or harm.

(2) The provisions of subsection (1) regarding notification shall also apply in cases in which the housing company commissions maintenance work at the shareholder's expense in accordance with section 4.

(3) Chapter 8, section 1, contains provisions on the right of housing company representatives to access apartments.

Section 7 – Obligation of a shareholder to provide notification of private maintenance work

(1) The shareholder shall notify the Board of Directors or the Manager in writing and in advance of any maintenance work, if that work may affect some part of a real estate, building or apartment for which another shareholder or the housing company is responsible, or may affect the use of the housing company's or another shareholder's owner apartment.

(2) The Board of Directors or the Manager must immediately forward the notice to any other shareholders whose owner apartment or use thereof may be affected by the maintenance work. The obligation to provide the information is fulfilled once the notice is delivered to the addresses provided by the other affected shareholders to the housing company.

(3) The shareholder performing the maintenance work shall be responsible for any necessary and reasonable expenditures incurred by the housing company and another shareholder for processing of the notice.

(4) The notice must include such information on the basis of which the housing company or another shareholder can assess whether generally accepted construction methods and practices will be complied with during the performance of the maintenance work, and whether the maintenance will cause damage or other harm. The housing company or another shareholder may set conditions for the implementation of the work if this is necessary in order to prevent damage or harm or for compensation.

(5) The provisions of subsections (1), (2) and (4) regarding the notification shall also apply in cases in which the shareholder commissions maintenance work at the housing company's expense in accordance with section 4 or 5.

Section 8 – Obligation of the shareholder to provide notification of maintenance which is the responsibility of the housing company

The shareholder shall notify the housing company of any fault or deficiency in the owner apartment whose repair falls under the responsibility of the housing company. Such notice must be submitted without delay.

Section 9 – Supervision of maintenance work

(1) The housing company shall have the right of supervision in order to ensure that the shareholder's maintenance work is performed without damaging the real estate or building, and in compliance with generally accepted construction methods and practices and conditions set by the housing company or another shareholder.

(2) When supervising maintenance work, the housing company shall ensure that such supervision is adequately organised from the perspective of the housing company and other shareholders. The shareholder performing the maintenance work shall be responsible for any necessary and reasonable supervision expenditures incurred by the housing company.

Section 10 – Official permit and maintenance work under a ruling by a court

(1) If the shareholder's maintenance work requires an official permit from the authorities, the Board of Directors shall apply for this permit or authorise the shareholder apply for it. The shareholder shall be responsible for any expenditures resulting from the permit application.

(2) A court may also authorise the shareholder to apply for the required official permit and may alter the conditions set by the housing company or another shareholder if the performance of the maintenance work would be unreasonable under the conditions that have been imposed, considering the extent of the harm caused and the benefits gained by the shareholder. This also pertains to applying for an official permit and altering the conditions of maintenance work in cases in which the shareholder commissions maintenance work for which the housing company is responsible, as provided in section 4 or 5.

Chapter 5 – Alteration work

Alteration work performed by the shareholder

Section 1 – Right to perform alteration work in the owner apartment

(1) The shareholder is entitled to perform alterations in the owner apartment at his or her cost. These alterations must comply with the purpose of use of the apartment, as provided in the Articles of Association.

(2) The shareholder shall ensure that all alteration work is performed in compliance with generally accepted construction methods and practices.

(3) The provisions of this section and sections 2–8 on alteration work also apply to additional construction performed by the shareholder.

(4) The provisions of this chapter related to alteration work made by the shareholder do not apply to alteration work made prior to the conclusion of the construction phase, as provided in the Housing Transactions Act (843/1994).

(5) Chapter 7, section 27, contains a provision on including information on alteration work in the Manager's certificate, while the housing company's responsibility for storing information related to alterations is laid down in chapter 7, section 28.

(6) Chapter 24 contains provisions on the liability for damages.

Section 2 – Notification of alteration work

(1) The shareholder shall notify the Board of Directors or the Manager in writing and in advance of any alteration work, if that work may affect some part of a real estate, building or apartment for which another shareholder or the housing company is responsible, or may affect the use of the housing company's or another shareholder's owner apartment.

(2) The provisions of chapter 4, section 7(2)–7(4), related to the notification of maintenance work and compensation for expenditures thereof apply to the notification of another shareholder, compensation for related expenditures and content of the notice.

Section 3 – Consent to alteration work

(1) The housing company or another shareholder may set conditions for alteration work, if this work may damage the building or cause other kinds of harm to the housing company or another shareholder. Such conditions must be necessary to preventing damage to the building, preventing other kinds of harm or to providing the related compensation.

(2) The housing company or another shareholder may prohibit alteration work from being performed, if the performance of the work would be unreasonable, considering the extent of the harm caused and the benefits gained by the shareholder.

(3) If, after consent has been given or during the performance of alteration work, factors arise that would have significantly influenced the housing company's or another shareholder's decision regarding the matter, additional conditions for alteration work may be set or the work can be prohibited altogether.

Section 4 – Commencement of alteration work and processing of a notice

(1) If the housing company or another shareholder is entitled to prohibit alteration work from being performed or to set conditions regarding it, alteration work may not be commenced before the housing company or another shareholder has had reasonable time to process the notice of alteration work. The housing company or another shareholder may permit work to be commenced earlier.

(2) Notices of alteration work must be processed without delay. After receiving a notice of alteration work, the housing company or another shareholder shall, without delay, notify the shareholder who submitted the notice of alteration work whether this work shall be permitted or prohibited and of the related conditions, or of a reasonable time within which a reply will be made to the notice. The housing company or another shareholder must state his or her opinion in writing, if requested to do so by the shareholder. Justification for adverse decisions must be given.

Section 5 – Amendment of the Articles of Association and official permit

(1) The provisions of chapter 6 regarding decisions of the General Meeting apply to the amendment of the Articles of Association in connection with the performance of alterations.

(2) If the alterations require an official permit from the authorities, the Board of Directors shall apply for this permit or authorise the shareholder to apply for it.

(3) The shareholder shall be responsible for any expenditures resulting from the permit application and the amendment of the Articles of Association.

Section 6 – Alteration work under a ruling by a court

(1) If the housing company or another shareholder prohibits alterations from being made, a court may authorise the shareholder to perform such alterations. A court may also amend the conditions of the consent given by the housing company or another shareholder, and authorise the shareholder to apply for the required official permit.

(2) The court may also authorise the shareholder to perform the alterations, if prohibiting such alterations or performing such alterations under the conditions set by the housing company or another shareholder would be unreasonable, considering the extent of the harm caused and the benefits gained by the shareholder. If the court grants permission to perform alterations, it shall simultaneously place the shareholder under obligation to provide compensation in full for any resulting damage and impose other required conditions.

Section 7 – Supervision of alteration work

(1) The housing company shall have the right of supervision in order to ensure that the alteration work is performed without damaging the real estate or building, and is in compliance with generally accepted construction methods and practices and the conditions set in accordance with sections 3, 5, 6 and 8.

(2) When supervising alteration work, the housing company shall ensure that such supervision is adequately organised from the perspective of the housing company and other shareholders.

(3) The shareholder performing the alteration work shall be responsible for any necessary and reasonable supervision expenditures incurred by the housing company.

Section 8 – Alteration work performed in the facilities of the housing company

(1) With the housing company's consent, the shareholder may perform, at his or her own cost, alterations in facilities in the housing company's possession. Applications for alterations must be submitted to the Board of Directors in writing and in advance. Conditions may be set in the consent for the work. Alteration work may not be commenced without the housing company's consent.

(2) Sections 1(2)–1(5) apply to this type of alteration work and to the storage of the related information; the provisions of section 2 regarding notice of alteration work apply to the content of the application, notification of another shareholder, and the expenditures incurred for processing the application; section 3(3) applies to the prohibition of alterations and the setting of additional conditions after consent has been granted; section 5 applies to the amendment of the Articles of Association and application for the required permits; and section 7 applies to the supervision of the work.

(3) The provisions of this section also apply to additional construction performed by the shareholder in facilities in the housing company's possession.

Alteration work performed by the housing company

Section 9 – Modernisation and other alteration work performed by the housing company

(1) In good time, the housing company shall notify the shareholder and the holder of the use of the apartment of any modernisation or other alteration work of the housing company's real estate or building that will affect the use of the apartment. This notice shall be delivered to the apartment and the address provided by the shareholder to the housing company.

(2) Housing company decisions regarding modernisation are laid down in chapter 6, sections 31–33.

(3) The housing company shall ensure that all modernisation or other alteration work is performed in compliance with generally accepted construction methods and practices.

PART III — ADMINISTRATION, FINANCIAL STATEMENTS AND DISTRIBUTION OF ASSETS

Chapter 6 — General Meeting

Section 1 – Decision-making by the shareholders

(1) The shareholders shall exercise their power of decision at the General Meeting, unless the power of decision has been bestowed upon the housing company's Board of Directors on the basis of legislation or the Articles of Association.

(2) Shareholders may make a decision on a matter within the competence of the General Meeting without holding a meeting when the shareholders are unanimous. Such a decision shall be written down, dated, numbered and signed. If the housing company has more than one shareholder, at least

two of them shall sign the decision. In other respects, the provisions on the minutes of the General Meeting apply to the written decision.

Section 2 – Competence

(1) The General Meeting shall make decisions on matters that fall within its competence by virtue of this Act. It may be provided in the Articles of Association that the General Meeting decides matters that fall within the competence of the Board of Directors and the Manager, unless specifically otherwise provided in this Act.

(2) Chapter 7, section 7, contains provisions on the submission of matters falling within the competence of the Board of Directors and the Manager to be decided by the General Meeting. If the shareholders are unanimous, they may make decisions on matters which the Board of Directors may submit to the General Meeting for decision-making.

Section 3 – Ordinary General Meeting

(1) The Ordinary General Meeting shall be held within six months of the end of the financial period. No other date may be set in the Articles of Association.

(2) The following must be presented at the meeting:

> (1) the financial statements, annual report, auditor's report and operations inspector's report;
>
> (2) the written report of the Board of Directors regarding the need for any maintenance on the housing company's buildings and real estates, during the five years following the General Meeting, that is of such a nature that it will significantly influence the use of owner apartments, the charge for common expenses, or other costs of owner apartment use; and
>
> (3) the written report of the Board of Directors regarding significant maintenance and alteration work performed within the housing company, and the dates when such work was done.

(3) Decisions shall be made at the Ordinary General Meeting on the following:

> (1) the adoption of the financial statements;
>
> (2) the use of the profit shown on the balance sheet;
>
> (3) the discharge of the Members of the Board of Directors and the Manager from liability;
>
> (4) budgetary estimates and the amount of the charge for common expenses if this falls under the responsibility of the General Meeting;
>
> (5) the appointment of the Members of the Board of Directors, an auditor and an operations inspector, unless otherwise provided in this Act or in the Articles of Association on their term or appointment; and

(6) other matters that, according to the Articles of Association, are to be decided by the Ordinary General Meeting.

(4) If the housing company is the parent company of a group of companies, the consolidated financial statements and an annual report must also be presented at the Ordinary General Meeting. Furthermore, the Ordinary General Meeting must decide on the adoption of the consolidated financial statements.

(5) The Articles of Association may contain a provision that more than one Ordinary General Meeting be held during a financial period. In this event, the matters specified in subsections (3)(4)–(3)(6) may be decided at a General Meeting held over six months after the conclusion of the previous financial period.

Section 4 –Extraordinary General Meeting

An Extraordinary General Meeting shall be held, if:

(1) it is so provided in the Articles of Association;

(2) the Board of Directors considers it necessary; or

(3) a shareholder, an auditor or an operations inspector demands the same in accordance with section 5.

Section 5 – Right to demand an Extraordinary General Meeting

(1) An Extraordinary General Meeting shall be held if it is demanded by an auditor, an operations inspector or shareholders with a total of one tenth (1/10) of all shares, or a smaller proportion as provided in the Articles of Association. The demand for the Extraordinary General Meeting shall be in writing and the purpose of the meeting shall be the need to deal with a given matter.

(2) The notice shall be delivered within two weeks of the arrival of the demand.

Section 6 – Right to have a matter dealt with by the General Meeting

A shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice.

Participation in the General Meeting

Section 7 – Participation by a shareholder

(1) Every shareholder shall have the right to participate in a General Meeting.

(2) In accordance with chapter 2, section 2(1), it shall be a precondition for participation that the shareholder has been entered into the share register or that the shareholder has notified the transfer of ownership of the shares to the housing company and presented reliable evidence of the same.

Section 8 – Proxy representative and assistant

(1) A shareholder may exercise the rights of a shareholder at a General Meeting by way of proxy representation. The representative shall produce a dated proxy document or otherwise provide reliable evidence of the right to represent the shareholder. The proxy shall be valid for one General Meeting, unless it is otherwise indicated in the proxy document.

(2) A shareholder and a proxy representative may have an assistant at the General Meeting.

Section 9 – Treasury shares

Shares held by the housing company or a subsidiary shall not entitle the shareholder to participate in the General Meeting. Likewise, these shares shall not be taken into account in cases where the making of a valid decision or the exercise of a given right requires the consent of all shareholders or the consent of shareholders holding a specified proportion of the shares in the housing company.

Section 10 – Participation by others

A Member of the Board of Directors and the Manager shall have the right to be present at a General Meeting, unless the General Meeting in an individual case otherwise decides. The Board of Directors and the Manager shall see to it that the right of shareholders to request information, as referred to in section 25, may be exercised. The Auditing Act (459/2007; *tilintarkastuslaki*) contains provisions on the presence of auditors at a General Meeting, and chapter 9 of this Act contains provisions on the presence of an operations inspector at a General Meeting. The General Meeting may also permit other persons to participate in the meeting.

Section 11 – Residents' right to participate

(1) In a housing company with at least five owner apartments with different holders, residents living in a housing company building under right of lease or on a similar basis are entitled to take part in a General Meeting dealing with:

1) the house rules to be followed in the housing company;

2) the use of the housing company's shared-access facilities; or

3) the kind of maintenance or modernisation that significantly affects the use of the leaseholder's or resident's apartment or shared-access facilities.

(2) Residents have the right to speak at the General Meeting in matters specified in subsection (1). If several persons live in an apartment, they may be represented at such a General Meeting by one person of their choice. A resident is entitled to use a proxy or an assistant, as referred to in section 8, and has the right to bring a matter referred to in subsection (1) of this section before a General Meeting in accordance with section 6.

(3) If the General Meeting is to deal with a matter specified in subsection (1), a notice to this effect shall be placed on view on public notice boards in the housing company buildings at least two weeks before such a General Meeting or delivered to each apartment in which a leaseholder or a resident, as referred to in subsection (1), lives.

(4) The minutes made of the General Meeting shall include a reference to the participation of the residents referred to in subsection (1). A resident has the same right as the shareholder to inspect the minutes of such a General Meeting and to obtain a copy of them.

General provisions on decision-making

Section 12 – Matters to be decided

(1) The General Meeting may decide only matters that have been mentioned in the notice of the General Meeting or that under the Articles of Association are to be dealt with by the General Meeting. However, an Ordinary General Meeting shall always decide the matters referred to in sections 3(3) and 3(4), unless otherwise provided in section 3(5). In addition, it may also decide on the appointment of an auditor, as referred to in chapter 9, section 5, and on the appointment of an operations inspector, as referred to in chapter 9, section 6, and it may deal with a proposal for a special audit, as referred to in chapter 9, section 13.

(2) The General Meeting may always decide on the convocation of a new General Meeting or on the postponement of a matter to a continuation meeting.

Section 13 – Voting rights

(1) Each share confers one vote in all matters decided at the General Meeting. However, the Articles of Association may provide that each share group confers one vote.

(2) In a vote at a General Meeting, a shareholder may not exercise more than one fifth of the total votes conferred by the shares represented at the Meeting, unless otherwise provided in the Articles of Association.

Section 14 – Principle of equal treatment

The General Meeting shall not make decisions contrary to the principle of equal treatment referred to in chapter 1, section 10.

Section 15 – Disqualification

(1) A shareholder or a proxy shall not vote on a matter pertaining to:

> (1) the contract or some other legal transaction between the shareholder and the housing company;
>
> (2) the discharge of the shareholder in question from liability, a civil action against the shareholder in question or the discharge of the shareholder in question from liability for damages or from some other liability towards the housing company;
>
> (3) modernisation or non-necessary maintenance of the shareholder's apartment of a type that differs from the modernisation or maintenance of the apartments in the possession of the other shareholders; or
>
> (4) taking possession of the shareholder's apartment by the housing company.

(2) A shareholder or a proxy shall likewise not vote on a matter referred to in subsection (1) between the housing company and a third party if the shareholder is likely to derive an essential benefit from the matter and that benefit may be contrary to the interests of the housing company.

(3) This section also applies to decisions regarding the exercise of the housing company's right to plead in legal proceedings or the exercise of the housing company's right to speak in other matters.

(4) This section does not apply if all shareholders in the housing company are disqualified.

Section 16 – Waiver of procedural requirements

A matter that has not been dealt with in accordance with the procedural provisions of this Act or the Articles of Association may only be decided if the shareholders who are affected by the omission consent to the decision being made.

Meeting procedure

Section 17 – Meeting venue and participation from a distance

(1) The General Meeting shall be held in the place where the registered office of the housing company is located, unless another location is provided in the Articles of Association. For especially weighty reasons, the meeting may be held at another location.

(2) It may be provided in the Articles of Association that participation in the General Meeting may take place by post or with technological support. Additionally, the Board of Directors may make this decision, unless it is otherwise provided in the Articles of Association. It shall be a precondition for such participation that the right to participate and the correctness of the vote count can be verified in a manner corresponding to that in use in an ordinary meeting. The possibility to participate in the General Meeting by post or with technological support shall be mentioned in the notice. It shall also be mentioned in the notice whether the participation with the support of technology restricts the right of the shareholder to be heard.

Section 18 – Convocation

(1) The Board of Directors shall convene the General Meeting. A Member of the Board of Directors has the right to convene a General Meeting if he or she has grounds for assuming that the Board of Directors no longer has any other members.

(2) If the General Meeting is not convened, even though it should be convened by virtue of law, the Articles of Association or the decision of the General Meeting, or if the provisions governing the notice of the General Meeting have been materially breached, the Regional State Administrative Agency shall, on the application of a Member of the Board of Directors, the Manager, an auditor, an operations inspector or a shareholder, authorise the applicant to convene the meeting at the expense of the housing company. The decision of the Regional State Administrative Agency shall be enforceable regardless of appeal.

Section 19 – Contents of the notice

(1) The notice of the General Meeting shall indicate the name of the housing company, the convener of the meeting, the date, time and venue of the meeting, matters to be dealt with by the meeting as well as where and when the meeting documents, as referred to in section 22, can be viewed by shareholders. If an amendment to the Articles of Association is to be dealt with at the General Meeting, the main contents of the amendment shall be mentioned in the notice.

(2) There are specific provisions on the contents of the notice of the General Meeting in:

(1) section 17(2) concerning participation by post or with technological support;

(2) section 20(3) concerning a later meeting;

(3) chapter 13, section 4, concerning directed share issues; and

(4) chapter 18, section 4(4), concerning the directed acquisition and redemption of own shares.

Section 20 – Convocation period

(1) The notice shall be delivered no earlier than two months and no later than two weeks prior to the General Meeting. The Articles of Association may include a provision on extending the two-week deadline and shortening the two-month deadline.

(2) There are specific provisions on the convocation period in section 24(2) concerning a continuation meeting.

(3) If, under the Articles of Association, the validity of a decision requires that it has been made in two General Meetings, the notice of the later meeting shall not be delivered before the earlier meeting has been held. The decision made in the earlier meeting shall be mentioned in the notice.

Section 21 – Manner of convocation

A written notice of the General Meeting shall be sent to all shareholders whose addresses are known to the housing company or who have provided the housing company with an email address or other electronic means of communication for the delivery of the said notice.

Section 22 – Meeting documents and the availability and delivery of the meeting documents

(1) The proposals of the Board of Directors, as well as the latest financial statements, the annual report, the auditor's report and the operations inspector's report shall be kept available to the shareholders at the location specified in the notice of the General Meeting, for at least two weeks prior to the meeting. The said documents shall without delay be sent to a shareholder who requests the same. A reasonable fee, confirmed by the Board of Directors, may be charged for delivery. The said documents shall be kept available at the meeting venue.

(2) If a decision pertains to a share issue, the issue of option rights or other special rights entitling to shares, the increase of the share capital from reserves, the payment of dividend, the distribution of reserves of unrestricted equity, the decrease of the share capital or the acquisition or redemption of own shares, the provisions in subsection (1) apply also to the possible decisions on the distribution of assets, made after the end of the preceding financial period and to a statement by the Board of

Directors on the events occurring after the latest financial statements and having an essential effect on the state of the housing company.

Section 23 – Chairperson, register of votes and minutes of the meeting

(1) The General Meeting shall be opened by the person designated by the convener of the meeting. The General Meeting shall elect the chairperson, unless it is otherwise provided in the Articles of Association. If the Articles of Association contain provisions on the chairperson of the General Meeting, that person shall also open the meeting.

(2) The chairperson shall see to it that a register is compiled of the shareholders, proxy representatives and assistants in attendance, indicating the quantity of shares and voting rights of each shareholder (*register of votes*). The share register shall be kept available at the meeting.

(3) The chairperson shall see to it that minutes are kept of the meeting. The minutes shall indicate the decisions made and the results of any votes. Additionally, proposals for the amendment of the Articles of Association shall be included in the minutes. The chairperson and a person elected as scrutiniser shall sign the minutes. The register of votes shall be included in or attached to the minutes. The minutes shall be numbered consecutively and archived in a reliable manner.

(4) No later than four weeks after the meeting, the minutes shall be kept available to the shareholders at the premises of the Chairperson of the Board of Directors or the Manager, and copies shall be delivered to shareholders requesting the same. A shareholder shall have the right to receive copies of the attachments to the minutes. When sending the minutes and the attachments to the minutes, a reasonable fee, confirmed by the Board of Directors, may be charged for delivery.

Section 24 – Continuation meeting

(1) The General Meeting may decide that a matter is to be postponed to be dealt with in a continuation meeting.

(2) A new notice shall be delivered of the continuation meeting, if it is to be held more than four weeks after the General Meeting. The notice of a continuation meeting must always be delivered no later than four weeks before the meeting, even in the event that a longer notice period is provided in the Articles of Association.

Section 25 – Right to request information

(1) On the request of a shareholder, the Board of Directors and the Manager shall provide more detailed information on circumstances that may affect the evaluation of a matter dealt with by the meeting. If the meeting deals with the financial statements, this obligation shall apply also to more general information on the financial position of the housing company. However, the information shall not be provided if this would cause essential harm to the housing company.

(2) If the question of a shareholder can only be answered on the basis of information not available at the meeting, the answer shall be provided in writing within two weeks. The answer shall be delivered to the shareholder asking the question and to other shareholders requesting the same.

(3) If the Board of Directors considers that the requested information cannot be provided to the shareholder without causing essential harm to the housing company, the Board of Directors shall,

within two weeks of the General Meeting, provide the requested information to the auditors and the operations inspector of the housing company. The auditors shall, within one month of the General Meeting, provide to the Board of Directors a written statement regarding the effects of the requested information on the auditor's report and on other statements given to the General Meeting by the auditors. Likewise, the operations inspector shall provide a statement regarding the effects of the requested information on the operations inspector's report. Provisions in section 23(4) regarding the minutes of the meeting apply to keeping available and delivering such a statement to the shareholder who requested the information.

Section 26 – Decision by majority

(1) A proposal that has been supported by more than half the votes cast shall constitute the decision of the General Meeting, unless it is otherwise provided in this Act. In an election, the person receiving the most votes shall have been elected. The General Meeting may decide before the election that the person receiving more than half the votes cast shall have been elected. In the event of a tie, an election shall be decided by drawing lots and another vote shall be decided by the casting vote of the chairperson, unless it is otherwise provided in the Articles of Association.

(2) The requirement of majority may be relaxed by way of the Articles of Association only as regards elections.

Section 27 — Decision by qualified majority

(1) If a decision must be made by qualified majority, a proposal that has been supported by at least two thirds (2/3) of the votes cast and the shares represented at the meeting shall constitute the decision.

(2) Unless it is otherwise provided in sections 28, 34, 35 or 37 or in the Articles of Association, the following decisions shall be made by qualified majority:

(1) the amendment of the Articles of Association;

(2) a directed share issue;

(3) the issue of option rights and other special rights entitling to shares; and

(4) the directed acquisition of own shares;

(3) The requirement of qualified majority shall not be relaxed by way of the Articles of Association.

Section 28 – Consent to deviations from the principle of equal treatment

(1) The General Meeting shall not make a decision contrary to the principle of equal treatment referred to in chapter 1, section 10, unless the shareholder at whose expense the unjust benefit is to be given consents to the same.

(2) If a shareholder has accepted a decision at the General Meeting, the said shareholder is considered to have consented to that decision. Shareholders may also accept decisions before or after the General Meeting.

Section 29 – Objections

Chapter 23 contains provisions on objections against the decisions of the General Meeting.

Decision-making requirements related to maintenance or modernisation

Section 30 – Decision on maintenance

(1) The General Meeting shall decide on any maintenance that has broad effects or that has significant impacts on a residence or on residential costs.

(2) The General Meeting shall decide on maintenance by a majority vote, as referred to in section 26.

Section 31 – Decision on modernisation financed by all shareholders

(1) The General Meeting shall decide on any modernisation that has broad effects or that has significant impacts on a residence or on residential costs.

(2) The General Meeting shall decide on modernisation by a majority vote, as referred to in section 26, if the shareholder's obligation to pay does not reach an unreasonable level and:

(1) the real estate or building are modernised to match current standard requirements;

(2) it is standard practice to make the joint acquisition of a commodity, related to the use of a building or real estate, with financing provided through the charge for common expenses;

(3) the procedure is provided in the Articles of Association; or

(4) the procedure otherwise complies with the activities provided in the Articles of Association.

Section 32 – Amendment of the obligation to pay with regard to maintenance and modernisation

(1) A reduction of the charge for common expenses collected from the shareholder for modernisation shall be subject to a majority vote at the General Meeting, as referred to in section 26, if work previously performed in the shareholder’s apartment will reduce the housing company’s costs. The same applies to the reduction of the charge for common expenses collected for maintenance if the work previously performed by the shareholder reduces the housing company’s costs. When calculating the reduction, the savings of the housing company and the shareholder’s obligation to pay, based on the criterion for the charge for common expenses, shall be taken into account. The maximum reduction is whichever of these is lower.

(2) By a qualified majority, as referred to in section 27, the General Meeting may decide to divide the expenditures of maintenance and modernisation equally between the shareholders, if the measures in question are focused on the owner apartments and both the benefits of the maintenance or modernisation to each owner apartment and the cost incurred per each apartment are equal.

(3) The division of costs of subsequent installation of a lift is subject to a majority decision by the General Meeting, as referred to in section 26, by using the criterion for the charge for common expenses as the division criterion, multiplied by the floor on which the owner apartment is located, determined on the basis of the entrance to the staircase. The floor of an owner apartment is the floor on which the lift, which is closest to the entrance of the apartment, stops. The floor of the entrance to the staircase is the landing floor of the lift that is closest to the main entrance. The floor of the owner apartment must be determined to an accuracy of half a floor. If the floor of an owner apartment is at the same distance from two lift landing levels, the higher of these levels is considered to be the floor of the owner apartment.

(4) Costs incurred due to a subsequent installation of a lift in only some of the staircases are subject to a majority vote by the General Meeting, as referred to in section 26. Additionally, this decision requires a majority of the votes of those shareholders to whose owner apartments the said modernisation is related. In this event, the expenditures shall be divided among these shareholders in accordance with subsection (3). The same applies to the installation of a lift in a staircase of an apartment building within a housing company that, according to the Articles of Association, includes owner apartments reserved for certain purposes and these owner apartments will not derive benefit from such installation, or that includes terraced houses or other buildings with owner apartments. (11.6.2010/547)

(5) By a majority vote, as referred to in section 26, the General Meeting may decide that no charge for common expenses be collected from the other shareholders for modernisation work that is only performed in certain owner apartments and that only provides benefits to those owner apartments. Additionally, this decision requires a majority of the votes of those shareholders to whose owner apartments the modernisation is related.

Section 33 – Decision on other modernisation measures

(1) By a majority vote, as referred to in section 26, the General Meeting may decide to undertake modernisation of a type that exceeds the current standard level and that is not provided in the Articles of Association.

(2) By a qualified majority, as referred to in section 27, the General Meeting may also allow the housing company's facilities to be used for undertaking modernisation work that only benefits some of the shareholders, if this can be done without violating the principle of equal treatment, as referred to in chapter 1, section 10.

(3) In order to cover the expenditures arising from the activities specified in subsection (1) or (2) above, the charge for common expenses shall be collected from the shareholders that have consented to that, and from the new holders of their shares. The expenditures shall be divided among these shareholders in accordance with the criteria for the charge for common expenses provided in the Articles of Association.

Decision-making requirements related to the amendment of the Articles of Association, the changes in the structure of the housing company, and the assignment of assets

Section 34 – Amendment of the Articles of Association

(1) Amendment of the Articles of Association is subject to a decision by the General Meeting. Said decision shall be made by a qualified majority, as referred to in section 27. However, the General Meeting may decide to amend a criterion for the charge for common expenses, provided in the Articles of Association, by a majority vote, as referred to in section 26, if a criterion for the charge for common expenses is amended by replacing a previous criterion with a criterion for reliably measurable, actual water consumption.

(2) The General Meeting may decide to amend the Articles of Association in such a manner as to prepare for undertaking modernisation work, as referred to in sections 31–33, at a later time. The provisions of sections 31–33 regarding the content of a decision apply to this type of decision.

(3) Any decision on the amendment of the Articles of Association shall be submitted for registration without delay and said decision shall not be implemented prior to its registration. However, any court ruling, as referred to in section 36, regarding the amendment of the Articles of Association, must be complied with and shall be submitted for registration as soon as such ruling becomes *res judicata* (no longer open to regular appeal). If the amendment of the Articles of Association requires implementation measures to be entered into the register, the amendment shall, however, be submitted for registration and registered simultaneously with the implementation measures.

(4) If the right carried by a share is determined on the basis of the nominal value of the share, the abandonment of nominal values shall not affect the rights carried by the share, unless it is otherwise decided.

Section 35 – Consent to the amendment of the Articles of Association

(1) In addition to the qualified majority, as referred to in section 27, the consent of a shareholder shall be obtained for the amendment of the Articles of Association, where:

> (1) the right of possession to the apartment conferred by the shareholder's shares is amended;
>
> (2) the purpose of use of the shareholder's apartment is changed;
>
> (3) the shareholder's right to transfer shares is restricted by introducing a redemption clause, as referred to in chapter 2, section 5, to the Articles of Association, or by expanding an existing redemption clause;
>
> (4) the liability of the shareholder to make payments to the housing company is increased by amending the criterion for the charge for common expenses or other payment criterion, or by adding or removing a payment criterion;
>
> (5) the right of the shareholder to the profit or the net assets of the housing company is reduced by means of a provision in the Articles of Association; or
>
> (6) a provision is introduced to the Articles of Association that allows the Manager to be elected Chairperson of the Board of Directors, as referred to in chapter 7, section 8.

(2) However, the shareholder's consent is not required in the event that the criterion for the charge for common expenses is amended by replacing a previous criterion with the actual consumption of a commodity that can be reliably measured or estimated.

(3) If the shareholder has accepted a decision at the General Meeting, the shareholder is considered to have consented to that decision. Shareholders may also accept decisions before or after the General Meeting.

Section 36 – Rendering the Articles of Association more reasonable

(1) If the Articles of Association include a provision that will result in unreasonable consequences, the Board of Directors and a shareholder are entitled to bring an action to amend the Articles of Association before the District Court in the locality of the registered office of the housing company. The Board of Directors may only bring such an action if the shareholders who voted for the proposal at the General Meeting held more than half of the votes.

(2) The conditions for bringing an action are that:

> (1) the General Meeting has rejected a proposal to amend the provision so as to render it reasonable; or
>
> (2) no decision on the amendment of the Articles of Association, as referred to in paragraph (1), has been made, or the shareholder's consent required for the amendment has not been obtained within two months of the date on which the proposal should have been dealt with at the General Meeting.

(3) The names of any shareholders that object to the amendment of the Articles of Association at the General Meeting shall be noted in the minutes of the General Meeting.

(4) The action shall be brought within three months of the General Meeting, as referred to in subsection (2), or the deadline provided in that subsection.

(5) The action must be brought against those shareholders who objected to the amendment of the Articles of Association at the General Meeting or who have failed to consent to the amendment. The housing company shall be reserved an opportunity to be heard by the court.

(6) The court may amend the Articles of Association, if a provision of the Articles of Association results in unreasonable consequences by providing a shareholder with a significant benefit at the expense of other shareholders, or by putting a shareholder at a significant disadvantage compared to other shareholders. When assessing unreasonableness, the entire content of the Articles of Association, the circumstances that existed when the Articles of Association were drafted and those that existed thereafter, as well as other factors shall be taken into consideration.

Section 37 – Consent to changing or terminating activities or changing the legal form, or to the assignment of assets

(1) In addition to the unanimous decision of the General Meeting, the consent of other shareholders is required for the amendment of the Articles of Association, where the decision pertains to:

> (1) changing the legal form;
>
> (2) going into liquidation and the termination of liquidation;

(3) a merger with another company;

(4) a demerger; or

(5) the assignment of an apartment or building in the housing company's possession, or the assignment of their right of use.

(2) However, the General Meeting may decide on an assignment, as referred to in subsection (1)(5), by a majority vote, as referred to in section 26, if such an assignment only applies to a part of a real estate or building or an entire real estate or building with no facilities possessed by the shareholders, and the assignment will not significantly affect the use of the shareholders' apartments or the costs thereof.

(3) However, the General Meeting may decide on a matter, as referred to subsection (1)(2), (1)(3) or (1)(5), if the continuation of the housing company's activities would result in significant damage to the shareholders, and the shareholders in possession of at least four fifths of all shares of the housing company accept this decision.

(4) A court may authorise the housing company to carry out a merger, if the shareholders in possession of at least four fifths of all shares of the housing company accept this and if a failure to carry out the merger would be unreasonable, considering the extent of the disadvantages caused to those shareholders objecting to it, and the benefits gained by all of the shareholders.

(5) If the shareholder has accepted a decision at the General Meeting, the shareholder is considered to have consented to that decision. Shareholders may also accept decisions before or after the General Meeting.

Chapter 7 – Management and representation of the housing company

Management of the housing company

Section 1 –Board of Directors and Manager

(1) A housing company shall have a Board of Directors. It may also have a Manager, if provided in the Articles of Association or so decided by the General Meeting.

(2) Chapter 1, section 10, contains a prohibition against decisions contrary to the principle of equal treatment, chapter 1, section 11, on the duty of care, and chapter 24 on liability for damages.

(3) Sections 22–26 contain provisions on the representation of the housing company.

Duties of the Board of Directors and decision-making

Section 2 – General duties of the Board of Directors

(1) The Board of Directors shall see to the administration of the housing company, the appropriate organisation of maintenance of the real estate and of the buildings and other operations. The Board

of Directors shall be responsible for the appropriate arrangement of the control of the housing company accounts and finances.

(2) The Board of Directors requires a decision by the General Meeting for activities that:

> (1) are unusual or have far-reaching consequences, considering the size and activities of the housing company;
>
> (2) significantly affect the use of an owner apartment in the possession of the shareholder; or
>
> (3) significantly affect the shareholder's obligation to pay the charge for common expenses or the other expenditures resulting from the use of the owner apartment in the possession of the shareholder.

(3) However, the Board of Directors may undertake measures, as referred to in subsection (2), if the decision of the General Meeting cannot be delayed without causing significant harm to the housing company's activities. Shareholders shall be informed of these measures as soon as possible, in writing, at the address provided by them to the housing company, or by the means used to convene the General Meeting.

(4) The Board of Directors or a Member of the Board of Directors shall not comply with a decision of the General Meeting or the Board of Directors where it is invalid owing to being contrary to this Act or the Articles of Association.

Section 3 – Decision-making by the Board of Directors

(1) The opinion of the majority shall constitute the decision of the Board of Directors, unless a qualified majority is required in the Articles of Association. In the event of a tie, the Chairperson of the Board of Directors shall have the casting vote. If there is a tie in the election for the Chairperson, and no other provision has been made in the appointment of the Board of Directors or in the Articles of Association, the election shall be decided by drawing lots.

(2) The Board of Directors shall have a quorum when more than half the Members of the Board of Directors are present, unless a larger proportion is required in the Articles of Association. The proportion shall be calculated on the basis of the number of Members who have been appointed. When this proportion is being calculated, disqualified Members shall be deemed to be absent. No decision shall be made, unless all Members have been reserved the chance, as far as possible, to participate in the consideration of the matter. If a Member is unavailable, this chance shall be reserved to the Deputy Member of the Board of Directors. If a decision is made without a meeting being held, the decision shall be written down, signed, numbered and archived, as provided in section 6 for the minutes of meetings of the Board of Directors.

Section 4 –Disqualification

(1) A Member of the Board of Directors shall be disqualified from the consideration of a matter pertaining to:

> (1) a contract or other transaction between the Member and the housing company;

(2) modernisation or non-necessary maintenance of the Member's owner apartment that differs from the modernisation or maintenance of the owner apartments in possession of the other shareholders; or

(3) taking possession of the Member's owner apartment by the housing company.

(2) A Member shall likewise be disqualified from the consideration of any matter referred to in subsection (1) between the housing company and a third party, if the Member is to derive an essential benefit in the matter and that benefit may be contrary to the interests of the housing company.

(3) The provisions above in this section apply correspondingly to decisions regarding the exercise of the housing company's right to plead in legal proceedings or the exercise of the housing company's right to speak in other matters.

Section 5 – Meeting of the Board of Directors

(1) The Chairperson of the Board of Directors shall see to it that the Board of Directors meets when necessary. A meeting shall be convened if a Member of the Board of Directors or the Manager so requests. If, notwithstanding a request, the Chairperson does not call the meeting, the meeting may be called by a Member, if at least one half of the Members approve of the call, or by the Manager alone. If a Chairperson has not been elected or the Chairperson is unavailable, a Member of the Board of Directors or the Manager may convene the meeting.

(2) The Board of Directors may decide that also a person other than a Member of the Board of Directors may be present at a meeting. Section 18 contains provisions on the right of the Manager to be present at a meeting. Provisions on who may be present at a meeting may also be included in the Articles of Association.

Section 6 – Minutes of the Board of Directors

Minutes shall be kept of the meetings of the Board of Directors, to be signed by the person chairing the meeting and, if there are several Members of the Board of Directors, at least by one Member designated by the Board of Directors or the Manager present at the meeting. A Member and the Manager shall have the right to have their dissent entered into the minutes. The minutes shall be numbered consecutively and archived in a reliable manner.

(2) A shareholder has the right to be informed of any decisions of the Board of Directors pertaining to a right or responsibility, conferred on the shareholder by the shares owned by said shareholder, in relation to the housing company or another shareholder. At the shareholder's request, such information must be provided in writing.

Section 7 – Transfer of decision-making

(1) In individual cases or in the event that it is so provided in the Articles of Association, the Board of Directors may make a decision in a matter falling within the general duties of the Manager even when the housing company has a Manager.

(2) The Board of Directors may submit a matter within the general duties of the Board of Directors or the Manager to be decided by the General Meeting.

Members of the Board of Directors and the beginning and end of membership

Section 8 – Members of the Board of Directors, Deputy Members of the Board of Directors and the Chairperson of the Board of Directors

(1) There shall be between one and five regular Members of the Board of Directors, unless otherwise provided in the Articles of Association.

(2) If there are fewer than three Members, there shall be at least one Deputy Member of the Board of Directors. The provisions of this Act on a Member apply also to a Deputy Member.

(3) If there are several Members of the Board of Directors, a Chairperson of the Board of Directors shall be elected. The Board of Directors shall elect the Chairperson, unless it has been otherwise decided when the Board of Directors is appointed or unless it is otherwise provided in the Articles of Association. The Manager may be elected the Chairperson of the Board of Directors only on the condition that it is so provided in the Articles of Association or all shareholders consent to that.

Section 9 – Appointment of the Members of the Board of Directors

(1) The General Meeting shall appoint the Members of the Board of Directors.

(2) It may be provided in the Articles of Association that a minority of the Board of Directors is to be appointed according to some other procedure. However, if a Member has not been elected according to the other procedure, the General Meeting may appoint the Member, unless otherwise provided in the Articles of Association.

Section 10 – Qualifications of a Member of the Board of Directors

(1) The following cannot be Members of the Board of Directors: legal persons, minors, persons under guardianship, persons with restricted legal competency, and persons in bankruptcy. The Act on Business Prohibitions (1059/1985; *laki liiketoimintakiellosta*) contains provisions on the effect of a business prohibition on the qualification of a Member.

(2) At least one of the Members of the Board of Directors shall be resident within the European Economic Area, unless the registration authority grants an exemption to the housing company regarding this requirement.

Section 11 – Term of the Members of the Board of Directors

(1) The term of a Member of the Board of Directors shall end with the conclusion of the Ordinary General Meeting following the appointment of the Member. Other provisions on the temporary or indefinite character of the term may be included in the Articles of Association. The term shall end with the conclusion of the General Meeting deciding on the appointment of a successor Member, unless it is otherwise provided in the Articles of Association or decided when the successor Member is appointed.

(2) Despite his or her term having expired, a previous Member of the Board of Directors has the right to convene a General Meeting in order to appoint a new Board of Directors, if he or she has grounds for assuming that no other members remain on the Board of Directors.

Section 12 – Resignation of Members of the Board of Directors

(1) A Member of the Board of Directors may resign before the end of his or her term.

(2) The resignation shall take effect at the earliest when the Board of Directors has been notified. If the Member of the Board of Directors has been appointed by someone other than the General Meeting, appointing party shall also be notified of the resignation.

(3) If the resigning Member of the Board of Directors has reason to believe that the housing company no longer has any Members of the Board of Directors, the resigning Member shall see to it that a General Meeting is convened to appoint a new Board of Directors.

Section 13 – Dismissal of Members of the Board of Directors

(1) A Member of the Board of Directors may be dismissed ahead of term by the party who appointed the Member. However, a Member appointed by someone other than the General Meeting may be dismissed by the General Meeting, if the Articles of Association have been amended so that the special right of appointment no longer applies.

(2) The term of a dismissed Member of the Board of Directors shall end with the conclusion of the General Meeting deciding on the dismissal, unless the General Meeting decides on some other point in time. The term of a Member dismissed by someone other than the General Meeting shall end immediately, unless some other point in time is indicated in the context of the dismissal.

Section 14 – Supplementing the Board of Directors

If there is a vacancy on the Board of Directors in mid-term or if a Member of the Board of Directors loses the qualifications referred to in section 10, a Deputy Member of the Board of Directors shall serve as a substitute for the Member as provided in the Articles of Association or as decided upon in the appointment of the Deputy Member. If there are no Deputy Members, the other Members of the Board of Directors shall see to it that a successor Member is appointed for the remainder of the term. If, however, the appointment of the Member is a task for the General Meeting and the Board of Directors, with Deputy Members, has a quorum, the appointment may take place in the next General Meeting.

Other provisions on the Board of Directors

Section 15 – Parent-subsidiary relationship

If the housing company has become a parent company or if it no longer is a parent company, the Board of Directors shall without delay notify the same to the Board of Directors or a corresponding body of the subsidiary. The Board of Directors or the corresponding body of the subsidiary shall supply the Board of Directors of the parent company with the information necessary for the evaluation of the state of the group and the calculation of its financial results.

Section 16 – Contract with sole shareholder

A contract or other undertaking between the housing company and its sole shareholder that does not fall within the scope of the regular business operations of the housing company shall be entered or attached to the minutes of the Board of Directors.

Manager

Section 17 – General duties of the Manager

(1) The Manager shall see to the maintenance of the real estate and of the buildings and to the executive management of the housing company in accordance with the instructions and orders given by the Board of Directors. The Manager shall see to it that the accounts of the housing company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The Manager shall supply the Board of Directors and the Members of the Board of Directors with the information necessary for the performance of the duties of the Board of Directors.

(2) The Manager may undertake measures, as referred to in section 2(2), only if so authorised by the Board of Directors or if it is not possible to wait for a decision of the Board of Directors without causing essential harm to the business operations of the housing company. In the latter case, the Board of Directors shall be notified of the measures as soon as possible.

Section 18 – Presence of the Manager at the meetings of the Board of Directors

The Manager shall have the right to be present at the meetings of the Board of Directors and to speak there even if the Manager is not a Member of the Board of Directors, insofar as the Board of Directors does not otherwise decide.

Section 19 – Provisions applicable to the Manager

In other respects, the provisions pertaining to the Members of the Board of Directors in section 2(4) on invalid decisions, section 4 on disqualification and section 10 on qualification, also apply to the Manager. The Manager's residence or, if the Manager is a company, its domicile shall in all events be within the European Economic Area, unless the registration authority grants the housing company an exemption from this requirement.

Section 20 – Appointment, resignation and dismissal of the Manager

(1) The Board of Directors shall appoint the Manager.

(2) The Manager must be a natural person or a registered company.

(3) The Manager shall have the right to resign from the post. The resignation shall take effect at the earliest upon notification to the Board of Directors.

(4) The Board of Directors may dismiss the Manager from the post. The dismissal shall take effect immediately, unless the Board of Directors decides on a later point in time.

Section 21 – Manager bearing the primary responsibility at a management company

(1) If a company has been appointed the Manager, it shall provide the housing company with the name of the person bearing primary responsibility for management.

(2) The Manager bearing primary responsibility must be a member of the management company's board of directors or of a similar governing body, the managing director, or someone employed by the company, unless otherwise agreed between the housing company and the management company.

(3) If a company has been appointed the Manager, the provisions of this Act and of any other act on a Manager shall apply to the Manager bearing the primary responsibility.

Representation

Section 22 – Board of Directors and Manager as representatives

(1) The Board of Directors shall represent the housing company and sign for the housing company.

(2) The Manager may represent the housing company in matters falling within the Manager's duties under section 17.

Section 23 – Other representatives

It may be provided in the Articles of Association that a Member of the Board of Directors or the Manager has the right to represent the housing company or that the Board of Directors may grant a Member of the Board of Directors, the Manager or some other designated person the right to represent the housing company. The Board of Directors may revoke the right thus granted at any time.

Section 24 – Restrictions on the right to represent the housing company

The only restriction on the right to represent the housing company that may be entered in the Trade Register is one to the effect that two or more persons have this right only when acting together.

Section 25 – Binding effect of measures by a representative

(1) A transaction entered into by a representative of the housing company, as referred to in this Act, shall not be binding on the housing company if:

> (1) the representative has violated a restriction of the representative's competence to represent the housing company, as referred to in this Act;
>
> (2) the representative has violated a restriction referred to in section 24; or
>
> (3) the representative has exceeded his or her authority and the other party to the transaction knew or should have known of the authority having been exceeded.

(2) In cases referred to above in subsection (1)(3), the fact that the restrictions on the authority to represent the housing company have been registered shall not on its own be deemed adequate proof that the other party to the transaction knew or should have known of the authority having been exceeded.

Section 26 – Service of notices on the housing company

(1) Summonses and other notices shall be deemed to have been served on the housing company once they have been served on a Member of the Board of Directors, the Manager or another person who under this Act is entitled to represent the housing company either alone or together with another person.

(2) If none of the representatives of the housing company referred to in subsection (1) has been entered into the Trade Register, the service may be effected by delivering the documents to someone in the service of the housing company or, if no such person can be found, to the police of the place where the housing company has its registered office, also in accordance with chapter 11, sections 7(2)–7(4), of the Code of Judicial Procedure (4/1734; *oikeudenkäymiskaari*).

Manager's certificate and storage of notices of maintenance work and alteration work

Section 27 – Manager's certificate

(1) On request, the Manager must provide a Manager's certificate on an owner apartment. If the housing company does not employ a Manager, or the Manager is disqualified, responsibility for providing this certificate shall fall on the Chairperson of the Board of Directors. The certificate can be provided to:

(1) holders of the shares that confer possession of an owner apartment;

(2) parties holding shares by means of a pledge; and

(3) agencies with a valid sales assignment regarding brokerage of shares or an assignment to rent an owner apartment.

(2) The certificate must indicate:

(1) the housing company's financial state;

(2) information on the housing company's buildings and matters related to their condition, of which the housing company is aware;

(3) ownership of the land;

(4) whether the Articles of Association include a redemption clause;

(5) data on the owner apartment and matters related to its condition, of which the housing company is aware;

(6) the name of the holder of a share group entered in the share register;

(7) any restriction on use or assignment affecting the shares or possession of the owner apartment entered in the share register;

(8) any decision by the housing company to take possession of an owner apartment, and the duration of taking possession;

(9) any unpaid charges for common expenses due from the shareholder;

(10) an explanation of liability for loans if the liability for housing company loans affects different shareholders in different ways;

(11) any action brought against the housing company, in accordance with chapter 6, section 36, and the section of the Articles of Association to which this action is related;

(12) a valid share issue authorisation, as referred to in chapter 13, section 2(2), and a valid authorisation to issue options or other rights entitling to shares, as referred to in chapter 14, section 2(2); and

(13) information marked in the certificate on the basis of some other act.

(3) A reasonable fee, approved by the Board of Directors, can be charged for the certificate.

(4) More specific provisions regarding the content of the Manager's certificate and any attached documentation may be laid down by Government Decree.

Section 28 – Storage of notices pertaining to maintenance or alteration work

(1) The Board of Directors shall maintain a list of the notices pertaining to maintenance and alteration work that have been provided to the housing company, as laid down in chapter 4, section 7, and in chapter 5, section 4. All notices must be stored in a reliable manner and on an owner apartment-specific basis.

(2) Shareholders are entitled to receive a copy of the notices pertaining to their owner apartment. Agencies with a valid sales assignment regarding brokerage of shares or an assignment to rent an owner apartment have this same right. Reasonable costs, approved by the housing company’s Board of Directors, may be charged for copies.

Chapter 8 – Access to an apartment and taking possession of an owner apartment by the housing company

Section 1 – Access to an owner apartment

(1) Members of the housing company's Board of Directors, the Manager, and any person so authorised by the Board of Directors or the Manager shall be entitled to access an owner apartment where this is necessary for monitoring the condition and care of the owner apartment, performing maintenance work or alteration work in the owner apartment, or supervising these activities.

(2) Visits to the owner apartment must be arranged at a time convenient to the shareholder and the party in possession of the owner apartment, unless otherwise required by the urgency or quality of the work in question.

(3) If access is denied, Members of the Board of Directors and the Manager are entitled to obtain executive assistance from the police.

Section 2 – Taking possession of an owner apartment by the housing company

(1) The General Meeting may decide that the housing company shall take over, for a period of not more than three years, an owner apartment in the possession of a shareholder if:

> (1) the shareholder does not pay the charge for common expenses due or the costs referred to in section 3(4);
>
> (2) the owner apartment is cared for so badly as to cause loss to the housing company or another shareholder;
>
> (3) the owner apartment is essentially used in contravention of its purpose of use as provided in the Articles of Association or in contravention of other provisions of the Articles of Association, or, if the purpose of use of the owner apartment is not defined in the Articles of Association, in contravention of the purpose of use approved by the housing company or otherwise established;
>
> (4) the way of life of those living in the owner apartment creates a disturbance; or
>
> (5) the shareholder or other person living in the owner apartment violates rules necessary to maintain order in the housing company's facilities.

(2) An owner apartment may not be taken over by the housing company if the violation is of only minor significance.

(3) The decision shall state the grounds for taking possession of the apartment, the duration and the facilities affected.

(4) The three-year term mentioned above in subsection (1) is calculated from the moment the housing company takes possession of the owner apartment, unless the General Meeting decides on an earlier time.

Section 3 – Issue of a warning

(1) The Board of Directors must issue a written warning to the shareholder before any decision is made on taking possession of the owner apartment. If the shareholder has leased the owner apartment or part of it to another person, or has otherwise assigned the apartment to another person's use, notice of the warning must also be served to the leaseholder or other party living in the owner apartment under right of use. The warning shall state the grounds on which it is being issued, and point out that the housing company may take possession of the owner apartment.

(2) The serving of the warning shall be in compliance with provisions on the service of summons or shall be done by some other verifiable means. If the shareholder or leaseholder or other party living in the owner apartment under right of use cannot, despite repeated efforts, be reached, the warning may be delivered to him or her by registered letter, which shall be deemed to have come to his or her attention on the seventh day from posting.

(3) In the event that the identity of the shareholder or leaseholder or other party living in the owner apartment under right of use cannot be ascertained, the warning can be issued to the said recipient by publishing it in the Official Gazette, or in some other newspaper distributed widely in the locality and by delivering the warning notice to the owner apartment to which the warning to take possession applies. In this event, the shareholder or leaseholder or other party living in the owner apartment under right of use shall be considered as having been informed of the warning on the date of publication of the newspaper.

(4) If, on account of the warning, the shareholder fulfils his or her duties without delay, or the matter is otherwise rectified, the housing company shall not be entitled to take possession of the apartment. In this event, however, the shareholder shall compensate the housing company for any costs that the latter has already incurred due to the issuance of the warning and the convening of the General Meeting.

Section 4 – Notification of decisions

Shareholder, leaseholder and other party living in the owner apartment under right of use must be informed of the decision of the General Meeting, within 60 days of the decision being made, that the housing company shall take possession of the owner apartment, in the manner provided for a warning in section 3. Otherwise, the decision shall be ineffective.

Section 5 – Protesting against and enforcement of a decision

(1) A shareholder or leaseholder or other party living in the owner apartment under right of use may ask a court to examine whether the grounds as laid down in section 2 exist for the housing company to take possession of the owner apartment. Such an action for annulment of the General Meeting's decision due to it being in contravention of section 2 shall be brought against the housing company within 30 days of being notified of the decision to take possession of the owner apartment, as provided in section 4.

(2) If the court rejects the action for annulment pertaining to the decision of the General Meeting, as referred to in subsection (1), the said court ruling may put into effect in the same manner as an eviction order concerning a leaseholder. If the housing company takes possession of the owner apartment on the basis of section 2(1)(1), the leaseholder or other party living in the apartment under right of use must not be evicted, unless he or she has been notified of the housing company's decision to take possession of the owner apartment.

Section 6 – Leasing an apartment taken into possession of the housing company

(1) When an owner apartment has been taken into the housing company's possession, the Board of Directors shall without delay lease it to a suitable leaseholder at a fair market price for such time as it remains in the housing company's possession. If the taking into possession was not due to the behaviour of the leaseholder, other tenant, or other party with the right of use living in the owner apartment, the housing company must primarily conclude a lease agreement with this party for such time as it remains in the housing company's possession. If the apartment is not in a suitable state for leasing, the necessary repairs shall first be made at the shareholder's expense. The leaseholder's right of possession to the owner apartment shall expire without notice at the latest when the housing company's possession of the owner apartment ends, irrespective of what was agreed regarding the duration of the lease.

(2) The housing company is entitled to collect from the rent the costs incurred in taking possession of the owner apartment, the cost to the housing company of repairing the owner apartment and any unpaid charges for common expenses together with all other charges that fall due to the shareholder while the owner apartment is in the housing company's possession. Any excess shall be credited to the shareholder without delay.

Section 7 – New holder's right to gain possession of the apartment

If the shares pass to a new holder after the decision to take possession of the owner apartment has been made, the new holder shall gain possession of the owner apartment once all sums due have been paid for which rent obtained for the apartment could be used in accordance with section 6(2). If the apartment has been leased in accordance with section 6(1), the legal validity of the lease with regard to the new holder shall be defined in accordance with the Act on Residential Leases (481/1995; *laki asuinhuoneiston vuokrauksesta*) or the Act on Commercial Leases (482/1995; *laki liikehuoneiston vuokrauksesta*). The leaseholder's right of possession to the owner apartment shall expire without notice at the latest when the housing company's possession of the apartment ends, irrespective of what was agreed regarding the duration of the lease.

Chapter 9 – Audit, operations inspection and special audit

Audit

Section 1 – Applicable law

The provisions in this chapter and the provisions of the Auditing Act apply to the audit of a limited liability housing company.

Section 2 – Appointment of the auditor

(1) The obligation to have an audit conducted is governed by the provisions in chapter 2 of the Auditing Act and in section 5 of this chapter.

(2) The General Meeting shall appoint the auditor. If several auditors are to be appointed, it may be provided in the Articles of Association that an auditor or some of the auditors, but not all, are to be appointed in accordance with some other procedure.

Section 3 – Deputy auditor

(1) If only one auditor has been appointed for a housing company and this auditor is not an audit firm, at least one deputy auditor shall be appointed. The General Meeting may appoint a deputy auditor also in a housing company where there is no obligation to do so. If some of the auditors are to be appointed in accordance with some other procedure, it may also be provided in the Articles of Association that the deputy auditor for such an auditor is appointed in accordance with the other procedure.

(2) The provisions of this Act and the Auditing Act on an auditor apply also to the deputy auditor.

Section 4 – Term of the auditor

(1) The term of an auditor shall end and the term of a successor auditor shall commence with the conclusion of the General Meeting deciding on the election of a successor auditor, unless otherwise provided in the Articles of Association or decided when the successor auditor is appointed.

(2) Other provisions on the temporary or indefinite character of the term may be included in the Articles of Association.

Section 5 – Right of the minority to demand an auditor

(1) In a housing company the General Meeting shall appoint an auditor, if:

> (1) the housing company's building or buildings contain at least 30 apartments in the possession of shareholders;
>
> (2) an auditor must be appointed on the basis of sections 4–6 of the Auditing Act, or some other act; or
>
> (3) shareholders holding at least one tenth (1/10) of all shares or at least one third (1/3) of the shares represented at the meeting so demand at an Ordinary General Meeting or at the General Meeting where, according to the notice of meeting, the matter is to be dealt with.

(2) If the General Meeting does not appoint an auditor, as referred to in subsection (1)(3), the Regional State Administrative Agency shall appoint an auditor in accordance with the procedure provided in sections 9(1) and 9(4) of the Auditing Act, provided that a shareholder applies for the same within one month of the General Meeting. Section 9 of the Auditing Act provides for the appointment of an auditor on the basis of a decision of the Regional State Administrative Agency, in the event that the General Meeting does not appoint an auditor under the circumstances referred to in subsection (1)(1) or (1)(2).

Operations inspection

Section 6 – Appointment and term of the operations inspector

(1) In a housing company the General Meeting shall appoint an operations inspector, if the housing company does not have an auditor and unless otherwise provided in the Articles of Association.

(2) An operations inspector shall always be appointed, if the housing company does not have an auditor and shareholders holding at least one tenth (1/10) of all shares or at least one third (1/3) of the shares represented at the meeting so demand at an Ordinary General Meeting or at the General Meeting where, according to the notice of meeting, the matter is to be dealt with.

(3) The General Meeting shall appoint the operations inspector. If the housing company has an auditor, the General Meeting may decide on the appointment of the operations inspector by a majority, as referred to in chapter 6, section 26. If several operations inspectors are to be appointed, it may be provided in the Articles of Association that one or more of the operations inspectors, but not all, are to be appointed in accordance with some other procedure.

(4) If an operations inspector has not been appointed in accordance with this Act or the Articles of Association, the Regional State Administrative Agency shall appoint an operations inspector in accordance with the provisions of section 5(2) concerning the appointment of an auditor.

(5) The provisions of section 4 regarding an auditor's term shall apply to the term of the operations inspector.

Section 7 – Deputy operations inspector

If only one operations inspector has been appointed for the housing company, at least one deputy operations inspector shall be appointed, and the provisions applicable to the operations inspector apply also to the deputy operations inspector.

Section 8 – The competence and independence of the operations inspector

(1) The following cannot act as an operations inspector:

> (1) a legal person, minor, persons under guardianship, persons with restricted legal competency, and persons in bankruptcy or subject to a business prohibition;
>
> (2) a Member of the Board of Directors, the Manager, or a person occupying a similar position in another company or foundation belonging to the same group;
>
> (3) a person tasked with housing company accounting or asset management, or the monitoring of asset management;
>
> (4) a person in a service relationship with the housing company or with the person referred to in paragraph (2) or (3);
>
> (5) a person who has received a monetary loan, pledge, or other similar benefit from the housing company or from an individual belonging to the housing company's management, or who has provided this type of benefit to the said party; or
>
> (6) a person who is the spouse, sister or brother of the person referred to in paragraph (2) or (3), or who is the lineal ascendant or descendant of such a person.

(2) The operations inspector shall possess financial and legal knowledge and experience to a degree to be deemed necessary in view of the nature and extent of the housing company's operations in order to carry out the operations inspection task.

(3) The operations inspector must be independent while inspecting operations. If the prerequisites for independent activity are essentially missing, the operations inspector must refuse to accept the task or withdraw from it.

Section 9 – Contents of an operations inspection

Operations inspection covers inspection of the finances and administration of a housing company in a sufficient manner with regard to the quality and extensiveness of the housing company's operations.

Section 10 – Operations inspector’s report

(1) The operations inspector must issue, for each financial period, an operations inspector's report, which shall be dated and signed. The operations inspector’s report shall include the identification of the financial statements subject to the operations inspection.

(2) The operations inspector’s report shall contain an opinion on whether:

> (1) the financial statements cover the essential parts of the housing company’s profits, expenses, equity, liabilities and pledges provided by the housing company; and
>
> (2) the annual report provides the information as referred to in chapter 10, sections 5–7.

(3) If the operations inspector cannot express an opinion, a disclaimer of opinion shall be expressed in the operations inspector’s report. The operations inspector’s report shall include any further information considered necessary.

(4) The operations inspector shall make a note in the operations inspector’s report if a Member or the Chairperson or the deputy Chairperson of the Board of Directors or the Manager:

> (1) is guilty of an action or negligence which may result in liability for damages towards the housing company; or
>
> (2) has violated this Act or the Articles of Association.

(5) The operations inspector’s report shall be submitted to the Board of Directors no later than two weeks before the General meeting where the financial statements are to be presented for adoption.

Section 11 – Remuneration and expenditures

The operations inspector shall have the right to receive remuneration from the housing company. The housing company shall also be liable for any other expenditures arising from the special audit.

Section 12 – Operations inspector’s right to access information, duty to provide information, and non-disclosure obligation

(1) The Board of Directors and the Manager of a housing company must provide an operations inspector with an opportunity to conduct an inspection in the scope considered necessary by the operations inspector, and they shall provide any explanations and assistance requested by the operations inspector. An equivalent governing body of a subsidiary has the same obligation towards the operations inspector of the parent housing company.

(2) An operations inspector has the right to be present and to speak at the meeting of the Board of Directors where matters relating to his or her duties are dealt with. The operations inspector must be present at the meeting where the matters to be dealt with require his or her presence.

(3) Upon request by the General Meeting, an operations inspector shall disclose further information on matters that may have an effect on the consideration of a matter being dealt with at the General

Meeting. Information shall, however, not be disclosed where its disclosure would result in material damage to the housing company.

(4) Upon the request of a shareholder, the operations inspector shall provide the General Meeting with all information pertaining to the housing company, provided this does not cause any significant harm to the housing company. The operations inspector may otherwise report any matter about which he or she has learned while carrying out his or her duties:

(1) which the operations inspector is legally obliged to report or state;

(2) of which the authorities, court or other person is legally entitled to be informed;

(3) to the reporting of which the housing company has consented;

(4) which has become public knowledge; or

(5) provided this does not cause any harm to the housing company.

(5) Chapter 24 contains provisions on the operations inspector's liability for damages.

Special audit

Section 13 – Ordering a special audit

(1) A shareholder may apply to the Regional State Administrative Agency of the place where the housing company has its registered office for an order to hold a special audit of the administration and accounts of the housing company for a given past period or for given measures or circumstances. It shall be a prerequisite for such an order that the proposal has been dealt with by the General Meeting and that it has received the support referred to in subsection (2). The application to the Regional State Administrative Agency shall be filed within one month of the General Meeting.

(2) The proposal for a special audit shall be made at an Ordinary General Meeting or at a General Meeting where the matter, according to the notice of meeting, is to be dealt with. The application may be made if it is supported by shareholders holding at least one tenth (1/10) of all shares or at least one third (1/3) of the shares represented at the General Meeting.

(3) The Regional State Administrative Agency shall obtain a statement from the Board of Directors of the housing company and, if, according to the application, the special audit pertains to the measures undertaken by a given person, from that person. The application shall be granted if it is determined that there are weighty reasons for the special audit. The Regional State Administrative Agency may designate one special auditor or several special auditors. The order may be enforced regardless of appeal.

Section 14 – Special auditor

The special auditor shall be a natural person or an audit firm. The special auditor shall possess financial and legal knowledge and experience to a degree to be deemed necessary in view of the nature and extent of the audit task. The provisions on an auditor in chapter 24, sections 8–11, and

chapter 26, section 3, as well as in sections 8, 18, 19, 24–26 and 51 of the Auditing Act, apply correspondingly to the special auditor.

Section 15 – Report of the special audit

A report on the special audit shall be submitted to the General Meeting. For at least two weeks before the General Meeting, the report shall be kept available to shareholders at the location specified in the notice of meeting. The report shall be sent without delay to the shareholders who so request. In addition, the report shall be kept available at the General Meeting.

Section 16 – Remuneration and expenditures

The special auditor shall have the right to receive remuneration from the housing company. The housing company shall also be liable for any other expenditures arising from the special audit. However, for special reasons a court may oblige the shareholder who applied for the special audit to reimburse the housing company for all or part of its expenditures.

Chapter 10 – Equity, financial statements, annual report and group

Equity

Section 1 – Types of equity and its use

(1) The equity of a housing company shall be divided into restricted equity and unrestricted equity.

(2) Restricted equity shall consist of:

(1) the share capital;

(2) the construction reserve; and

(3) the fair value reserve and the revaluation reserves under the Accounting Act.

(3) Unrestricted equity shall consist of other reserves, as well as of the profit from the current and the previous financial periods.

(4) A reserve fund provided in the Articles of Association, which is established prior to 1 January 1992, shall be indicated in the housing company's equity, in accordance with its terms.

(5) In addition to this chapter, the distribution and other use of equity is provided for in chapters 11, 15, 17 and 18.

Section 2 – Reserve for invested unrestricted equity

The reserve for invested unrestricted equity shall be credited with that part of the subscription price of the shares that according to the Memorandum of Association or the share issue decision is not to be credited to the share capital or to the construction reserve and that according to the Accounting Act is not to be credited to liabilities, as well as with other equity inputs that are not to be credited to some other reserve. The invested unrestricted reserve shall likewise be credited with the amount

of a share capital reduction, less any amounts needed for the covering of losses or for the distribution of assets.

Financial statements and annual report

Section 3 – Application of the Accounting Act

The financial statements and the annual report shall be drawn up in accordance with the provisions of the Accounting Act and the provisions in this chapter.

Section 4 – Financial period

Upon incorporation, the financial period of the housing company shall be laid down in the Memorandum of Association or the Articles of Association. Also in the event that the financial period has been laid down in the Memorandum of Association, the General Meeting shall make the decision to change the financial period. The change shall take effect upon registration.

Section 5 – Annual report

(1) A housing company shall always draw up an annual report, which shall always contain the information required in this Act.

(2) The annual report shall contain:

> (1) Information on the use of the charge for common expenses if the charge for common expenses can be collected for various purposes under various criteria;
>
> (2) for a subordinated loan, the main terms of the loan and the interest accruing on it and not entered as an expense into the accounts;
>
> (3) information on perpetual easements and mortgages to which the housing company's assets are subject, and the location of the mortgage deeds;
>
> (4) information on significant events during the financial period, and after its conclusion;
>
> (5) information on the implementation of the budget, and an adequate report on significant deviations from the budget;
>
> (6) an assessment of probable future development; and
>
> (7) a proposal of the Board of Directors for the use of the profits of the housing company, as well as a proposal, where appropriate, for the distribution of other unrestricted equity.

Section 6 – Information in the annual report on corporate structure and finance

The annual report shall contain appropriate information:

(1) if the housing company has become a parent company, if it has been the acquiring company in a merger or a demerger, or if it has demerged;

(2) on the main contents of a share issue decision referred to in chapter 13, section 5 or 16;

(3) on the main contents of a decision on the issue of option rights or other special rights entitling to shares, as referred to in chapter 14, section 3;

(4) on the main terms of a subscription based on option rights or other special rights entitling to shares, as issued by the housing company at an earlier stage; and

(5) on the current authorisations that the Board of Directors has in respect of share issues and the issue of option rights or other special rights entitling to shares.

Section 7 – Information in the annual report on own shares

(1) The annual report shall contain information on the following, broken down by the housing company and its subsidiaries:

(1) the total quantity of shares in the company and its parent company held by, or pledged to, the housing company or its subsidiaries, as well as the proportions of all shares and the voting rights conferred by them, and the apartments whose possession is conferred by the shares; and

(2) the shares in the company and its parent company acquired or accepted as pledges during the financial period, as well as the transfer and cancellation of such shares.

(2) The annual report shall contain the following information on the shares in the company or its parent company acquired, accepted as pledges, transferred or cancelled during the financial period:

(1) how the shares have been acquired by the company or how they have been transferred to it;

(2) the quantity of shares and their proportion of all shares; and

(3) the consideration paid for the shares.

(3) The shares held by the housing company and pledged to it shall be listed separately. If shares have been acquired from a related party or if they have been transferred to a related party, that party shall be mentioned by name.

Section 8 – Consolidated financial statements

(1) In addition to the provisions elsewhere in the law, the provisions in this chapter apply to the drawing up of the consolidated financial statements.

(2) A parent company shall always draw up the consolidated financial statements if it distributes assets to the shareholders.

Section 9 – Instructions and statements by the Accounting Board

In accordance with chapter 8, section 2, of the Accounting Act, the Accounting Board may issue instructions and statements on the application of the provisions of this Act relating to the drawing up of the financial statements and annual report.

Group

Section 10 – Group

(1) If a housing company exercises control over another domestic or foreign company or foundation, as referred to in chapter 1, section 5, of the Accounting Act, the housing company shall be the parent company and the other company or foundation a subsidiary. The parent company and its subsidiaries form a group.

(2) A housing company exercises control over another company or foundation also in the event that the housing company, together with one or several of its subsidiaries, or a subsidiary or several subsidiaries together exercise control over that company or foundation, as referred to in chapter 1, section 5, of the Accounting Act.

(3) The provisions in chapter 1, section 5, of the Accounting Act on the party responsible to keep accounts apply to the limited liability housing company referred to above, and the provisions in the said section on a subsidiary undertaking apply to the other domestic or foreign company or foundation referred to above.

Chapter 11 – Distribution of assets

General provisions

Section 1 — Methods of distribution of assets

(1) The assets of the housing company may be distributed to the shareholders only as provided in this Act on:

(1) the distribution of profits (dividend) and the distribution of assets from reserves of unrestricted equity;

(2) the reduction of the share capital, as referred to in chapter 17;

(3) the acquisition and redemption of own shares, as referred to in chapters 2 and 18; and

(4) the dissolution and deregistration of the housing company, as referred to in chapter 22.

(2) Other transactions that reduce the assets of the housing company or increase its liabilities, without a financial justification related to the housing company’s purpose and operations, shall constitute unlawful distribution of assets.

(3) Assets shall not be distributed before the housing company has been registered.

Section 2 — Solvency

Assets shall not be distributed, if it is known or should be known at the time of the distribution decision that the housing company is insolvent or that the distribution will cause the insolvency of the housing company.

Section 3 – Distribution based on the financial statements

The distribution of assets, as referred to in section 1(1) above, shall be based on the latest adopted financial statements. If, under the law or the Articles of Association, an auditor shall be appointed for the housing company, the financial statements shall be audited. The essential changes in the financial position of the housing company after the completion of the financial statements shall be taken into account in the distribution.

Section 4 – Refund obligation

Assets received from the housing company in contravention of this Act or the Articles of Association shall be refunded, if the recipient knew or should have known that the distribution was in violation of this Act or the Articles of Association. The amount to be refunded shall bear annual interest at the current reference rate provided in section 12 of the Interest Act (633/1982; *korkolaki*) valid at the time.

Dividend and distribution of reserves of unrestricted equity

Section 5 – Amount to be distributed

Unless otherwise ensues from the application of section 2 on the solvency of the housing company, the housing company may distribute its reserves of unrestricted equity, less the assets that are to be left undistributed under the Articles of Association.

Section 6 – Decision-making

(1) The General Meeting shall make the decision on the distribution of assets. The provisions in chapter 6, sections 18–22, apply to the notice of the General Meeting, the meeting documents, their availability and delivery. The General Meeting may decide to distribute assets in excess of what the Board of Directors has proposed or accepted only if it is under the obligation to do so under the Articles of Association.

(2) By a decision determining the maximum amount of assets to be distributed, the General Meeting may also authorise the Board of Directors to decide on the distribution of dividends or of assets from reserves of unrestricted equity. The authorisation may remain in effect until the beginning of the next Ordinary General Meeting at most.

(3) The decision shall indicate the amount and type of assets to be distributed.

(4) On the consent of all shareholders, unrestricted equity may also be distributed in a manner other than that referred to in section 1(1), unless it is otherwise provided in the Articles of Association.

Other provisions

Section 7 – Restrictions related to granting a loan and pledge

(1) The housing company may only grant a monetary loan if the debtor does not belong to the housing company's related parties, as referred to in section 8, and the loan is necessary for the maintenance or use of a housing company building. The same applies to the granting of a pledge.

(2) The restriction referred to above in subsection (1) shall not apply if granting a loan or a pledge serves the interests of the housing company, and, in the cases referred to in section 8(1)(1), all of the housing company's shareholders consent to this, or, in the cases referred to in sections 8(1)(2)–8(1)(5), the General Meeting decides on the matter by a majority vote, as referred to in chapter 6, section 26.

Section 8 – Housing company's related parties

(1) The housing company's related parties include:

> (1) parties with control of the housing company, or ones under the authority of parties exercising control of the housing company, or parties belonging to the same group as the housing company;
>
> (2) parties holding a minimum of one per cent of the housing company shares, or ones which have or may have similar possession or voting rights, conferred by the holding of a share, an option or a convertible bond, in a company belonging to the same group as the housing company, or in a company or foundation exercising control over the housing company;
>
> (3) the housing company's Manager, Member of the Board of Directors, auditor, or operations inspector, and a person occupying a similar position in a company or foundation referred to in paragraph (1);
>
> (4) the spouse or similar partner in a marriage-like relationship of a person referred to in paragraphs (1)–(3), or this person's sibling, step-brother or step-sister, the lineal ascendant or descendant of a person referred to in paragraphs (1)–(3) or this person's spouse or partner in a marriage-like relationship, and these persons' spouses and partners in marriage-like relationships;
>
> (5) the company and foundation over which a person referred to in paragraphs (2)–(4) has exclusive or joint control.

(2) The provisions of chapter 1, sections 5(2) and 5(3), of the Accounting Act shall apply to the determination of holding and voting rights, as defined above in subsection (1)(2). The holding and voting rights of natural persons referred to in subsection (1)(4) of this section and companies and foundations referred to in subsection (1)(5), with whom a shareholder or member of a company has a relationship, shall weigh in this regard as a shareholder's or member's proportion.

(3) When applying the presumption of negligence, referred to in chapter 24, section (1)(3), or chapter 24, section (2)(2), of this Act, the proportion of holding or votes, as provided in subsection (1)(2) of this section, shall be 20 per cent.

PART IV – INCORPORATION AND FINANCE

Chapter 12 – Incorporation of a housing company

General provisions

Section 1 – Memorandum of Association

(1) A housing company shall be incorporated by way of a written Memorandum of Association, signed by all shareholders.

(2) By signing the Memorandum of Association, a shareholder shall subscribe for a quantity of shares, as indicated in the Memorandum of Association. The subscription shall not be cancelled once all of the shares have been subscribed for, unless it is otherwise agreed.

(3) The term and the duties of the management, the auditors and the operations inspectors shall begin as of the signing of the Memorandum of Association.

Section 2 – Contents of the Memorandum of Association

(1) The Memorandum of Association shall always contain the following information:

(1) the date of the contract;

(2) all shareholders and the quantity of shares subscribed for by each of them;

(3) the price to be paid to the housing company for each share (subscription price);

(4) the time when the shares are to be paid;

(5) the criteria for commencing payment of the charge for common expenses;

(6) the criteria for when the right of possession conferred by shares takes effect; and

(7) the Members of the Board of Directors of the housing company.

(2) The Articles of Association, as referred to in chapter 1, section 13, shall be included or attached to the Memorandum of Association. The financial period of the housing company shall be provided either in the Memorandum of Association or in the Articles of Association.

(3) Where appropriate, the Memorandum of Association shall also contain information on the Manager, the auditors and operations inspector. The Chairmen of the Board of Directors may be designated in the Memorandum of Association.

Section 3 – Subscription price

The subscription price of a share shall be credited to the share capital, unless it is provided in the Memorandum of Association or Articles of Association that a part of it is to be credited to the construction reserve or the reserve for invested unrestricted equity, or unless it is otherwise provided in the Accounting Act (1336/1997; *kirjanpitolaki*).

Payment for shares

Section 4 – Payment in cash

A subscription price paid in cash shall be paid into an account of the housing company in a Finnish deposit bank or into an account of a branch of a foreign credit institution licensed to accept deposits in Finland, or into a comparable foreign account.

Section 5 – Contribution in kind

(1) If, instead of cash, the subscription price is paid in full or in part with other assets (contribution in kind), the assets shall at the time of conveyance have a financial value to the housing company at least equal to the price thus paid. An undertaking to perform work or services shall not be used as contribution in kind.

(2) Provisions on the payment of the subscription price in kind shall be included in the Memorandum of Association. In addition, the Memorandum of Association shall contain an account specifying the contribution in kind and the price covered by it, as well as the circumstances relevant to the valuation of the contribution and the methods of valuation. If the provisions in this subsection have not been complied with, the subscriber shall prove that the contribution had a financial value to the housing company equal to the subscription price. Any shortfall shall be paid to the housing company in cash.

(3) If the subscription price is paid in cash on the condition that the housing company is to acquire assets against consideration, the provisions on contribution in kind apply correspondingly to the acquisition.

Section 6 – Consequences of late payment

(1) The Board of Directors may declare the right to a share forfeited, if the subscription price, together with the possible overdue interest thereon, has not been paid, although it has become due and the Board of Directors has not granted an extension to the subscriber. In this event, the Board of Directors may award the subscription right to a third party.

(2) A person whose right has been declared forfeited in accordance with subsection (1) shall be held liable for compensation to the housing company, in addition to the possible collection charges, with one tenth (1/10) of the subscription price of the share.

Registration and its legal effects

Section 7 – Registration of the housing company

(1) The housing company shall be submitted for registration within three months of the signing of the Memorandum of Association; failing this, the incorporation of the housing company shall lapse. The Trade Register Act (129/1979; *kaupparekisterilaki*) contains more detailed provisions on registration.

(2) Only shares which have been fully paid up within the period referred to in subsection (1) can be submitted for registration.

(3) The registration submission shall attached to it a declaration by the Members of the Board of Directors and the Manager to the effect that the provisions of this Act have been complied with in the incorporation of the housing company and a certificate by the auditors of the housing company to the effect that the provisions of this Act on the payment for shares have been complied with. If, under the law or the Articles of Association, no auditor need be appointed for the housing company, other evidence on the payment for shares shall be attached to the registration submission.

(4) If a share has been paid for in kind, also a statement by an auditor on the account referred to in section 5(2) and on whether the assets had a financial value to the housing company at least equal to the price thus paid shall be attached to the registration submission.

Section 8 – Legal effects of registration

(1) The housing company shall be established upon registration. The obligations arising from measures taken after the signing of the Memorandum of Association or from measures specified in the Memorandum of Association and taken no earlier than one year before the signing shall be transferred to the housing company upon registration.

(2) After registration, a shareholder cannot withdraw from a subscription by asserting that a condition relating to the incorporation has not been met.

Section 9 – Operations before registration

(1) Before registration, a housing company cannot acquire rights or enter into obligations, nor can it appear as a party in court or in dealings with other authorities.

(2) Measures taken on behalf of the housing company before registration shall be at the joint and several liability of the persons deciding on the measures and the persons carrying them out. In the situations referred to in section 8(1) this liability shall be transferred to the housing company upon registration.

(3) The Board of Directors and the Manager may speak for the housing company without personal liability in matters relating to the incorporation of the housing company, as well as take measures for the collection of the payment for shares.

Section 10 – Contracting with an unregistered housing company

If the contracting partner of a housing company knew that the housing company had not been registered, that partner may, unless it has been otherwise agreed, withdraw from the contract if the registration submission has not been submitted within the time limit referred to in section 7(1) or if registration is refused. If the contracting partner did not know that the housing company had not been registered, that partner may withdraw from the contract until the registration of the housing company.

Section 11 – Lapse of incorporation

(1) The incorporation of a housing company shall lapse if the housing company has not been submitted for registration within the time limit referred to in section 7(1) or if registration is refused.

(2) If the incorporation lapses, the Board of Directors and the Manager shall be jointly and severally liable for refunding the shareholders for the paid-up subscription prices and the income accruing on them. The normal expenditures arising from measures referred to in section 9(3) may be subtracted from the amount to be refunded.

Chapter 13 – Share issue

General provisions

Section 1 – Share issue

(1) A housing company may issue new shares or transfer treasury shares (*share issue*).

(2) A share issue may involve the issue of shares against payment (*share issue against payment*), or it may be free of charge (*share issue without payment*).

Section 2 – General provisions on the decision

(1) The General Meeting shall make decisions on share issues.

(2) The General Meeting may also authorise the Board of Directors to decide on a share issue in full or for some part (*share issue authorisation*). In this event, the maximum quantity of shares to be issued shall be indicated in a decision. The authorisation shall remain in effect one year from the decision of the General Meeting, unless it is otherwise provided in the decision. A new share issue authorisation shall supersede an earlier one, unless it is otherwise decided.

(3) Chapter 6, sections 18–22, contain provisions on the notice of the General Meeting and the meeting documents, their availability and delivery.

Section 3 – Right in a share issue

(1) In a share issue, the shareholders shall have a pre-emptive right to the shares to be issued in proportion to their current shareholdings in the housing company.

(2) Derogations from the provisions in subsection (1) may be included in the Articles of Association.

(3) A derogation from the pre-emptive right, as referred to in subsections (1) and (2), may be made in a share issue (*directed share issue*), if fulfilment of the shareholders' pre-emptive right is not possible or there is a weighty financial reason for the housing company to do so. In the assessment of the permissibility of a directed share issue, special attention shall be paid to the relation between the subscription price and the fair price of the share. A directed share issue shall not be executed without payment.

Section 4 – Notice of a General Meeting deciding on a directed share issue

If the Board of Directors proposes that the General Meeting make a decision on a directed share issue or on a share issue authorisation that does not exclude the right of the Board of Directors to decide on a directed share issue, there shall be a mention to this effect in the notice of the General

Meeting. A General Meeting decision of this kind shall be made by qualified majority, as referred to in chapter 6, section 27.

Share issue against payment

Section 5 – Contents of the decision

(1) A decision on a share issue against payment shall contain the following information:

(1) the quantity or maximum quantity of shares to be issued as well as whether new or treasury shares are to be issued;

(2) the number of shares conferring possession of an apartment, or a new apartment to be constructed, or an expansion of an apartment, under the direct control of the company, that are issued for subscription;

(3) those who have the right to subscribe for shares and, in a directed share issue, also the justification for the existence of a weighty financial reason to derogate from the pre-emptive right of the shareholders;

(4) the amount to be paid for a share (*subscription price*) and the determination criteria of the subscription price; and

(5) the deadline for the payment of the subscription price;

(6) the criteria for commencing payment of the charge for common expenses; and

(7) the criteria for when the right of possession conferred by shares takes effect.

(2) If all of the holders of subscription rights do not subscribe for shares at the meeting deciding on the share issue, the decision shall also contain the following information:

(1) the subscription period for the shares; and

(2) in other than a directed share issue, the period during which the pre-emptive subscription right is to be exercised.

(3) The number of shares, as referred to above in subsection 1(2), must be determined using the same criteria as for the number of shares conferring possession of the housing company’s other apartments.

(4) The Articles of Association must be amended in connection with a decision to increase the housing company's share capital to reflect the issues specified in chapter 1, sections 13(1)(4) and 13(1)(5), regarding the apartments, as referred to in subsection (1).

(5) The period referred to above in subsection (2)(2) shall not end before two weeks have passed from the beginning of the subscription period.

Section 6 – Subscription price

(1) The subscription price of a new share shall be credited to the share capital, unless it is provided in the share issue decision that it is to be credited in full or in part to the reserve for invested unrestricted equity or to the construction reserve, or unless it is otherwise provided in the Accounting Act.

(2) The amount received for a treasury share shall be credited to the reserve for invested unrestricted equity, unless it is provided in the share issue decision that it is to be credited in full or in part to the share capital, or unless it is otherwise provided in the Accounting Act.

Section 7 – Right of shareholders to information

(1) A shareholder, who according to a decision referred to in section 5(2) has a subscription right, shall before the beginning of the subscription period be notified of the decision in the same manner as a notice of the General Meeting. At the same time, the shareholder shall be notified of how and when to act if the shareholder wishes to exercise the right.

(2) The notification referred to in subsection (1) need not be made, if the corresponding information is included in the notice of the General Meeting deciding on the share issue, or if it is available at the meeting deciding on the share issue and the shareholder is present at the meeting.

(3) The contents of the share issue decision and the documents concerning the financial position of the housing company, as referred to in chapter 6, section 22, shall be kept available to the shareholders referred to in subsection (1) for the duration of the subscription period.

(4) Shareholders must be informed of a decision on a share issue against payment in the same manner in which they are given notice of a General Meeting, if the Board of Directors has made the decision regarding the share issue on the basis of an authorisation.

Section 8 – Subscription

The subscription for a share shall be verifiable. The subscription shall indicate the subscriber, the share issue decision on which the subscription is based, and the shares that are being subscribed for.

Section 9 – Subscription price receivables

(1) The housing company shall not convey or pledge its subscription price receivables. If the housing company is declared bankrupt, the receivables shall belong to the bankruptcy estate.

(2) The subscription price may be set off against receivables from the housing company only if the Board of Directors of the housing company consents to the same, unless otherwise provided in the share issue decision.

Section 10 – Payment in cash

A subscription price paid in cash shall be paid into an account of the housing company in a Finnish deposit bank or into an account of a branch of a foreign credit institution licensed to accept deposits in Finland, or into a comparable foreign account.

Section 11 – Contribution in kind

(1) If, instead of cash, the subscription price is paid in full or in part with other assets (*contribution in kind*), the assets shall at the time of conveyance have a financial value to the housing company at least equal to the price thus paid. An undertaking to perform work or provide services shall not be used as contribution in kind.

(2) The share issue decision shall contain a mention of the payment of the subscription price in kind. In addition, the decision shall contain an account specifying the contribution in kind and the price covered by it, as well as the circumstances relevant to the valuation of the contribution and the methods of valuation. If the provisions in this subsection have not been complied with, the subscriber shall prove that the contribution had a financial value to the housing company equal to the subscription price. Any shortfall shall be paid to the housing company in cash.

(3) If the subscription price is paid in cash on the condition that the housing company is to acquire assets against consideration, the provisions on contribution in kind apply correspondingly to the acquisition.

Section 12 – Consequences of late payment

(1) The Board of Directors may declare that the right to a share has been forfeited, if the subscription price, together with the possible overdue interest thereon, has not been paid, although it has become due and the Board of Directors has not granted an extension to the subscriber. In this event, the Board of Directors may grant the subscription right to a third party or cancel the unpaid new share.

(2) A person whose right has been declared forfeited in accordance with subsection (1) shall be held liable for compensation to the housing company, in addition to the possible collection charges, with one tenth (1/10) of the subscription price of the share.

Section 13 – Registration of new shares

(1) Subscribed new shares may be submitted for registration once they have been fully paid for and any other terms of subscription have been met. At that time, the shares shall be submitted for registration without undue delay and, if necessary, in several batches. When assessing the delay, due note shall be taken of the rights of the shareholders, on the one hand, and of the costs to the housing company of providing the submission, on the other hand. When more than one year has passed from the beginning of the subscription period, the registration submission on new shares shall also be made without delay after the end of each financial period. When a new share is submitted for registration, the possible increase of the share capital based on the subscription price of the share shall be submitted for registration at the same time.

(2) The shares shall be submitted for registration within five years of the share issue decision, unless a shorter period has been provided in the share issue decision; failing this, the issue of the shares shall lapse.

(3) The registration submission shall have attached to it a declaration by the Members of the Board of Directors and the Manager to the effect that the provisions of this Act have been complied with in the issue of the shares. The registration submission shall also have attached to it a certificate by the auditors of the housing company to the effect that the provisions of this Act on the payment for shares have been complied with. If, under the law or the Articles of Association, no auditor needs to

be appointed for the housing company, other evidence on the payment for shares shall be attached to the registration submission.

(4) If a share has been paid for in kind, a statement by an auditor on the account referred to in section 11(2) and on whether the assets had a financial value to the housing company at least equal to the price thus paid shall also always be attached to the registration submission.

Section 14 – Legal effects of registration

(1) A new share shall carry shareholder rights as of registration, unless a later point in time is provided in the share issue decision. In any event, the shares shall carry shareholder rights no later than one year after registration.

(2) After registration, the shareholder cannot withdraw from the subscription by asserting that a condition relating to the subscription has not been met.

Section 15 – Issue of treasury shares

In the issue of treasury shares, a share shall not be transferred until the issue has been fully paid for. The possession of the share certificate shall not be released to the transferee before the said point in time.

Share issue without payment

Section 16 – Contents of the decision

(1) A decision on a share issue without payment shall contain the quantity of shares to be issued and whether new or treasury shares are to be issued.

(2) If the shares issued in a share issue without payment confer the right of possession, as referred to in section 5(1)(2), the information specified in sections 5(1)(2), 5(1)(6) and 5(1)(7) must be mentioned in the decision.

Section 17 – Registration and its legal effects

(1) A share issue without payment shall be submitted for registration without delay after the decision on the share issue.

(2) A new share shall carry shareholder rights, excluding the rights referred to in section 16, as of registration, unless a later point in time is provided in the share issue decision.

Section 18 – Share issue to the housing company without payment

The housing company may decide on a share issue to the housing company itself without payment so that the new shares registered in the share issue are governed by the provisions on treasury shares. A share issue of this kind shall not be subject to the provisions on directed share issues.

Chapter 14 – Option rights and other special rights entitling to shares

Section 1 – Option rights and other special rights

(1) If there is a weighty financial reason for the housing company to do so, the housing company may issue special rights, as provided in this chapter, for the holder to receive new shares or treasury shares against payment. The holder may have the right to choose whether or not to subscribe for shares (*option right*). The right may also be attached to an undertaking to subscribe for shares.

(2) A right referred to in subsection (1) may be issued to a creditor of the housing company with the condition that the receivables of the creditor are to be set off against the subscription price of the share.

Section 2 – Decision-making

(1) The General Meeting shall decide on the issue of option rights and other rights referred to in section 1.

(2) By its decision the General Meeting may also authorise the Board of Directors to decide, in full or for some part, on an issue of option rights or other rights referred to in section 1. In this event, the maximum quantity of shares to be issued shall be indicated in a decision. The authorisation shall remain in effect one year from the decision of the General Meeting, unless it is otherwise provided in the decision. A new authorisation shall supersede an earlier one, unless it is otherwise decided.

(3) A General Meeting decision referred to in subsection (1) or (2) shall be made by qualified majority, as referred to in chapter 6, section 27. Chapter 6, sections 18–22, contain provisions on the notice of the General Meeting, the meeting documents, their availability and delivery.

Section 3 – Contents of the decision

(1) A decision concerning the issue of option rights or other rights referred to in section 1 shall contain the following information:

(1) the shares to which each option right or other right referred to in section 1 pertains, as well as whether new or treasury shares are to be issued;

(2) the number or maximum number of option rights or other rights referred to in section 1 to be issued;

(3) those who have the right to receive or to subscribe for option rights or other rights referred to in section 1;

(4) if the option rights or other rights referred to in section 1 are to be issued against consideration, their subscription prices or other consideration for them, the subscription period and the deadline for the payment;

(5) the subscription prices, subscription period and the deadline for the payment of the shares;

(6) justification for the existence of the weighty financial reason for the issue of the rights, as referred to in section 1(1), as well as justification for the determination criteria of the subscription price or the other consideration for the rights and of the subscription price of the shares; and

(7) the status of the rights in a share issue, in the issue of rights under this chapter in accordance with some other decision, in the distribution of housing company assets in accordance with chapter 11, section 1(1), in the reacquisition of rights under this chapter, in the merger of the housing company into another company, in the demerger of the housing company, and, the provisions regarding the submission of disputes over redemption to a court or arbitration in connection with a merger or demerger, and the payment of the redemption price, and transfer of ownership.

(2) Unless otherwise provided in the decision, the right of the holder of the right to redemption in a merger or demerger shall also be governed by the provisions in chapter 19, section 13, and chapter 20, section 13.

(3) If the subscription price of an option right or another right referred to in section 1 is paid, it shall be credited to the reserve for invested unrestricted equity, unless it is provided in the decision that it is to be credited to the share capital or to the construction reserve.

Section 4 – Right of shareholders to information

(1) Shareholders must be informed of a decision regarding the issue of option rights and other rights, as referred to in section 1, in the same manner in which they are given notice of a General Meeting, if the Board of Directors has made the decision regarding the issue on the basis of an authorisation.

Section 5 – Subscribing for special rights

The subscription for option rights and other rights referred to in section 1 shall be verifiable. The subscription shall indicate the subscriber, the housing company decision on which the subscription is based and the rights to which the subscription pertains.

Section 6 – Payment to the housing company

The payment to the housing company of the subscription price or other consideration for an option right or another right referred to in section 1 shall be governed by the corresponding provisions in chapter 13, sections 9–11 and 12(1), on the subscription price receivables, payment in cash, contribution in kind and the consequences of late payment. In this event, the provisions in the said sections on the share issue decision apply to the decision referred to in section 3.

Section 7 – Issue of shares

(1) In other respects, the issue of shares shall be governed by the provisions in chapter 13, sections 6 and 8–15, on a share issue against payment. The provisions in the said sections on the share issue decision apply to the decision referred to in section 3.

(2) However, the issue of shares under this chapter shall not be subject to the deadline for the registration of new shares provided in chapter 13, section 13(2).

Chapter 15 – Increase of the share capital

Section 1 – Means of increasing the share capital

The share capital may be increased:

(1) by crediting the subscription price of shares, option rights or other special rights in full or in part to the share capital, as provided in chapters 13 and 14;

(2) by transferring assets from reserves of unrestricted equity or from the construction reserve into the share capital (*increase from reserves*); or

(3) by crediting to the share capital assets that are invested into the housing company in a situation other than that referred to in paragraph (1) on the condition that the assets be credited to the share capital (*share capital investment*).

Section 2 – Increase from reserves

(1) The General Meeting shall make the decision on an increase from reserves.

(2) By a decision determining the maximum amount of increase, the General Meeting may also authorise the Board of Directors to decide on an increase from reserves. The authorisation shall be submitted for registration without undue delay, and in any event no later than one month after the decision. The authorisation shall remain in effect one year from the decision of the General Meeting, unless it is otherwise provided in the decision. A new authorisation shall supersede an earlier one, unless it is otherwise decided.

(3) The decision on an increase from reserves shall indicate the amount of the increase and the assets to be used for the increase. The provisions in chapter 6, sections 18–22, apply to the notice of the General Meeting, the meeting documents, their availability and delivery.

Section 3 – Share capital investment

(1) The Board of Directors shall make the decision to increase share capital on the basis of a share capital investment. The decision shall indicate the amount of the increase and the investment on which the increase is based.

(2) The provisions in chapter 13, sections 9–11, on the subscription price receivables, payment in cash and contribution in kind apply correspondingly to the payment of the investment. In this event, the provisions in the said sections on the share issue decision apply to the decision to increase the share capital.

Section 4 – Registration and legal effects of the increase

(1) Chapter 13, section 13, contains provisions on submitting a share capital increase for registration in the event that the share capital is being increased by the subscription price of new shares.

(2) Other share capital increases shall be submitted for registration without delay once the eventual payment has been received by the housing company and once the other terms of the increase have been met. The registration submission shall have attached to it a declaration by the Members of the Board of Directors and the Manager to the effect that the provisions of this Act have been complied with in the increasing of the share capital. In an increase other than one from reserves, the registration submission shall have attached to it a certificate by the auditors of the housing company

to the effect that the provisions of this Act on the payment of the share capital have been complied with. If, under the law or the Articles of Association, no auditor need be appointed for the housing company, other evidence on the payment for shares shall be attached to the registration submission.

(3) If the increase has been paid for in kind, the registration submission shall also have attached to it a statement by an auditor on the account referred to in chapter 13, section 11(2), and on whether the assets had a financial value for the housing company at least equal to the payment.

(4) The share capital shall have been increased once the increase has been registered. After registration, the payer of the increase cannot withdraw from the transaction by asserting that a condition relating to the transaction has not been met.

Chapter 16 – Subordinated loan

Section 1 – Subordination and other terms of the loan

(1) The housing company may take out a loan (*subordinated loan*), where:

> (1) the principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the housing company;
>
> (2) the principal may be otherwise repaid and interest paid only insofar as the sum total of the unrestricted equity and all of the subordinated loans of the housing company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements; and
>
> (3) the housing company or a subsidiary shall not post security for the payment of the principal and interest.

(2) The repayment of the principal, the payment of interest and the posting of security for a subordinated loan in violation of the provisions in subsection (1) shall be subject to the provisions in chapter 11, section 4, on the unlawful distribution of assets and in chapter 27, section 1, on criminal penalties.

(3) The provisions in this section do not apply to the creditor protection referred to in chapter 17, section 2, chapter 19, section 6, chapter 20, section 6, or chapter 21, section 4. However, the amount due to the creditor of a subordinated loan may be paid or security posted only after the measure requiring creditor protection has been registered. On the consent of the creditor of the subordinated loan, the subordinated loan may be used for the payment of a share capital increase, converted into invested unrestricted equity or used to cover the loss of the housing company.

Section 2 – Miscellaneous provisions

(1) A contract on a subordinated loan shall be concluded in writing. A change in the terms of the loan or the posting of security shall be invalid, if it is contrary to section 1(1).

(2) If interest due on a subordinated loan cannot be paid, the interest shall be deferred to be paid on the basis of the first such financial statements that allow for payment.

(3) Subordinated loans shall have an equal right to the assets of the housing company, unless it is otherwise agreed between the housing company and the creditors of the subordinated loans.

(4) Subordinated loans shall be shown on the housing company balance sheet as a separate item.

PART V – REDUCTION OF THE SHARE CAPITAL AND TREASURY SHARES

Chapter 17 – Reduction of the share capital

Section 1 – Decision-making

(1) The General Meeting may make a decision on the distribution of share capital, the reduction of the share capital in order to transfer assets to reserves of unrestricted equity, and the use of the share capital to cover at once such losses that cannot be covered from unrestricted equity (*loss coverage*). The share capital shall not be reduced below the minimum share capital referred to in chapter 1, section 7(1).

(2) The decision shall indicate the amount or maximum amount of the reduction and the purpose referred to in subsection (1) for which the amount of reduction is intended. The provisions in chapter 6, sections 18–22, apply to the notice of the General Meeting, the meeting documents, their availability and delivery.

(3) Chapter 18 contains provisions on decision-making in respect of the acquisition and redemption of own shares. Chapters 19–22 contain provisions on decision-making and creditor protection in respect of a merger, a demerger, changing the legal form and the dissolution of the housing company.

Section 2 – Creditor protection

(1) The creditors of the housing company whose receivables have arisen before the issue of the public notice referred to in section 4 shall have the right to object to the reduction of the share capital. However, they shall not have this right if the amount of the reduction is to be used for loss coverage or if the share capital is at the same time increased at least by the amount of the reduction.

(2) If the share capital has been reduced for loss coverage, the unrestricted equity of the housing company may be distributed to the shareholders during the three years following the registration of the reduction only in accordance with the creditor protection procedure. However, a creditor shall not have the right to object to the distribution if the share capital has been increased by at least the amount of the reduction.

Section 3 – Registration submission and application for a public notice

If the creditors have the right to object to the reduction of the share capital, as referred to in section 2(1), the housing company shall submit the reduction for registration within one month of the decision and apply to the registration authority for the issue of a public notice referred to in section 4; failing this, the decision shall lapse.

Section 4 – Public notice to creditors

(1) Once the registration authority receives an application referred to in section 3, it shall issue a public notice to the housing company's creditors referred to in section 2(1), indicating that they have the right to object to the reduction by so informing the registration authority in writing by the due date indicated in the public notice. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date, as well as register the public notice on its own motion.

(2) No later than one month before the due date, the housing company shall send a written notification of the public notice to its known creditors referred to in section 2(1). A declaration by a Member of the Board of Directors or the Manager on the sending of the notifications shall be delivered to the registration authority by the due date.

(3) The registration authority shall notify the housing company of the objections filed with it without delay after the due date.

Section 5 – Preconditions of registration

(1) The registration authority shall register the reduction of the share capital of the housing company, if no creditor has objected to the reduction or if it is affirmed by court judgment that the creditor has received payment or full security for the receivables.

(2) If a creditor has objected to the reduction, the decision on the reduction of the share capital shall lapse in one month from the deadline. However, the registration authority shall suspend the proceedings in the matter, if the housing company shows that it has, within one month of the deadline, brought an action for the affirmation that the creditor has received payment or full security for the receivables, or if the housing company and the creditor together request that the proceedings be suspended.

(3) The share capital shall have been reduced when the reduction has been registered.

Section 6 – Registration of other forms of reduction of share capital

(1) A decision on the reduction of the share capital that the creditors cannot under section 2(1) object to shall be submitted by the housing company for registration within one month of the decision; failing this, the decision shall lapse. The share capital shall have been reduced when the reduction has been registered.

(2) The reduction of the share capital and an increase of the share capital, as referred to in section 2(1), shall be submitted for registration at the same time.

Section 7 – Creditor protection in the amendment of the Articles of Association

It may be provided in the Articles of Association that the housing company's or the shareholder's creditors have the right, in accordance with the procedure provided in sections 3–5, to object to the amendment of a given term in the Articles of Association or a derogation from such a term. In this event, the provisions in sections 3–5 on the reduction of the share capital apply to the amendment of the Articles of Association or to the derogation from them. However, the one-month deadline referred to in section 3 does not apply.

Chapter 18 – Own shares

General provisions

Section 1 – Acquisition, redemption and acceptance as pledge

(1) In accordance with this chapter, the housing company may make a decision:

(1) to acquire its own shares (*acquisition*);

(2) to redeem a share transferred to another party on the basis of the redemption clause, as referred to in chapter 2, section 5; and

(3) to accept its own shares as pledge.

(2) If the acquisition proceeds by way of the reduction of share capital, the provisions in chapter 17 shall likewise be complied with.

Section 2 – Restrictions of scope

The provisions in this chapter on acquisition, redemption and acceptance as pledge do not apply when the housing company:

(1) acquires the assets and liabilities of another company by way of merger or demerger, and thereby acquires its own shares owned or held as pledge by the acquired company;

(2) purchases in a bailiff's auction a share that has been distrained to enforce the receivables of the company; or

(3) receives an own share for no consideration.

Section 3 – Retention, cancellation and transfer

(1) Shares that have been acquired or redeemed or that have otherwise come to the possession of the housing company may be retained as treasury shares, cancelled or transferred further.

(2) Section 6 contains provisions on cancellation and chapter 13 contains provisions on further transfer. Sections 6(2) and 6(3) of this chapter contain provisions on the duty to transfer or to cancel treasury shares acquired or redeemed in violation of the provisions of this Act.

Acquisition and redemption of own shares

Section 4 – General provisions on decision-making

(1) The General Meeting shall make the decision on acquisition and redemption. The decision shall be made by qualified majority, as referred to in chapter 6, section 27. The housing company may not acquire or redeem all of its own shares.

(2) If the housing company acquires or redeems its own shares in disproportion to the holdings of shareholders, special attention shall be paid to the relation of the consideration offered to the market price of the shares when assessing the acceptability of the acquisition or redemption.

(3) By a decision indicating the maximum quantity of shares to be acquired, the period of validity of the authorisation, and the minimum and maximum amounts of consideration, the General Meeting may also authorise the Board of Directors to decide on an acquisition in full or in part. The authorisation remains in effect one year from the decision of the General Meeting, unless a shorter period is provided in the decision. Own shares may be acquired on the basis of an authorisation only by using unrestricted equity for the purpose.

(3) The provisions in chapter 6, sections 18–22, apply to the notice of the General Meeting, the meeting documents, their availability and their delivery. If the Board of Directors proposes that the General Meeting decide on a directed acquisition or redemption, or on authorising the Board of Directors to make an acquisition that does not exclude the right of the Board of Directors to decide on a directed acquisition, this must be mentioned in the notice of the General Meeting.

Section 5 – Contents of the acquisition decision or redemption decision

The decision to acquire or to redeem own shares shall contain the following information:

(1) whether the matter is of acquisition or redemption;

(2) the quantity or maximum quantity of shares that the decision concerns;

(3) the persons from whom the shares are to be acquired or redeemed and, if necessary, the order in which the acquisition or redemption is to occur, and the justification under which the prerequisites, as referred to in section 4(2), for acquisition or redemption exist;

(4) the period during which the shares to be acquired are to be offered to the housing company, or the date when the shares are to be redeemed;

(5) the consideration to be paid for the shares and the grounds for the determination of the consideration and, if assets other than money are to be given as consideration, an account of the value of the said assets;

(6) the date of payment of the consideration; and

(7) the effects of the procedure on the equity of the housing company.

Section 6 – Cancellation and transfer of treasury shares in certain situations

(1) The Board of Directors may decide to cancel treasury shares. The cancellation shall be submitted for registration without delay. The shares shall have been cancelled once the submission has been registered.

(2) Shares acquired or redeemed in violation of the provisions of this Act shall be transferred without undue delay, and in any event no later than one year after the acquisition or redemption.

(3) If the shares have not been transferred within the period provided in subsection (2), they shall be cancelled.

Acceptance of own shares as pledge and subscription for own shares

Section 7 – Own shares as pledge

(1) A housing company may accept its own shares as pledge. The decision to accept own shares as pledge shall be made in accordance with the same rules as in the acquisition of own shares.

(2) Besides the provisions in chapter 10 of the Code of Commerce (*kauppakaari*), the sale of own shares held as pledge shall be governed by the provisions in chapter 13 of this Act on the transfer of treasury shares.

Section 8 – Subscription for own shares and shares in a parent company

(1) A housing company or its subsidiary shall not subscribe for shares in the housing company against consideration. If the housing company has subscribed for its shares in the context of incorporation, the signatories of the Memorandum of Association shall be deemed to have subscribed for the shares. If the housing company has subscribed for its shares in a share issue against consideration, the Members of the Board of Directors and the Manager shall be deemed to have subscribed for the shares. If a subsidiary has subscribed for shares in the parent housing company, the Members of the Board of Directors and the Manager of the parent housing company and the persons in corresponding positions in the subsidiary shall be deemed to have subscribed for the shares. The subscribers shall be jointly and severally liable for the payment of the subscription price. However, a person who proves that he or she objected to the subscription or did not know and should not have known of the subscription shall not be deemed a subscriber.

(2) A person who has subscribed for shares in a housing company in his or her own name but on behalf of the housing company or a subsidiary shall be deemed to have subscribed for the shares on his or her own behalf.

(3) Chapter 13, section 18, contains provisions on a share issue to the housing company itself without payment.

PART VI — CHANGES IN COMPANY STRUCTURE AND THE DISSOLUTION OF THE COMPANY

Chapter 19 – Merger

Definition of a merger and forms of merger

Section 1 – Merger

(1) A limited liability housing company (merging company) may merge into another limited liability housing company or limited liability company (acquiring company), in which event the assets and liabilities of the merging company are transferred to the acquiring company and the shareholders of the merging company receive shares in the acquiring company as merger consideration. The merger consideration may also consist of cash, other assets and future undertakings.

(2) The provisions of chapter 16 of the Limited Liability Companies Act (624/2006; *osakeyhtiölaki*) shall apply, with regard to another limited liability company participating in the merger, to the draft terms of merger and its approval, to creditor protection as well as to the right of the merging company's shareholders and option right holders to request redemption, and to the payment of the redemption price.

(3) If a co-operative owns all the shares of a limited liability housing company, the limited liability housing company may merge with the co-operative in accordance with the provisions of chapter 16, section 2, of the Co-operatives Act (1488/2001; *osuuskuntalaki*) pertaining to limited liability companies merging with co-operatives. If a right-of-occupancy association owns all the shares of a limited liability housing company, the limited liability housing company may merge with the right-of-occupancy association in accordance with the provisions of this chapter and section 81 of the Act on Right-Of-Occupancy Associations (1072/1994; *laki asumisoikeusyhdistyksistä*).

Section 2 – Forms of merger

(1) A merger may occur so that:

> (1) one or several merging companies merge into the acquiring company (*absorption merger*); or
>
> (2) at least two merging companies merge by way of incorporating an acquiring company together (*combination merger*).

(2) *A subsidiary merger* is defined as an absorption merger where the companies involved in the merger own all of the shares of the merging company and, where appropriate, all option rights and other special rights entitling to shares in the company.

(3) *A triangular merger* is defined as an absorption merger where a party other than the acquiring company provides the merger consideration.

(4) For the purposes of this chapter, *companies involved in the merger* refers to a merging company and to an acquiring company.

Draft terms of merger and the statement of an auditor

Section 3 – Draft terms of merger

(1) The Boards of Directors of the companies involved in the merger shall draw up written draft terms of merger, which shall be dated and signed. In a triangular merger, the provider of the merger consideration shall also sign the draft terms of merger.

(2) The draft terms of merger shall contain the following information:

> (1) the trade names of the companies involved in the merger and, where appropriate, the trade name of the other provider of merger consideration, their business identity codes or other corresponding identifying information, and the places of their registered offices;

(2) an account of the reasons for the merger;

(3) in an absorption merger a proposal, where appropriate, for the amendment of the Articles of Association of the acquiring company and in a combination merger a proposal for the Articles of Association of the company to be incorporated and for how the members of the bodies of that company are to be appointed;

(4) in an absorption merger a proposal, where appropriate, for the quantity of the shares to be issued as merger consideration as well as whether new shares or treasury shares are to be issued, and in a combination merger a proposal for the quantity of the shares of the acquiring company;

(5) a proposal for the criteria for commencing payment of the charge for common expenses for shares issued as merger consideration;

(6) a proposal for the criteria for when the right of possession conferred by shares issued as merger consideration takes effect;

(7) a proposal, where appropriate, for other merger consideration and, if that consideration consists of option rights or other special rights entitling to shares, the terms of the same, as referred to in chapter 14, section 3;

(8) a proposal for the distribution of the merger consideration, the point in time of the payment of the consideration and the other terms relating to the provision of the consideration, as well as an account of the grounds for the same;

(9) an account of or a proposal for the rights in the merger of the holders of option rights and other special rights entitling to shares in the merging company;

(10) in an absorption merger a proposal, where appropriate, for the increase of the share capital of the acquiring company and in a combination merger a proposal for the share capital of the acquiring company;

(11) an account of the assets, liabilities and equity of the merging company and of the circumstances relevant to their valuation, the intended effect of the merger on the balance sheet of the acquiring company, as well as of the accounting treatments to be applied in the merger;

(12) an account of the type of maintenance that shall be needed for the real estate and the buildings of a housing company participating in the merger, during the five-year period following the signing of the draft terms of merger, and that shall significantly affect the use of shareholders' facilities, the charge for common expenses, or other expenditures arising from the use of the facilities;

(13) a proposal for the right of the companies involved in the merger to decide on arrangements beyond their normal business operations and affecting their equity or number of outstanding shares;

(14) an account of subordinated loans whose creditors are entitled to object to the merger, as referred to in section 6;

(15) an account of the quantity of shares in the acquiring company and its parent company held by the merging company and its subsidiaries, as well as of the quantity of shares in the merging company held by the companies involved in the merger;

(16) an account of the business mortgages pertaining to the assets of the companies involved in the merger, as referred to in the Business Mortgages Act (634/1984; *yrityskiinnityslaki*);

(17) an account of or a proposal for the special advantages and rights to be granted to the Members of the Board of Directors of the companies involved in the merger, their Managers, their auditors, the operations inspector and the auditor issuing a statement on the draft terms of merger;

(18) a proposal for the intended date of registration of the implementation of the merger; and

(19) a proposal, where appropriate, for the other terms of the merger.

(3) The provisions in subsections (2)(4)–(2)(10), (2)(12) and (2)(13) do not apply in a subsidiary merger.

Section 4 – Statement of an auditor

(1) The companies involved in the merger shall designate one or several auditors to issue a statement on the draft terms of merger to each of the companies involved in the merger. The statement shall contain an analysis of whether a true and fair view has been provided of the grounds for setting the merger consideration, as well as on the distribution of the consideration. The statement to be issued to the acquiring company shall also indicate whether the merger is conducive to compromising the repayment of the company's debts.

(2) If all shareholders of the companies involved in the merger consent to the same, or if the matter is of a subsidiary merger, only a statement as to whether the merger is conducive to compromising the repayment of the company's debts shall be needed.

Registration of the draft terms of merger and public notice to the creditors

Section 5 – Registration of the draft terms of merger

(1) The draft terms of merger shall be submitted for registration within one month from the signing of the proposal. The statement referred to in section 4 shall be attached to the submission.

(2) The submission shall be made by the companies involved in the merger together. In a subsidiary merger, the submission shall be made by the parent company.

(3) The merger shall lapse if the submission is not made in time or if registration is refused.

Section 6 – Public notice to creditors

(1) The creditors of the merging company whose receivables have arisen before the registration of the draft terms of merger shall have the right to object to the merger. A creditor whose receivables may be collected without a judgment or decision being required, as provided in the Act on the Collection of Taxes and Public Charges by Enforcement Measures (706/2007; *laki verojen ja maksujen perimisestä ulosottotoimin*), and whose receivables have arisen no later than on the due date referred to in paragraph (2) shall likewise have the right to object to the merger.

(2) On the application of the merging company, the registration authority shall issue a public notice to the creditors referred to in subsection (1), containing a mention of the right of the creditor to object to the merger by so informing the registration authority in writing no later than on the due date indicated in the public notice. The issue of the public notice shall be applied for within four months of the registration of the draft terms of merger; failing this the merger shall lapse. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date, as well as register the notice on its own motion.

(3) On the application of the acquiring company, a public notice shall likewise be issued to the creditors of the acquiring company, if the merger is according to the statement of an auditor, as referred to in section 4, conducive to compromising the repayment of the debts of the acquiring company. In this event, the provisions in this chapter on the creditors of the merging company apply to the creditors of the acquiring company.

Section 7 – Written notification by the housing company to the creditors

No later than one month before the due date, the housing company shall send a written notification of the public notice to its known creditors referred to in section 6(1) whose receivables have arisen before the registration of the draft terms of merger. If the holder of an option right of the merging company or the holder of some other special right of the merging company entitling to shares has demanded redemption, as referred to in section 13, the creditors shall be notified of the quantities of rights that have been requested to be redeemed. The notification shall be sent only after the General Meeting deciding on the merger has been held. However, if all holders of the rights referred to above have declared that they waive the right of redemption or if they otherwise do not have the right of redemption, the notification may be sent earlier.

Section 8 – Restructuring of enterprises

(1) Restructuring proceedings, as referred to in the Restructuring of Enterprises Act (47/1993; *laki yrityksen saneerauksesta*), shall replace the public notice referred to in section 6; a creditor shall have no right to object to the merger in accordance with this Act, if all companies involved in the merger belong to the same group and the restructuring programme is approved for all of them at the same time.

(2) The draft terms of merger and its attachments shall be appended to the proposed restructuring programme.

Merger decision

Section 9 – Competent body and timing of the decision

(1) In the merging limited liability housing company, the General Meeting shall make the decision on a merger. Decision-making is provided for in chapter 6, section 37. However, in a subsidiary merger, the decision may be made by the Board of Directors of the merging housing company.

(2) In the acquiring limited liability housing company, the General Meeting shall make the decision on a merger by qualified majority, as referred to in chapter 6, section 27.

(3) The General Meeting that is to decide on the merger shall be held within four months of the registration of the draft terms of merger; failing this, the merger shall lapse. In any event, the General Meeting shall be held no later than one month before the due date referred to in section 6, unless, where appropriate, all holders of option rights or other special rights entitling to shares have waived their right to demand redemption.

Section 10 – Notice to holders of option rights and other special rights entitling to shares

The merging limited liability housing company shall no earlier than two months and no later than two weeks before the General Meeting give notice of the right of redemption referred to in section 13 to those holders of option rights or other special rights entitling to shares who have the right to demand redemption and whose addresses are known to the housing company. If the addresses of all holders of a right with the right of redemption are not known to the housing company, the notice of the right of redemption shall also be published in the Official Gazette within the same time limit.

Section 11 – Availability and delivery of documents

(1) For at least two weeks before the General Meeting deciding on the merger, the following documents shall be kept available to shareholders at the location specified in the notice of the General Meeting, shall be sent without delay to any shareholders who so request, and shall be made available at the General Meeting:

(1) the draft terms of merger;

(2) the financial statements, annual reports and auditor's reports of each company involved in the merger, for the past three completed financial periods;

(3) where appropriate, the decisions made by each company involved in the merger after the end of the latest financial period regarding the distribution of assets;

(4) a report by the Board of Directors on the events with an essential effect on the state of the housing company that have occurred after the financial statements; and

(7) a statement on the draft terms of merger referred to in section 4.

(2) In a triangular merger, the documents referred to in chapter 6, section 22(2), concerning the provider of the merger consideration shall be kept available to the shareholders.

Section 12 –Legal effects of the merger decision

(1) The merger decision of the merging company shall replace the subscription for the merger consideration and the other measures that establish a right in the merger consideration, as carried out by the shareholders of the merging company and the holders of option rights and other special

rights entitling to shares. In a combination merger, the draft terms of merger shall also replace the Memorandum of Association of the acquiring company.

(2) If the merger is not approved unchanged in accordance with the draft terms of merger in each of the companies involved in the merger, the merger shall lapse. The decision not to approve the merger or the lapse of the merger shall be submitted for registration without delay.

Redemption of option rights and other special rights entitling to shares

Section 13 – Redemption

(1) The holder of option rights or other special rights entitling to shares may demand the redemption of the rights at the General Meeting that is to decide on the merger or verifiably file a written demand to this effect with the merging company before the General Meeting. Before a decision on the merger is made, the General Meeting shall be informed of how many rights are subject to demands of redemption.

(2) If no agreement is reached with the acquiring company on the redemption of option rights or other special rights entitling to shares or on the terms of the redemption, the matter shall be submitted to a court or arbitration in accordance with the option right terms. The holder of a right shall initiate the proceedings no later than one month after the General Meeting. Once the proceedings have been initiated, the holder of the right shall only have a right to the redemption price. If it is later determined in the redemption proceedings that they have no right of redemption, they shall have a right to the merger consideration in accordance with the draft terms of merger. If the merger lapses, the redemption proceedings shall also lapse.

(3) The fair price of the option right or other special right entitling to shares at the time preceding the merger decision shall serve as the redemption price. In the determination of the redemption price, the depreciating effect that the merger may have on the price of the merging company's option rights and other special rights entitling to shares shall not be taken into account. The redemption price shall bear annual interest between the merger decision and the payment of the redemption price at the current reference rate provided in section 12 of the Interest Act.

(4) The redemption price shall be paid within one month of the award or judgment becoming res judicata, but in any event not before the registration of the implementation of the merger.

(5) The acquiring company shall be liable for the payment of the redemption price. The merging company shall without delay notify the acquiring company of any demands for redemption.

Implementation and legal effects of the merger

Section 14 – Notification of the implementation of the merger

(1) The companies involved in the merger shall notify the registration authority of the implementation of the merger within six months of the merger decision; failing this, the merger shall lapse. The following information shall be attached to the notification:

> (1) a declaration by the Members of the Board of Directors and the Manager of each company involved in the merger to the effect that the provisions of this Act have been complied with in the merger;

(2) a certificate of an auditor to the effect that the acquiring company will receive full consideration for the amount credited to its equity, as well as a statement regarding the account in the draft terms of merger referred to in section 3(2)(11);

(3) a certificate of a Member of the Board of Directors or the Manager on the sending of the notifications referred to in section 7; and

(4) merger decisions made by the companies involved in the merger.

(2) In a subsidiary merger, the parent company shall see to the notification. Notwithstanding the provisions in subsection (1), only a declaration by a Member of the Board of Directors or the Manager of the parent company to the effect that the provisions of this Act have been complied with in the merger and a certificate of the sending of the notifications referred to in section 7 as well as the merger decisions need to be attached to the notification.

Section 15 – Preconditions for registration

(1) The registration authority shall register the merger, if no creditor has objected to the merger or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivables.

(2) If a creditor has objected to the merger, the registration authority shall notify the housing company of the same without delay. If a creditor objects, the merger shall lapse in one month after the due date. However, the registration authority shall suspend the proceedings, if the housing company shows that it has within one month of the due date brought an action in order to have the court affirm that the creditor has received payment or full security for the receivables, or if the housing company and the creditor together request that the proceedings be suspended.

(3) The merger may be implemented even if the merging company has been placed in liquidation, unless the distribution of the assets of the housing company to the shareholders, as referred to in chapter 22, section 15, has already begun.

(4) If the assets of more than one of the companies involved in the merger are subject to a business mortgage, as referred to in the Business Mortgages Act, the merger shall not be registered, except if the housing company and the mortgage holders have together applied for the registration of an agreement on the order of precedence of the mortgages and that agreement is to be registered at the same time.

Section 16 – Legal effects of the merger

(1) The assets and liabilities of the merging company shall be transferred to the acquiring company without liquidation once the implementation of the merger has been registered. At the same time, the merging company shall be dissolved, and, in a combination merger, the acquiring company shall be established.

(2) The assets and liabilities of the merging company shall not be entered into the balance sheet of the acquiring company at a value higher than their financial value to the acquiring company. An undertaking to perform work or services shall not be entered into the balance sheet in the context of a merger.

(3) At the moment of registration of the implementation of the merger the shareholders of the merging company and the holders of option rights and other special rights entitling to shares shall become entitled to the merger consideration in accordance with the draft terms of merger. The new shares to be issued as merger consideration shall carry shareholder rights as of the moment of registration, unless a later point in time is determined in the draft terms of merger. However, the shares shall carry shareholder rights no later than one year after the registration. Shares in the merging company held by the acquiring company or the merging company shall not carry a right to the merger consideration.

(4) If the receipt of the merger consideration requires specific measures from the recipient, such as the production of the share certificate, and the consideration is not claimed in this manner within ten years of the registration of the implementation of the merger, the General Meeting of the acquiring company may decide that the right to the merger consideration and the respective rights have been forfeited. The forfeited consideration shall devolve on the acquiring company.

Section 17 – Final accounts

(1) The Board of Directors and the Manager of the merging company shall as soon as possible after the implementation of the merger draw up the financial statements and annual report for the period not yet covered by financial statements submitted to the General Meeting (*final accounts*). If, under the law or the Articles of Association, an auditor shall be appointed for the housing company, the final accounts shall be given to the auditors, who shall issue their report on the final accounts within one month.

(2) Upon completion of the measures referred to in subsection (1), the Board of Directors shall without delay call the shareholders to a shareholders' meeting to approve the final accounts. The provisions on a General Meeting apply to the shareholders' meeting.

(3) The final accounts shall be submitted for registration without delay.

Section 18 – Cancellation of the merger

Even if the merger has been registered, it shall be cancelled if the merger decision is invalid according to a res judicata court judgment. The merging company and the acquiring company shall be jointly and severally liable for the obligations of the acquiring company that have arisen after the registration of the merger but before the registration of the judgment.

Provisions applying to joint-stock property companies

Section 19 – Cross-border mergers

In addition to the provisions in this chapter, the provisions concerning cross-border mergers, as referred to in chapter 16, sections 19–28, of the Limited Liability Companies Act, shall apply to joint-stock property companies, as referred to below in chapter 28, section 2.

Chapter 20 – Demerger

Definition and forms of demerger

Section 1 – Demerger

(1) A limited liability housing company (*demerging company*) may demerge so that the assets and liabilities of the demerging company are transferred in full or in part to one or several limited liability housing companies or to one or several limited liability companies (*acquiring company*) and so that the shareholders of the demerging company receive shares in the acquiring company as demerger consideration. The demerger consideration may also consist of cash, other assets or undertakings.

(2) The provisions of chapter 17 of the Limited Liability Companies Act shall apply to another limited liability company acting as the acquiring company in matters related to the draft terms of demerger, its approval and creditor protection.

Section 2 – Forms of demerger

(1) A demerger may proceed so that:

> (1) all of the assets and liabilities of the demerging company are transferred to two or more acquiring companies and the demerging company is dissolved (*full demerger*); or
>
> (2) some of the assets and liabilities of the demerging company are transferred to one or several acquiring companies (*partial demerger*).

(2) *Demerger into an existing company* is defined as a demerger where the acquiring company has been incorporated before the implementation of the demerger and demerger into a company to be incorporated is defined as a demerger where the acquiring company is incorporated in the context of the demerger. A demerger may proceed into an existing company and into a company to be incorporated at the same time.

(3) For the purposes of this chapter, *companies involved in a demerger* refers to a demerging company and to an acquiring company.

Draft terms of demerger and the statement of an auditor

Section 3 – Draft terms of demerger

(1) The Boards of Directors of the companies involved in the demerger shall draw up written draft terms of demerger, which shall be dated and signed.

(2) The draft terms of demerger shall contain the following information:

> (1) the trade names of the companies involved in the demerger, their business identity codes or other corresponding identifying information, and the places of their registered offices;
>
> (2) an account of the reasons for the demerger;
>
> (3) in a demerger into an existing company a proposal, where appropriate, for the amendment of the Articles of Association of the acquiring company and in a demerger

into a company to be incorporated a proposal for the Articles of Association of that company and for how the members of the bodies of that company are to be appointed;

(4) in a demerger into an existing company a proposal, where appropriate, for the quantity of the shares to be issued as demerger consideration as well as whether new shares or treasury shares are to be issued, and in a demerger into a company to be incorporated a proposal for the number of shares in that company, broken down by share class;

(5) a proposal for the criteria for commencing payment of the charge for common expenses for shares issued as a demerger consideration;

(6) a proposal for the criteria for when the right of possession conferred by shares issued as a demerger consideration takes effect;

(7) a proposal, where appropriate, for other demerger consideration and, if that consideration consists of option rights or other special rights entitling to shares, the terms of the same, as referred to in chapter 14, section 3;

(8) a proposal for the distribution of the demerger consideration, the point in time of the payment of the consideration and the other terms of the provision of the consideration, as well as an account of the grounds for the same;

(9) an account of or a proposal for the rights in the demerger of the holders of option rights or other special rights entitling to shares in the demerging company;

(10) in a demerger into an existing company a proposal, where appropriate, for the increase of the share capital of the acquiring company and in a demerger into a company to be incorporated a proposal for the share capital of the acquiring company;

(11) an account of the assets, liabilities and equity of the demerging company and of the circumstances relevant to their valuation and a proposal for the division of the assets and liabilities of the demerging company between each of the acquiring companies, the intended effect of the demerger on the balance sheet of the acquiring company, as well as of the accounting treatments to be applied in the demerger;

(12) an account of the type of maintenance that shall be needed for the real estate and the buildings of a demerging company during the five-year period following the signing of the draft terms of demerger and that shall significantly affect the use of shareholders' facilities, the charge for common expenses, or other expenditures arising from the use of the facilities;

(13) a proposal for the reduction of the share capital in order to distribute assets to the acquiring company or to shareholders, to transfer assets to reserves of unrestricted equity or to immediately cover losses that cannot be covered from unrestricted equity;

(14) a proposal for the right of the companies involved in the demerger to decide on arrangements beyond their normal business operations that affect their equity or outstanding shares;

(15) an account of subordinated loans whose creditors are entitled to object to the demerger, as referred to in section 6;

(16) an account of the quantity of shares in the acquiring company and its parent company held by the demerging company and its subsidiaries, as well as of the quantity of shares in the demerging company held by the companies involved in the demerger;

(17) an account of the business mortgages pertaining to the assets of the companies involved in the demerger, as referred to in the Business Mortgages Act;

(18) an account of or a proposal for the special advantages and rights to be granted to the Members of the Board of Directors of the companies involved in the demerger, their Managers, their auditors, and the auditor issuing a statement on the draft terms of demerger;

(19) a proposal for the intended date of registration of the implementation of the demerger; and

(20) a proposal, where appropriate, for the other terms of the demerger.

Section 4 – Statement of an auditor

(1) The Boards of Directors of the companies involved in the demerger shall designate one or several auditors to issue a statement on the draft terms of demerger to each of the companies involved in the demerger. The statement shall contain an analysis of whether a true and fair view has been provided in the draft terms of demerger of the grounds for setting the demerger consideration, as well as on the distribution of the consideration. The statement to be issued to the acquiring company shall also indicate whether the demerger is conducive to compromising the repayment of the housing company's debts.

(2) If all shareholders of the companies involved in the demerger consent to the same, only a statement as to whether the demerger is conducive to compromising the repayment of the housing company's debts shall be needed.

Registration of the draft terms of demerger and public notice to the creditors

Section 5 — Registration of the draft terms of demerger

(1) The draft terms of demerger shall be submitted for registration within one month of the signing of the proposal. The statement referred to in section 4 shall be attached to the submission.

(2) The submission shall be made by the companies involved in the demerger together.

(3) The demerger shall lapse, if the submission is not made in time or if registration is refused.

Section 6 — Public notice to creditors

(1) The creditors of the demerging company whose receivables have arisen before the registration of the draft terms of demerger shall have the right to object to the demerger. A creditor whose

receivables may be collected without a judgment or decision being required, as provided in the Act on the Collection of Taxes and Public Charges by Enforcement Measures, and whose receivables have arisen no later than on the due date referred to in subsection (2) shall likewise have the right to object to the demerger.

(2) On the application of the demerging company, the registration authority shall issue a public notice to the creditors referred to in subsection (1), containing a mention of the right of the creditor to object to the demerger by so informing the registration authority in writing no later than on the due date indicated in the public notice. The issue of the public notice shall be applied for within four months of the registration of the draft terms of demerger; failing this the demerger shall lapse. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date, as well as register the notice on its own motion.

(3) On the application of the acquiring company, a public notice shall likewise be issued to the creditors of the acquiring company, if the demerger is according to the statement of an auditor, as referred to in section 4, conducive to compromising the repayment of the debts of the acquiring company. In this event, the provisions in this chapter on the creditors of the demerging company apply to the creditors of the acquiring company.

Section 7 – Written notification by the housing company to the creditors

No later than one month before the due date, the housing company shall send a written notification of the public notice to its known creditors referred to in section 6(1) whose receivables have arisen before the registration of the draft terms of demerger. If the holder of an option right of the demerging company or the holder of some other special right of the demerging company entitling to shares has demanded redemption, as referred to in section 13, the creditors shall be notified of the quantities of rights that have been demanded to be redeemed. The notification shall not be sent before the General Meeting deciding on the demerger has been held. However, if all holders of the rights referred to above have declared that they waive the right of redemption or if they otherwise do not have the right of redemption, the notification may be sent earlier.

Section 8 – Restructuring of enterprises

(1) Restructuring proceedings, as referred to in the Restructuring of Enterprises Act, shall replace the public notice referred to in section 6; a creditor shall have no right to object to the demerger in accordance with this Act, if all companies involved in the demerger belong to the same group and the restructuring programme is approved for all of them at the same time.

(2) The draft terms of demerger and its attachments shall be appended to the proposed restructuring programme.

Demerger decision

Section 9 – Competent body and timing of the decision

(1) In the demerging limited liability housing company, the General Meeting shall make the decision on a demerger. A unanimous decision by the General Meeting and the other shareholders' consent, as provided for in chapter 6, section 37, is required for the draft terms of demerger to be accepted.

(2) In the acquiring limited liability housing company, the General Meeting shall make the decision on a demerger by qualified majority, as referred to in chapter 6, section 27.

(3) The General Meeting that is to decide on the demerger shall be held within four months of the registration of the draft terms of demerger; failing this, the demerger shall lapse. In any event, the General Meeting shall be held no later than one month before the due date referred to in section 6, unless, where appropriate, all holders of option rights or other special rights entitling to shares have waived their right to demand redemption.

Section 10 – Notice to holders of option rights and other special rights entitling to shares

The demerging company shall no earlier than two months and, unless a longer period has been provided in the Articles of Association, no later than two weeks before the General Meeting give notice of the right of redemption referred to in section 13 to those holders of option rights or other special rights entitling to shares who have the right to demand redemption and whose addresses are known to the housing company. If the addresses of all persons with the right of redemption are not known to the housing company, the notice of the right of redemption shall also be published in the Official Gazette within the same time limit.

Section 11 – Availability and delivery of documents

For at least two weeks before the General Meeting deciding on the demerger, the following documents shall be kept available to the shareholders of the acquiring limited liability housing company at the location stated in the notice of the General Meeting, shall be sent without delay to any shareholder who so requests, and shall be made available at the General Meeting:

(1) the draft terms of demerger;

(2) the financial statements, annual reports and auditor's reports of each company involved in the demerger, for the past three completed financial periods;

(3) where appropriate, the decisions made by each company involved in the demerger after the end of the latest financial period regarding the distribution of assets;

(4) a report by the Board of Directors on the events with an essential effect on the state of the housing company that have occurred after the financial statements or the interim report; and

(5) a statement on the merger proposal referred to in section 4.

Section 12 – Legal effects of the demerger decision

(1) The demerger decision of the demerging company shall replace the subscription for the demerger consideration and the other measures that establish a right in the demerger consideration, as carried out by the shareholders of the demerging company and the holders of option rights and other special rights entitling to shares. In a demerger into a company to be incorporated, the draft terms of demerger shall also replace the Memorandum of Association of the acquiring company.

(2) If the demerger is not approved unchanged in accordance with the draft terms of demerger in each of the companies involved in the demerger, the demerger shall lapse. The decision not to approve the demerger or the lapse of the demerger shall be submitted for registration without delay.

Redemption of the demerger consideration, option rights and other special rights entitling to shares

Section 13 – Redemption procedure

(1) The holder of option rights or other special rights entitling to shares may demand the redemption of the right at the General Meeting that is to decide on the demerger or verifiably file a written demand to this effect with the demerging company before the General Meeting. Before a decision on the demerger is made, the General Meeting shall be informed of how many rights are subject to demands of redemption.

(2) If no agreement is reached with the acquiring company on the redemption of the demerger consideration, option rights or other special rights entitling to shares or on the terms of the redemption, the matter shall be submitted to a court or arbitration in accordance with the option right terms. The holder of a right shall initiate the proceedings no later than one month after the General Meeting. Once the proceedings have been initiated, the holder of the right only has a right to the redemption price. If it is later determined in the redemption proceedings that the holder of the option right or holder of another right have no right of redemption, they shall have a right to the demerger consideration in accordance with the draft terms of demerger. If the demerger lapses, the redemption proceedings shall also lapse.

(3) The fair price of the option right or other special right entitling to shares at the time preceding the demerger decision shall serve as its redemption price. In the determination of the redemption price, the depreciating effect that the demerger may have on the price of the demerging company's option rights and other special rights entitling to shares shall not be taken into account. The redemption price shall bear annual interest between the demerger decision and the payment of the redemption price at the current reference rate provided in section 12 of the Interest Act.

(4) The redemption price shall be paid within one month of the award or judgment becoming res judicata, but in any event not before the registration of the implementation of the demerger.

(5) The companies involved in the demerger shall be jointly and severally liable for the payment of the redemption price of option rights and other special rights entitling to shares. The demerging company shall without delay notify the housing company liable for the payment of the redemption price of any demands for redemption.

Implementation and legal effects of the demerger

Section 14 – Notification of the implementation of the demerger

The companies involved in the demerger shall notify the registration authority of the implementation of the demerger within six months of the demerger decision; failing this, the demerger shall lapse. The following information shall be attached to the notification:

> (1) a declaration by the Members of the Board of Directors and the Managers of each company involved in the demerger to the effect that the provisions of this Act have been complied with in the demerger;

(2) a certificate of an auditor to the effect that the acquiring company will receive full consideration for the amount credited to its equity, as well as a statement regarding the account in the draft terms of demerger referred to in section 3(2)(11);

(3) a certificate of a Member of the Board of Directors or the Manager on the sending of the notifications referred to in section 7; and

(4) the demerger decisions made by the companies involved in the demerger.

Section 15 – Preconditions for registration

(1) The registration authority shall register the demerger, if no creditor has objected to the demerger or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivables.

(2) If a creditor has objected to the demerger, the registration authority shall notify the housing company of the same without delay. If a creditor objects, the demerger shall lapse in one month after the due date. However, the registration authority shall suspend the proceedings, if the housing company shows that it has within one month of the due date brought an action in order to have the court affirm that the creditor has received payment or full security for the receivables, or if the housing company and the creditor together request that the procedure be suspended.

(3) The demerger may be implemented even if the demerging company has been placed in liquidation, unless the distribution of the assets of the company to the shareholders, as referred to in chapter 22, section 15, has already begun.

(4) If the assets of a demerging company are subject to a business mortgage, as referred to in the Business Mortgages Act, the demerger shall not be registered, except if the housing company and the mortgage holders have applied for the registration of an agreement on the order of precedence of the mortgages and that agreement is to be registered at the same time. Moreover, if the acquiring operative company has a business mortgage, as referred to in the Business Mortgage Act, and the business mortgage of the demerging company is transferred to it, the demerger shall not be registered, except if the demerging company, the acquiring company and the mortgage holders have applied for the registration of an agreement on the order of precedence of the mortgages, and the agreement is to be registered at the same time.

Section 16 – Legal effects of the demerger

(1) The assets and liabilities of the demerging company shall be transferred to the acquiring companies without liquidation, once the implementation of the demerger has been registered. However, in a partial demerger, only the assets and liabilities divided by way of the draft terms of demerger shall be transferred. At the same time, the demerging company shall be dissolved in a full demerger and, in a demerger into a company to be incorporated, the acquiring company shall be established.

(2) The assets and liabilities of the demerging company shall not be entered into the balance sheet of the acquiring company at a value higher than their financial value to the acquiring company. An undertaking to perform work or services shall not be entered into the balance sheet in the context of a demerger.

(3) At the moment of registration of the implementation of the demerger the shareholders of the demerging company and the holders of option rights and other special rights entitling to shares shall become entitled to the demerger consideration in accordance with the draft terms of demerger. The new shares to be issued as demerger consideration shall carry shareholder rights as of the moment of registration, unless a later point in time is determined in the draft terms of demerger. However, the shares shall carry shareholder rights no later than one year after the registration. Shares in the demerging company held by the acquiring company or the merging company shall not carry a right to the demerger consideration.

(4) If the receipt of the demerger consideration requires specific measures from the recipient, such as the production of the share certificate, and the consideration is not claimed in this manner within ten years of the registration of the implementation of the demerger, the General Meeting of the acquiring company may decide that the right to the demerger consideration and the respective rights have been forfeited. The forfeited consideration shall devolve on the acquiring company.

(5) If, in a full demerger, assets that have not been divided by way of the draft terms of demerger appear, they shall belong to the acquiring companies in the same proportions as the net assets of the demerging company are divided by way of the draft terms of demerger, unless it is otherwise provided in the draft terms of demerger.

(6) The companies involved in the demerger shall be jointly and severally liable for the liabilities of the demerging company that have arisen before the implementation of the demerger has been registered. However, the liabilities of the demerging company that according to the draft terms of demerger devolve on another company shall be borne by a company only to the maximum amount of the net assets remaining with or transferred to it. A creditor may demand the repayment of receivables mentioned in the draft terms of demerger on the basis of the joint and several liability only after it has been determined that no payment is forthcoming from the debtor or from security. Section 13(5) contains provisions on the liability relating to the payment of the redemption price.

Section 17 – Final accounts

(1) In a full demerger, the Board of Directors and the Manager of the demerging company shall as soon as possible after the implementation of the demerger draw up the financial statements and annual report for the period not yet covered by financial statements submitted to the General Meeting (*final accounts*). If, under the law or the Articles of Association, an auditor shall be appointed for the company, the final accounts shall be given to the auditors, who shall issue their report on the final accounts within one month.

(2) Upon completion of the measures referred to in subsection (1), the Board of Directors shall without delay call the shareholders to a shareholders' meeting to approve the final accounts. The provisions on a General Meeting apply to the shareholders' meeting.

(3) The final accounts shall be submitted for registration without delay.

Section 18 – Cancellation of the demerger

Even if the demerger has been registered, it shall be cancelled if the demerger decision is invalid according to a res judicata court judgment. The demerging company and the acquiring company

shall be jointly and severally liable for the obligations of the acquiring company that have arisen after the registration of the demerger but before the registration of the judgment.

Provisions applying to joint-stock property companies

Section 19 – Cross-border demergers

In addition to the provisions in this chapter, the provisions concerning cross-border demergers, as referred to in chapter 17, sections 19–27, of the Limited Liability Companies Act, shall apply to joint-stock property companies, as referred to below in chapter 28, section 2.

Chapter 21 – Changing the legal form of a housing company

Section 1 – Changing the legal form

(1) A limited liability housing company may be changed into a limited liability company so that the shareholders of the limited liability housing company become shareholders of the limited liability company.

(2) A limited liability housing company with at least three shareholders may be changed into a co-operative so that the shareholders of the limited liability housing company become members of the co-operative.

Section 2 – Decision-making

(1) The General Meeting shall decide on changing the legal form of a housing company, as referred to in section 1. The decision shall be made by a unanimous decision of the General Meeting and may only be made with the consent of all other shareholders, as referred to in chapter 6, section 37, and holders of option rights and other special rights entitling to shares.

(2) The decision referred to in subsection (1) shall replace the incorporation instrument of the co-operative. The decision shall contain the following information:

(1) the rules of the co-operative;

(2) the shares devolving on the members; and

(3) the names of the members of the first Board of Directors of the co-operative or, if the Supervisory Board is to elect the Board of Directors, the names of the members of the Supervisory Board, as well as, where appropriate, the names of the auditors.

Section 3 – Registration of the decision

The housing company shall submit the decision on changing the legal form, as referred to in section 1, for registration within one month of the decision and, if a limited liability housing company is changed into a co-operative, apply for the issuing of a public notice, as referred to in section 4, from the registration authority; failing this, the decision shall lapse.

Section 4 – Public notice to creditors

(1) On receipt of an application referred to in section 3, the registration authority shall issue a public notice to those creditors whose receivables have arisen before the issue of the public notice. The notice shall indicate that the creditor has the right to object to changing the legal form by so informing the registration authority in writing no later than on the due date mentioned in the notice. The registration authority shall publish the public notice in the Official Gazette no later than three months before the due date, as well as register the notice on its own motion.

(2) No later than one month before the due date, the housing company shall send a written notification of the public notice to its known creditors referred to in subsection (1). A certificate by a Member of the Board of Directors or the Manager to the effect that the notifications have been sent shall be delivered to the registration authority no later than on the due date.

(3) The registration authority shall inform the housing company of the objections filed with it without delay after the due date.

Section 5 – Preconditions of registration

(1) The registration authority shall register the change in the legal form referred to in section 1, if no creditor has objected to the change or if it is affirmed by a court judgment that the creditor has received payment or full security for the receivables.

(2) If a creditor has objected to the change in the legal form, the change shall lapse in one month from the due date. However, the registration authority shall suspend the proceedings, if the housing company within one month of the due date shows that it has brought an action so as to have the court affirm that the creditor has received payment or full security for the receivables, or if the housing company and the creditor together request that the proceedings be suspended.

(3) The legal form may be changed, notwithstanding the housing company's being placed in liquidation, unless distribution of the assets of the housing company to shareholders, as referred to in chapter 22, section 15, has already begun.

(4) The change in the legal form shall take effect upon its registration.

Chapter 22 – Dissolution of the housing company

General provisions

Section 1 – Dissolution

(1) A housing company shall be dissolved in accordance with the provisions in this chapter on liquidation.

(2) A bankrupt housing company shall be deemed to have been dissolved if, at the termination of the bankruptcy, there are no more assets or a determination on the use of the assets has been made in the context of the bankruptcy.

(3) A housing company may also be dissolved as a result of a merger or a demerger, as provided in chapters 19 and 20 of this Act.

Section 2 – Deregistration

Instead of placing a housing company into liquidation, the registration authority shall deregister the housing company if its assets are not adequate for covering the costs of liquidation, or if there is no information on the assets, unless a shareholder, creditor or third party undertakes to bear the costs of the liquidation.

Decision-making

Section 3 – Decision on liquidation

(1) The General Meeting shall decide on the placing of the housing company into liquidation in a manner referred to in chapter 6, section 37.

(2) The provisions in chapter 6, sections 18–22, apply to the notice of the General Meeting and the meeting documents, their availability and delivery.

Section 4 – Issuing an order for liquidation or deregistration

(1) The registration authority shall issue an order for the liquidation or deregistration of the housing company, if:

(1) the housing company has no registered and competent Board of Directors;

(2) the housing company has no registered representative as referred to in section 6 of the Freedom of Enterprise Act (122/1919*; laki elinkeinon harjoittamisen oikeudesta*);

(3) the housing company has been declared bankrupt, but the bankruptcy has lapsed for lack of funds.

(2) The order shall be issued, unless it is proved before the issuing of the order that the grounds for the same no longer exist.

Section 5 – Request to make corrections

(1) In the situations referred to in section 4(1)(1) or section 4(1)(2) the registration authority shall take appropriate measures to urge the housing company to correct the shortcomings in its register information. If no correction is made, the request shall be sent to the housing company in writing, backed by a warning that the housing company will be placed in liquidation or deregistered unless the shortcomings are corrected by the deadline set in the written request. The written request shall be published in the Official Gazette no later than three months before the deadline. At the same time, the shareholders and creditors who wish to make comments on the possible liquidation or deregistration of the housing company shall be urged to do so in writing by the deadline. The matter may be decided even if no proof is available of the housing company having received the written request.

(2) The registration authority shall on its own motion register the published written request referred to in subsection (1).

Section 6 – Right of initiative

The matter of liquidation or deregistration of the housing company, as referred to in section 4, may be initiated by the Board of Directors, a Member of the Board of Directors, the Manager, an auditor, the operations inspector, a shareholder, a creditor or another whose rights may depend on appropriate registration or the placing of the housing company into liquidation. The registration authority may take the matter up also on its own motion.

Liquidation

Section 7 – Purpose of liquidation

(1) The purpose of liquidation is to ascertain the financial position of the housing company, to convert the requisite amount of assets into cash, to repay the housing company's debts and to return the surplus to the shareholders or others, as provided in the Articles of Association. In accordance with section 19, the General Meeting may decide to terminate the liquidation and continue the operations of the housing company, as well as make other decisions necessary in this respect.

(2) If the assets of a housing company in liquidation are not adequate for the repayment of the housing company's debts, the liquidators shall apply for the bankruptcy of the housing company.

Section 8 – Beginning of liquidation

Liquidation shall begin when the decision to this effect is made, unless the General Meeting designates a later date for the beginning of the liquidation.

Section 9 – Choice of liquidators, their appointment and duties

(1) When the decision on liquidation is made, one or several liquidators shall be appointed at the same time to replace the Board of Directors and, where appropriate, the Manager. Insofar as not otherwise ensues from the application of the provisions in this chapter, the liquidators shall be subject to the provisions of this Act on the Board of Directors and the Members of the Board of Directors. The decision shall revoke the authorisations given to designated individuals to represent the housing company, as referred to in chapter 7, section 23, unless it is otherwise determined in the decision.

(2) The liquidators shall manage the affairs of the housing company during the liquidation. They shall as soon as possible convert into cash enough of the assets of the housing company so that the liquidation can proceed, as well as repay the debts of the housing company. The business operations of the housing company may be continued only to a degree called for by an appropriate liquidation process. The term of the liquidators shall be indefinite.

(3) The registration authority shall appoint a competent liquidator for a housing company that has none. The application for the appointment of the liquidator may be made by a person whose rights may depend on the housing company having a representative. If the assets of the housing company are not adequate for covering the costs of liquidation or if there is no information on the assets of the housing company, and unless a shareholder, creditor or third party undertakes to bear the costs of liquidation, the registration authority shall deregister the housing company instead of appointing a liquidator.

Section 10 – Registration of the liquidation and liquidators

The liquidation and the liquidators shall be registered. Once the General Meeting has decided on the liquidation and chosen the liquidators, the liquidators shall without delay submit the decision for registration.

Section 11 – Financial statement for the period preceding liquidation

If necessary, the liquidators shall draw up financial statements for the period preceding liquidation for which no financial statements have yet been submitted to the General Meeting. If, under the law or the Articles of Association, an auditor or an operations inspector shall be appointed for the housing company, the financial statements and the annual report shall be audited in accordance with chapter 9. The Members of the Board of Directors and the Manager shall contribute to the drawing up of the financial statements in exchange for reasonable remuneration.

Section 12 – General Meeting during liquidation

The General Meeting of a housing company in liquidation shall be subject to the provisions of this Act on General Meetings, insofar as not otherwise ensues from the application of the provisions in this chapter.

Section 13 – Financial statements, annual report, audit, operations inspection and special audit

(1) The liquidators shall draw up financial statements and annual reports for each financial period; these shall be submitted to the Ordinary General Meeting for approval.

(2) The term of the auditors and the operations inspectors shall not be terminated when the housing company goes into liquidation. The provisions in chapter 9 on audit, operations inspection and special audit apply also during liquidation. The auditor's report and the operations inspector's report shall contain a statement as to whether the liquidation has been unduly protracted and as to whether the liquidators have otherwise proceeded in an appropriate manner.

Section 14 – Public summons to creditors

The liquidators shall apply for a public summons to the creditors of the housing company. The public summons shall be applied for from the registration authority, which shall register the summons on its own motion. In other respects, the provisions of the Act on Public Summonses (729/2003; *laki julkisesta haasteesta*) apply to the summons.

Section 15 – Repayment of debts, distribution of assets and objection to the distribution

(1) Once the due date of the public summons to the creditors of the housing company has passed and all of the known debts of the housing company have been repaid, the liquidators shall distribute the assets of the housing company. If a debt is disputed, not yet due or otherwise not repayable, the necessary funds shall be set aside and the remainder distributed. A shareholder shall have the right to a share in the distribution of the net assets of the housing company in proportion to his or her shareholding, unless it is otherwise provided in the Articles of Association. A shareholder and another person entitled to a share in the distribution may be paid an advance against the posting of full security.

(2) If a shareholder wishes to object to the distribution, the action against the housing company shall be brought within three months of the final settlement being presented to the General Meeting.

(3) If a shareholder or another person entitled to a share in the distribution has not claimed the share within five years of the final settlement being presented to the General Meeting, the share in the distribution shall be forfeited. Section 18 contains provisions on the procedure in the event that funds appear to the housing company after it has been dissolved.

Section 16 - Final settlement

(1) After having completed their tasks, the liquidators shall without undue delay present a final settlement of their administration by drawing up a report of the entirety of the liquidation process. The report shall contain an account of the distribution of the assets of the housing company. The financial statements, annual reports and auditor's reports from the liquidation period shall be attached to the report. If, under the law or the Articles of Association, an auditor or an operations inspector shall be appointed for the housing company, the report and its attachments shall be given to the auditors and the operations inspectors, who shall issue an auditor's report and the operations inspector's report on the final settlement and the administration during the liquidation within one month.

(2) Upon completion of the measures referred to in subsection (1), the liquidators shall without delay call the shareholders to a General Meeting to inspect the final settlement. The provisions in chapter 6, sections 18–22, apply to the notice of the meeting, the meeting documents, their availability and delivery, with the exception that the final settlement shall be governed by the provisions on financial statements. The final settlement shall be submitted for registration without delay.

Section 17 – Dissolution

(1) The housing company shall be deemed to have been dissolved once the liquidators have presented the final accounts to the General Meeting. The liquidators shall without delay submit the dissolution for registration.

(2) Once dissolved, the housing company cannot acquire rights nor give undertakings. Measures taken on the behalf of the housing company that has been dissolved shall be at the joint responsibility of those who decided on the measures and those who carried them out. However, the liquidators may take measures to begin liquidation proceedings or apply for the bankruptcy of the housing company. A party contracting with a housing company that has been dissolved may withdraw from the contract, if that party did not know of the dissolution.

Section 18 – Continued liquidation and post-liquidation

(1) The liquidation shall be continued, if new assets appear after the dissolution of the housing company, if an action is brought against the housing company or if liquidation measures are otherwise necessary. The liquidators shall without delay submit the continuation of the liquidation for registration. The notice of the first General Meeting of the continued liquidation shall be delivered as provided in the Articles of Association. In addition, a written notice shall be sent to all shareholders whose addresses are known to the housing company.

(2) However, if the continuation of the liquidation is not to be deemed necessary, the liquidators may otherwise take the measures needed under the circumstances. The liquidators shall draw up a

report of their measures and deliver it to the shareholders and others entitled to a share in the distribution. An insignificant share in the distribution may be remitted to the State.

(3) The liquidation shall not be continued if the assets of the housing company are not adequate for covering the costs of liquidation or if there is no information on the assets, unless a shareholder, a creditor or a third party undertakes to bear the costs of the liquidation.

Section 19 – Termination of the liquidation and continuation of operations

(1) If the General Meeting has made the decision on the liquidation of the housing company, the General Meeting may decide that the liquidation be terminated and the operations of the housing company continued. The decision shall be made by a unanimous decision of the General Meeting and may only be made on the consent of all other shareholders, as referred to in chapter 6, section 37, and holders of option rights and other special rights entitling to shares. If the liquidation is based on a provision of the Articles of Association, the decision on the continuation of operations shall not be made before the provision has been amended. However, the liquidation shall not be terminated if a share in the distribution, as referred to in section 15(1), has already been remitted to a shareholder or a third party.

(2) Once the decision on the termination of the liquidation has been made, management shall be appointed for the housing company in accordance with this Act and the Articles of Association.

(3) The decision on the termination of the liquidation and the appointment of the management shall be submitted for registration without delay once the management has been appointed. The public summons to the creditors of the housing company shall lapse when the termination of the liquidation has been registered. The liquidators shall present final accounts as provided in section 16.

Deregistration

Section 20 – Date of deregistration

The housing company shall have been deregistered once the decision to this effect has been entered into the register.

Section 21 – Representation of a deregistered housing company

(1) If necessary, a deregistered housing company shall be represented by one or several representatives. The representatives shall be appointed and dismissed in a shareholders' meeting, which shall be subject to the provisions on a General Meeting. Section 22 contains provisions on the competence of the representatives to act on the behalf of the housing company. In other respects, the provisions on liquidators apply to the representatives insofar as appropriate.

(2) If a deregistered housing company has no representative, the provisions in chapter 7, section 26(2), apply to the service of summonses and other notices.

Section 22 – Legal status of a deregistered housing company

(1) If necessary, the provisions in section 17(2) apply to a deregistered housing company. However, the representatives referred to in section 21(1) shall act as the representatives of the housing company.

(2) Notwithstanding the provision in subsection (1), the representatives of a deregistered housing company may take measures that are necessary for the repayment of the housing company's debts or the preservation of the value of the housing company's assets. Where necessary, entries shall be made in the housing company books on measures taken on the behalf of the housing company. The Business Mortgages Act contains provisions on the effects of deregistration on the persistence of a business mortgage.

(3) Assets of a deregistered housing company shall not be distributed to shareholders or others entitled to shares in the distribution without liquidation. However, in five years' time from the deregistration, the representatives of the housing company may distribute to the shareholders and the other parties entitled to shares in the distribution their shares of the assets of the housing company, if the assets do not exceed EUR 2,500 and if the housing company has no known liabilities. Those receiving assets shall be liable for the payment of the debts of the housing company up to the amount that they have received.

(4) If, after deregistration, liquidation measures are needed, the registration authority shall order the housing company into liquidation on the application of the party to whose rights the matter pertains. However, no such order shall be issued if the assets of the housing company are not adequate for covering the costs of liquidation or if there is no information on the assets, unless a shareholder, a creditor or a third party undertakes to bear the costs of liquidation.

Equity shortfall, restructuring and bankruptcy

Section 23 – Equity shortfall

(1) If the Board of Directors of the housing company notices that the housing company has negative equity, the Board of Directors shall at once make a registration submission on the loss of share capital. The register entry on the loss of share capital may be removed on the basis of a registration submission made by the housing company, if the equity of the housing company, according to the balance sheet and the other information referred to in subsection (2), as attached to the registration submission, is more than one half of the share capital. If the housing company is to appoint an auditor under the law or the Articles of Association, the balance sheet and the other information shall have been audited.

(2) In the calculation of equity under subsection (1), a subordinated loan referred to in chapter 16 shall be considered as equity. In addition, the compound difference between the actual and planned depreciation of the assets of the housing company (*depreciation difference*) and the voluntary reserves held by the housing company shall be taken into account as additions to equity. If the probable current price of the assets of the housing company is other than temporarily notably higher than its book value, the difference between the probable current price and the book value may also be taken into account as an addition to equity. Special caution shall be exercised in the additions to equity as referred to above; such additions shall be explained and justified in the annual report.

Section 24 – Restructuring of Enterprises

The application for the commencement of restructuring proceedings, as referred to in the Restructuring of Enterprises Act, may be filed by a decision of the General Meeting. The Board of Directors may also file the application if the matter is urgent. In this event, the Board of Directors shall without delay convene the General Meeting to decide on the continuation of the application.

Section 25 – Bankruptcy

(1) The assets of the housing company may be surrendered into bankruptcy by the decision of the Board of Directors or, if the housing company is in liquidation, by a decision of the liquidators. While in bankruptcy, the housing company as the bankrupt debtor shall be represented by the Board of Directors and the Manager or by the liquidators appointed before the bankruptcy. New Members of the Board of Directors or liquidators may be appointed while the housing company is in bankruptcy.

(2) If no assets are left at the conclusion of the bankruptcy or if determination on the use of the remaining assets has been made in the bankruptcy, the housing company shall be deemed to have been dissolved once the final settlement of accounts in the bankruptcy has been approved.

(3) If, at the conclusion of the bankruptcy, assets other than those determined to be used in the bankruptcy remain, and the housing company was not in liquidation when its assets were surrendered into bankruptcy, the Board of Directors shall without delay convene a General Meeting to decide whether to continue the operations of the housing company or to place it into liquidation. If the General Meeting decides that the operations of the housing company be continued, the Board of Directors shall without delay submit the same for registration. If the housing company was in liquidation when it was declared bankrupt, the provisions in section 18 apply.

(4) If the bankruptcy of the housing company has been concluded and assets appear for the housing company, the provisions in chapter 19 of the Bankruptcy Act (120/2004; *konkurssilaki*) on belated scrutiny apply. If assets remain after the conclusion of the bankruptcy, the provisions in subsection (3) apply.

Part VII – SANCTIONS AND REMEDIES

Chapter 23 – Objections to decisions

Section 1 – Objecting to a decision by the General Meeting

(1) A shareholder may object to a decision by the General Meeting by bringing an action against the housing company, where:

> (1) the procedural provisions of this Act or the Articles of Association have been breached and the breach may have had an effect on the contents of the decision or otherwise on the rights of a shareholder; or
>
> (2) the decision is otherwise contrary to this Act or the Articles of Association.

(2) The action of objection against the housing company shall be brought within three months of the decision. If no action has been brought in time, the decision shall be deemed valid.

Section 2 – Void decision by the General Meeting

(1) A decision by the General Meeting shall be void, where:

(1) no notice has been delivered of the General Meeting or the provisions on the notice have been materially breached;

(2) the decision requires the consent of a shareholder, as referred to in chapter 6, section 35 or 37, but such consent has not been obtained;

(3) the decision is clearly contrary to the principle of equal treatment referred to in chapter 1, section 10, and the consent of the shareholder, as referred to in chapter 6, section 28, has not been obtained; or

(4) according to the law, the decision could not have been made even with the consent of all shareholders.

(2) A void decision shall not be subject to the provision in section 1(2) on the bringing of an action of objection within three months of the decision. However, an action relating to a merger or demerger decision shall not be brought once six months have passed from the registration of the merger or demerger.

(3) A shareholder, the Board of Directors, a Board Member or the Manager may bring an action against the housing company in order to confirm that the General Meeting's decision is null and void.

Section 3 – Decision of the Board of Directors comparable to a void decision by the General Meeting

If a decision on a matter within the competence of the General Meeting, made by the Board of Directors on authorisation, is as referred to in sections 2(1)(2)–2(1)(4), the provisions on a corresponding decision by the General Meeting apply to the decision.

Section 4 – Contents and effects of a judgment

(1) The judgment on an action of objection may render the decision invalid or amend the decision, as requested by the plaintiff. At the request of the plaintiff, the housing company may at the same time be enjoined against implementing the invalid decision. The decision may be amended only if it can be ascertained what the correct contents of the decision should have been.

(2) A judgment rendering the decision of the General Meeting invalid or amending the decision shall have an effect also in relation to the shareholders who have not joined in the action.

Chapter 24 – Liability for damages

Section 1 – Liability of the management

(1) A Member of the Board of Directors and the Manager shall be liable for damages for the loss that he or she, in violation of the duty of care referred to in chapter 1, section 11, has while in office deliberately or negligently caused to the housing company.

(2) A Member of the Board of Directors and the Manager shall likewise be liable for damages for the loss that he or she, in violation of other provisions of this Act or the Articles of Association, has while in office deliberately or negligently caused to the housing company, a shareholder or a third party.

(3) If the loss has been caused by a violation of this Act other than a violation merely of the principles referred to in chapter 1, or if the loss has been caused by a breach of the provisions of the Articles of Association, it shall be deemed to have been caused negligently, insofar as the person liable does not prove that he or she has acted with due care. The same provision applies to loss that has been caused by an act to the benefit of a related party, as referred to in chapter 11, section 8.

(4) If a company has been appointed to serve as the Manager, the company and the Manager with the primary responsibility shall be liable for any damage.

Section 2 – Liability of shareholders

(1) A shareholder shall be liable for damages for the loss that he or she, by contributing to a violation of this Act or the Articles of Association, has deliberately or negligently caused to the housing company, another shareholder or a third party.

(2) If the damage has been caused by violating the provisions of chapter 4 or 5 or the Articles of Association regarding shareholders' responsibility for maintenance or alteration work, the loss shall be deemed to have been caused negligently, unless the shareholder proves that he or she has acted with due care. The same provision applies to loss that has been caused by an act to the benefit of a related party, as referred to in chapter 11, section 8.

(3) If a shareholder has, in the manner referred to in subsection (1), caused damage to the building structures or the equipment under the responsibility of the housing company for maintenance, and, thereby, causes damage to the indoor parts of an owner apartment in another shareholder's possession, the housing company shall repair the said indoor parts in accordance with the provisions regarding the responsibility of the housing company for maintenance, as referred to in chapter 4, section 2. The shareholder that caused the damage must compensate the housing company for the costs arising from the repair of the apartment.

Section 3 – Liability of the chairperson of the General Meeting

The chairperson of the General Meeting shall be liable for the loss that he or she, in violation of the provisions of this Act or the Articles of Association, has deliberately or negligently caused to the housing company, a shareholder or a third party.

Section 4 – Liability of the auditors

The liability of the auditors shall be governed by the provisions in section 51 of the Auditing Act.

Section 5 – Liability of the operations inspector

(1) The operations inspector shall be liable for damages for the loss that he or she has while in office deliberately or negligently caused to the housing company. The operations inspector shall likewise be liable for damages for the loss that he or she, in violation of other provisions of this Act

or the Articles of Association, has while in office deliberately or negligently caused to the housing company, a shareholder or a third party.

(2) If the loss has been caused by a violation of this Act other than a violation merely of the principles referred to in chapter 1, or if the loss has been caused by a breach of the provisions of the Articles of Association, it shall be deemed to have been caused negligently, insofar as the person liable does not prove that he or she has acted with due care.

Section 6 – Liability of the housing company

(1) A housing company shall be liable for damages for the loss that the housing company, by contributing to a violation of this Act or the Articles of Association, has deliberately or negligently caused to a shareholder or a third party.

(2) If the loss has been caused by a violation of this Act other than a violation merely of the principles referred to in chapter 1, or if the loss has been caused by a breach of the provisions of the Articles of Association, it shall be deemed to have been caused negligently, insofar as the housing company does not prove that the housing company has acted with due care.

Section 7 – Adjustment and the allocation of liability

(1) The adjustment of the damages and the allocation of liability between two or more liable persons shall be governed by the provisions in chapters 2 and 6 of the Tort Liability Act (412/1974; *vahingonkorvauslaki*).

(2) A party suffering damage must take reasonable measures to mitigate the damage. Should the party neglect to do so, it shall cover the corresponding part of the damage.

Section 8 – Decision-making in the housing company

(1) Decision-making on matters related to the right of the housing company to damages under sections 1–3 and 5, as well as under section 51 of the Auditing Act, is a duty of the General Meeting. However, the Board of Directors may decide to bring an action for damages based on a punishable act.

(2) A decision of the General Meeting on the discharge of a Member of the Board of Directors or the Manager from liability shall not be binding, if the General Meeting has not been given essentially correct and adequate information about the decision or measure that underlies the liability for damages. A decision on discharge from liability shall not be binding on the bankruptcy estate of the housing company or the administrator referred to in the Restructuring of Enterprises Act, if the housing company is declared bankrupt or if restructuring proceedings are begun upon an application filed within two years of the decision.

Section 9 – Right of the shareholders to bring an action on behalf of the housing company

(1) One or several shareholders shall have the right to bring an action in their own name for the collection of damages to the housing company under sections 1–3 and 5 or under section 51 of the Auditing Act, if it is probable at the time of filing of the action that the housing company will not make a claim for damages and if:

(1) the plaintiffs hold at least one tenth (1/10) of all shares at that moment; or

(2) it is proven that the non-enforcement of the claim for damages would be contrary to the principle of equal treatment, as referred to in chapter 1, section 10.

(2) The housing company shall be reserved an opportunity to be heard in the case, unless this is manifestly unnecessary. The shareholders bringing the action shall bear the legal costs themselves, but they have the right to be reimbursed for the same by the housing company, insofar as the funds accruing to the housing company by means of the proceedings suffice for the same.

(3) If the person liable for damages has been discharged from liability by a decision of the General Meeting, the action shall be brought within three months of the decision. However, if a proposal for a special audit, as referred to in chapter 9, section 13, has been made and seconded in the same General Meeting, the action may in any event be brought within three months of the report of the special audit being presented to the General Meeting or the application for the appointment of a special auditor being rejected.

(4) A shareholder shall not have the right to damages for loss caused to the housing company.

Section 10 – Statute of limitations

(1) If an action is brought under sections 1–3, 5 or 6 or under section 51 of the Auditing Act and is based on an act not punishable by law, the action must be brought within three years of the time at which the party suffering the damage became or should have become aware of the damage and the party responsible thereof. Recovery of damages is subject to limitation in accordance with the Statute of Limitations relating to Claims (728/2003, *laki velan vanhentumisesta*), hereinafter referred to as the Claims Limitation Statute.

(2) Notwithstanding the provisions in subsection (1), the action shall be brought respecting the following time limits:

(1) against a Member of the Board of Directors, the Manager or the housing company within five years of the end of the financial period during which the decision underlying the action was made or the measure underlying the act was taken or the measure was omitted;

(2) against an auditor or an operations inspector within five years of the presentation of the auditor's report, the operations inspector's report, statement or certificate underlying the action; and

(3) against a shareholder or the chairperson of the General Meeting within five years of the decision or measure underlying the action.

(3) Notwithstanding what is laid down above in this section, an action regarding the compensation for damage resulting from maintenance, its neglect or alteration work, brought on the basis of section 2 or 6, may be brought against a shareholder or the housing company within the period provided in section 7 of the Claims Limitation Statute.

Section 11 – Mandatory provisions

Provisions shall not be included in the Articles of Association restricting the right of the housing company or other person to damages under this chapter or under section 51 of the Auditing Act.

Chapter 25 – Duty of redemption and dissolution of the housing company on the basis of abuse of influence

Section 1 – Duty of redemption

(1) A shareholder shall be obliged, on the basis of an action brought by another shareholder, to redeem the shares of the latter shareholder within a set period, where:

> (1) the shareholder has deliberately abused his or her influence in the housing company by contributing to a decision contrary to the principle of equal treatment referred to in chapter 1, section 10, or to other violations of this Act or the Articles of Association; and
>
> (2) redemption is a necessary remedy for the other shareholder, taking due note of the probability of the conduct referred to in paragraph (1) being continued and of the other relevant circumstances.

(2) The redemption price shall be set at the fair price that the share would have in the absence of any abuse of influence.

Chapter 26 – Dispute resolution

Court proceedings

Section 1 – Competent courts

In addition to the provisions in chapter 10, section 1, of the Code of Judicial Procedure, a civil action pertaining to the application of this Act may also be brought before the district court with jurisdiction for the place where the housing company has its registered office.

Section 2 – Matters to be dealt with urgently

(1) A matter pertaining to a payment or full security, where the judgment is a precondition to registration, as referred to in chapter 17, section 5, chapter 19, section 15, chapter 20, section 15, or chapter 21, section 5, shall be dealt with urgently.

(2) An action of objection, referred to in chapter 23, shall be dealt with urgently.

Arbitration

Section 3 – Arbitration on the basis of the Articles of Association

(1) A provision in the Articles of Association on the referral of disputes to arbitration shall be binding on the housing company, the shareholders, the Board of Directors, the Members of the Board of Directors, the Manager, the auditors and the operations inspector in the same manner as an arbitration clause, as provided in the Arbitration Act (967/1992; *laki välimiesmenettelystä*). A provision in the Articles of Association on the referral to arbitration of disputes on the redemption

right or redemption price under a redemption clause referred to in chapter 2, section 5, shall likewise be binding on the parties to the dispute.

(2) However, the provision in the Articles of Association referred to in subsection (1) applies only to actions where the cause has arisen after the registration of the provision.

Miscellaneous provisions

Section 4 – Official notice of decisions

If a decision pertains to a circumstance to be entered into the Trade Register, the court or the arbitrators shall without undue delay notify the registration authority of the decision. A court shall likewise give official notice of its decision becoming res judicata (*no longer open to regular appeal*).

Chapter 27 – Penal provisions

Section 1 – Housing company law offence

A person who intentionally

> (1) violates the provisions on the drafting of the statement of an auditor, as referred to in chapter 19, section 4, or chapter 20, section 4,
>
> (2) violates the protection of the shareholders or the creditors by distributing the assets of the housing company in contravention of the provisions of this Act, or
>
> (3) grants a monetary loan or pledge in contravention of chapter 11, section 7,

shall be convicted, unless the act is of minor significance or subject to a more severe penalty elsewhere in the law, of *a housing company law offence* and sentenced to a fine or to imprisonment for at most one year.

Section 2 – Housing company law violation

(1) A person who intentionally

> (1) fails to keep the share register or the shareholder register or to keep such registers available,
>
> (2) violates the provision in chapter 6, section 23(4), on the keeping available of the minutes of the General Meeting,
>
> (3) violates the provisions of this Act on the drawing up of the financial statements or the consolidated financial statements, or on the submission of final accounts or settlement relating to the merger, demerger or liquidation of a housing company,

shall be convicted, unless the act is of minor significance or subject to a more severe penalty elsewhere in the law, of *a housing company law violation* and sentenced to a fine.

(2) A person who through gross negligence acts in the manner referred to in subsection (1)(3) shall likewise be convicted of a housing company law violation.

Part VIII – MISCELLANEOUS PROVISIONS

Chapter 28 – Application of the Act to limited liability joint-stock property companies and other limited liability companies

Section 1 – Scope of application

(1) This Act shall apply to a limited liability joint-stock property company registered under Finnish law, unless otherwise provided for in this Act or in some other act.

(2) It may be provided in the Articles of Association of a limited liability joint-stock property company that this Act shall not apply to the joint-stock property company or that only certain provisions of this Act shall apply to the joint-stock property company. The Limited Liability Companies Act shall apply to this type of company insofar as this Act does not apply to it.

(3) If the announcement of the limited liability joint-stock property company was filed prior to 1 January 1992, this Act shall only apply in the event that its application is provided in the Articles of Association.

Section 2 – Limited liability joint-stock property company

A limited liability joint-stock property company is a limited liability company, distinct from a limited liability housing company as referred to in chapter 1, section 2, whose purpose, provided in the Articles of Association, is to own and hold at least one building or a part thereof, each share of which confers, alone or together with other shares, the right of possession to an apartment located in the company’s building or to another part of that building or to a real estate in the possession of the company.

Section 3 – Application to other limited liability companies

It can be provided in the Articles of Association of other types of limited liability companies that this Act shall apply to the company, or that certain provisions of this Act shall apply to the company, if some of the company's shares, as provided in the Articles of Association or a decision of the General Meeting, confer the right of possession to an apartment located in the company’s building or to another part of that building or to a real estate in the possession of the company,. The Limited Liability Companies Act shall apply to this type of company insofar as this Act does not apply to it.

Section 4 – Decision on the application of this Act

(1) The provisions of the Limited Liability Companies Act concerning the amendment of the Articles of Association shall apply to the General Meeting’s decision regarding the amendment of the Articles of Association in order to apply this Act to the limited liability company.

(2) The provisions of chapter 6 of this Act concerning the amendment of the Articles of Association and changing the legal form of the housing company shall apply to the General Meeting’s decision

regarding the amendment of the Articles of Association in order not to apply this Act to the limited liability company.

Chapter 29 – Entry into force

Section 1 – Entry into force

This Act shall enter into force as separately provided by another act.