Translation from Finnish
Legally binding only in Finnish and Swedish
Ministry of Justice, Finland

Limited Liability Housing Companies Act

(*1599/2009; amendments up to 280/2023 included*)

PART I
GENERAL PRINCIPLES, SHARES AND CHARGE FOR COMMON EXPENSES

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

Scope of application

Section 1
Application

This Act applies to all limited liability companies that have been registered as limited liability housing companies in accordance with Finnish law, unless otherwise provided in some other act.

This Act also applies to such a limited liability company registered before 1 March 1926 in which the apartments have been reserved for shareholders by decision of the general meeting in accordance with section 2.

Provisions on the application of this Act to joint-stock property companies and other limited liability companies are laid down in chapter 28.

Section 2
Limited liability housing company

A limited liability housing company is a limited liability company whose purpose, as provided in its articles of association, is to own and possess at least one building or a part of a building in which at least half of the combined floor area of the apartment or apartments is, under the articles of association, reserved for use as residential apartments possessed by the shareholders.

On its own or together with other shares, each share of the limited liability housing company confers a right of possession to an apartment specified in the articles of association or to some other part of a building or real estate in the possession of the housing company.

Owner apartment and transfer of its possession

Section 3
Owner apartment

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

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. Provisions on the right of possession to and responsibility for the maintenance of the balcony deviating from what is laid down here may be laid down 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 by law or in the articles of association.

Main principles of housing company operations

Section 5
Operation of a housing company

In order to fulfil its purpose, the limited liability housing company shall assume responsibility for the upkeep of the real estate properties and buildings in its possession in accordance with this Act and its articles of association.

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.

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 in accordance with what is otherwise agreed. Provisions on the 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

A limited liability housing company, which is established when the housing company is registered, is a legal person distinct from its shareholders. Provisions on the incorporation and registration of a housing company are laid down in chapter 12.

Provisions on 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.

Provisions on the responsibility for maintenance are laid down in chapter 4.

The shareholders have no personal liability for the obligations of the housing company.

Section 7
Capital and the permanence of the capital

Subsection 1 was repealed by Act 185/2019.

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

Section 8
Transfer of shares

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.

Provisions on shares and their transfer are laid down in chapter 2.

Section 9
Principle of majority rule

Shareholders exercise their power of decision at the general meeting. Decisions are made by the majority of the votes cast, unless otherwise provided in this Act or in the articles of association.

Section 10
Equal treatment of shareholders

All shares confer the same rights in the housing company, unless 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

The board of directors and the manager of the housing company shall act with due care and promote the interests of the housing company.

Chapter 7 contains provisions regarding the board of directors and the manager.

Section 12
Non-mandatory nature of provisions

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

A limited liability housing company shall have articles of association that 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 properties 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 a running number;

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

7) the grounds for determining the charge for common expenses and who determines the amount and payment method.

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.

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, paragraph 4.

Provisions on the financial year shall be included in the articles of association or in the memorandum of association referred to in chapter 12, section 1.

Further provisions on the measurement methods used in calculating the floor area of apartments may be issued by government decree.

Provisions on model articles of association for a limited liability housing company may be issued by 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 confer equal rights in the housing company unless otherwise provided in this Act or in the articles of association.

Section 1a (1330/2018)
Inclusion of shares in the Register of Housing Company Shares

The shares of a housing company shall be included in the Register of Housing Company Shares referred to in the Act on the Residential and Commercial Property Information System (1328/2018).

Section 2
Exercise of shareholder rights

The acquirer of a share may only exercise shareholder rights in the housing company after the acquirer has been recorded in the share register referred to in section 12, subsection 1 or in the Register of Housing Company Shares referred to in the Act on the Residential and Commercial Property Information System. However, this restriction does not apply to such a right conferred by a share that is exercised by presenting or submitting a special certificate issued by the company. (1330/2018)

The right conferred by a share to receive payment from the housing company when assets are being distributed, the right to receive shares and other comparable rights shall be vested in the person to whom the share belongs at the record date referred to in the decision to distribute assets or to issue shares or in another comparable decision. (1330/2018)

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

A treasury share does not confer any shareholder rights.

Accountable par and nominal value of a share

Section 3
Accountable par and nominal value

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*) are laid down in

chapter 12, section 3, chapter 13, section 6, subsection 1, and chapter 14, section 7, subsection 1. Accountable par may differ between shares.

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.

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

Restrictions on the transfer of shares may only be included in the articles of association in accordance with section 5, unless otherwise provided in some other act.

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

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.

The following provisions apply to the redemption clause:

1) the right of redemption applies 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 party with the right to redeem the share of the transfer of the share in writing within two weeks of the date on which the board of directors was notified of the transfer of the share in the manner referred to in section 10, subsection 3 of the Act on the Residential and Commercial Property Information System and received all other information required for making the notification; (1330/2018)

5) the redemption request shall be presented to the company or, if the company is exercising its right of redemption, to the acquirer of the share within one month of the date on which the board of directors was notified of the transfer of the share in the manner referred to in section 10, subsection 3 of the Act on the Residential and Commercial Property Information System and received all other information required for making the notification referred to in paragraph 4; (1330/2018)

5a) the board of directors shall, without delay, notify the National Land Survey of Finland of the exercise of the right of redemption; (1330/2018)

6) the housing company has 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 the 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.

The provisions on redemption laid down in subsection 2, paragraphs 1–3 and 6 may be deviated from in the articles of association, and a shorter period than that given in subsection 2, paragraphs 4, 5 and 7 may also be determined in the articles of association. Nevertheless, all shares belonging to the same share group shall be redeemed.

Before it has been determined whether the right of redemption is to be exercised, the acquirer of the share has no shareholder rights in the housing company except for the right of possession to the apartment, 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 apply to the acquirer. The rights and obligations in a share issue devolve on the person who exercises the right of redemption.

The redemption price shall 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 on which the payer has paid the redemption price to the bank for further transfer or has taken similar action in order to make the payment is considered the payment date. The board of directors shall without delay pay the redemption price to the party from whom the share is redeemed after the right of the redeemer has been entered in the Register of Housing Company Shares. (1330/2018)

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

If applying 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.

If another act contains provisions concerning redemption that deviate from this section, they apply instead of this section.

Share certificate and other certificates relating to shareholder rights

Sections 6–9

Sections 6–9 were repealed by Act 1330/2018.

Section 10 (1330/2018)
Certificates relating to shareholder rights

The housing company may issue a certificate on an option right (*option certificate*) containing the condition that the right can only be exercised in exchange for the certificate. The certificate shall indicate the terms of the subscription for shares. The share certificate shall be dated and signed by a quorum of the members of the board of directors.

The company may issue dividend coupons that may be used to distribute the company's assets. The provisions on option certificate laid down in subsection 2 apply to the signing of a dividend coupon.

Section 11 (1330/2018)
Applying the provisions of the Act on the Residential and Commercial Property Information System and the Promissory Notes Act

If a share is transferred and pledged, the provisions on the legal effects of the registration of acquisition or pledge laid down in section 12 of the Act on the Residential and Commercial Property Information System apply.

If an option certificate is transferred or pledged, the provisions on promissory notes made payable to, or to the order of, a specified person laid down in sections 13, 14 and 22 of the Promissory Notes Act (622/1947) apply. The provisions of sections 13, 14 and 22 of the Promissory Notes Act on bearer notes apply to an option certificate that is not issued to a specified person.

Share register

Section 12 (1330/2018)
Share register

A share register of the company's shares and their holders is kept by the National Land Survey of Finland based on the entries in the Register of Housing Company Shares. The following information shall be recorded in the share register:

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

2) the owner apartment to whose possession the share group confers a right;

3) the date on which the shares were registered;

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

5) other information that shall be recorded in the share register, as provided elsewhere in the law, and

6) an attachment or a precautionary measure concerning a share and such a restriction on the right of possession of an apartment under another act that has been recorded in the Register of Housing Company Shares. (152/2023)

Section 13 (1330/2018)
Recording transfer of ownership in the share register

A change entered in the Register of Housing Company Shares that concerns a matter recorded in the share register shall be recorded in the share register without delay. However, a recording concerning the transfer of ownership is only made after the payment of the asset transfer tax has been confirmed. The recording shall be dated.

If the articles of association contain a redemption clause referred to in section 5 restricting the transfer of shares, the transfer of ownership and the information about redemption proceedings shall be recorded in the share register. The details are removed from the share register three months after they were recorded in the register unless the board of directors notifies otherwise by that date.

The acquirer of the share shall provide the board of directors with the information required for the redemption proceedings referred to in section 5.

Section 14 (1330/2018)

Section 14 was repealed by Act 1330/2018.

Section 15 (1330/2018)
Right of access to the share register

Everyone has the right to view the share register and obtain a copy of the share register or its part.

Shareholders have the right to view the information on previous shareholders kept in the share register and obtain copies of it as provided in subsection 1. This same right applies to previous shareholders and anyone else able to demonstrate that they are entitled to do so. After ten years have passed from the recording of a new shareholder in the share register, details of the previous shareholder may only be disclosed for the purposes of research, writing of the company's history or compilation of statistics.

Addresses and dates of birth of natural persons may only be disclosed to shareholders or persons who are able to demonstrate that they are entitled to the disclosure of this information.

The National Land Survey of Finland may disclose the information recorded in the share register to a shareholder using a technical interface.

If the disclosure of information concerning a shareholder has been restricted under section 36 of the Act on the Population Information System and the Certificate Services of the Digital and Population Data Services Agency (661/2009) or if the details of a shareholder are non-disclosable

under section 24, subsection 1, paragraph 31 of the Act on the Openness of Government Activities (621/1999), the information on the shareholder recorded in the share register may only be disclosed to the authorities and to parties demonstrating that they are entitled to the disclosure of the information. (1144/2019)

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 expenditure, the shareholder is obliged to pay a charge for common expenses in accordance with the criteria provided in the articles of association.

Section 2
Expenditure covered by the charge for common expenses

The charge for common expenses may be used for covering the housing company's expenditure 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.

It may be provided in the articles of association that the provisions of section 7 concerning the responsibility of new holders of shares and the provisions of chapter 8 concerning the collection of the charge for common expenses also apply 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
Different types of charges for common expenses

The articles of association may contain a provision concerning the payment of the charge for common expenses under which different payment criteria exist for certain expenditure or under which the obligation to pay only applies to the holders of certain shares.

If the articles of association include a provision on a charge for common capital expenditure and unless otherwise provided in the articles of association, the charge for common capital expenditure covers long-term expenditure due to the acquisition, construction, renovation and modernisation of the real estate and building.

Section 4
Payment criterion for the charge for common expenses

The payment criterion for the charge for common expenses shall be laid down in the articles of association. The surface area of the apartment, the number of shares or the actual or reliably estimated consumption of electricity, heat or other commodity may be used as the criterion. (789/2020)

The shareholder shall report to the housing company the number of people living in the apartment or otherwise using it if the number of people is the payment criterion for the charge for common expenses.

Section 4a (789/2020)
Sharing of water costs

By derogation from what is provided in section 4 above, reliably measured actual consumption shall be used as the payment criterion for the charge for common expenses as regards the costs for joint acquisition of water incurred by the housing company.

Shareholders shall be provided with the details of water consumption of an owner apartment on a monthly basis. In connection with the collection of the charge for common expenses referred to in subsection 1, shareholders shall also be provided with the details of the other criteria for determining the charge for common expenses.

Further provisions on the determining of the charge for common expenses referred to in this section and water consumption and the information provided in connection with the collection of the charge for common expenses are issued by government decree.

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 shall be reduced by the amount of lost operating and maintenance expenditure 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

The obligation to pay the charge for common expenses commences once a share has been registered, unless otherwise provided in the memorandum of association, by decision of the general meeting regarding the issue of new shares, or in the articles of association.

The new holder of the share is 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

In addition to the previous holder, the new holder of the share is liable for the previous holder's failure to pay the charge for common expenses and the fee specified in section 2, subsection 2.

The new holder's maximum liability equals the combined amount of the charge for common expenses for the month in which the ownership was transferred and for the five preceding months.

However, the new holder is not 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

Provisions on deviation from the payment criterion for the charge for common expenses by decision of the general meeting are laid down in section 5 of this chapter and in chapter 6, sections 32 and 33.

Provisions on the amendment of the provisions of the articles of association regarding the charge for common expenses are 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

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 of sections 2 and 3, unless otherwise provided in the articles of association.

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.

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.

Chapter 24 contains provisions on the liability for damages.

Section 2
Responsibility of the housing company for maintenance

The housing company is responsible for maintenance that is not the responsibility of the shareholder.

The housing company shall keep the building structures and insulating materials of owner apartments in good condition. Moreover, the housing company is 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 is not 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.

The responsibility referred to 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 is also 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.

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

Shareholders shall keep the indoor parts of their owner apartments in good condition.

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, shareholders are not 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 an owner apartment and with regard to alteration work commissioned by a shareholder outside the apartment (280/2023)

The housing company may commission maintenance work at the expense of a shareholder if the shareholder neglects their responsibility for maintenance provided by law or in the articles of association and if such negligence may cause harm to the housing company or another shareholder.

A shareholder may commission such urgent maintenance work at the housing company's expense in their apartment that is necessary for preventing further damage. Moreover, the shareholder may commission such maintenance work where failure to perform the said work causes more than 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.

The housing company or the shareholder responsible for maintenance work shall reimburse all necessary and reasonable expenditure resulting from having such work performed.

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

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.

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

The housing company shall reimburse the shareholder for all necessary and reasonable expenditure resulting from having the maintenance work performed.

Notification and supervision regarding maintenance

Section 6
Housing company's duty to notify

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

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

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

Section 7
Shareholders' duty to notify of private maintenance work

The shareholder shall notify the board of directors or the manager, in writing and in advance, of maintenance work if the work may affect some part of a building, apartment or real estate for which another shareholder or the housing company is responsible, or if it may affect the use of the housing company's or another shareholder's owner apartment.

The board of directors or the manager shall immediately forward the notice to other shareholders if the maintenance work may affect their owner apartments or the use of them. The duty to notify is fulfilled once the notice has been delivered to the addresses provided by the shareholders to the housing company.

The shareholder performing the maintenance work is responsible for any necessary and reasonable expenditure incurred by the housing company and another shareholder for processing the notice.

The notice shall 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 compensate for or prevent damage or harm.

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

Section 8
Shareholders' duty to notify of maintenance that 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 a notice shall be submitted without delay.

Section 9
Supervision of maintenance work

The housing company has 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.

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 is responsible for any necessary and reasonable supervision expenditure incurred by the housing company.

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

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 to apply for it. The shareholder is responsible for any expenditure resulting from the permit application.

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 an owner apartment

Shareholders are entitled to perform alterations in their owner apartments at their own expense. These alterations shall comply with the purpose of use of the apartment provided in the articles of association.

Shareholders shall ensure that all alteration work is performed in compliance with generally accepted construction methods and practices.

The provisions of this section and sections 2–8 on alteration work also apply to additional construction performed by shareholders.

The provisions of this chapter concerning alteration work carried out by shareholders do not apply to alteration work carried out prior to the conclusion of the construction phase, as provided in the Housing Transactions Act (843/1994).

Provisions on including information on alteration work in the manager's certificate are laid down in chapter 7, section 27 and provisions on the housing company's responsibility for storing information related to alterations are laid down in chapter 7, section 28.

Chapter 24 contains provisions on the liability for damages.

Section 2
Notification of alteration work

The shareholder shall notify the board of directors or the manager, in writing and in advance, of alteration work if the work may affect some part of a building, apartment or real estate for which another shareholder or the housing company is responsible, or if it may affect the use of the housing company's or another shareholder's owner apartment.

The provisions of chapter 4, section 7, subsections 2–4 concerning the notification of maintenance work and reimbursement for the related expenditure apply to forwarding the notice to another shareholder, reimbursement for the related expenditure and the contents of the notice.

Section 3
Consent to alteration work

The housing company or another shareholder may set conditions for alteration work, if this work may damage the building or cause other kind of harm to the housing company or another shareholder. Such conditions shall be necessary to prevent damage to the building, to prevent other kind of harm or to provide the related compensation.

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.

If, after consent has been given or during the performance of alteration work, such circumstances emerge 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

If the housing company or another shareholder has the right 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.

Notices of alteration work shall 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 will 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 shall state their opinion in writing if requested to do so by the shareholder. Justification for adverse decisions shall be provided.

Section 5
Amendment of the articles of association and official permit

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.

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.

The shareholder is responsible for any expenditure resulting from the permit application and the amendment of the articles of association.

Section 6
Alteration work under a ruling by a court

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.

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 harm and impose other required conditions.

Section 7
Supervision of alteration work

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

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.

The shareholder performing the alteration work is responsible for any necessary and reasonable supervision expenditure incurred by the housing company.

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

With the housing company’s consent, shareholders may perform, at their own expense, alterations in facilities in the housing company’s possession. An application concerning the alteration work shall 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.

Shareholders have the right, at their own expense, to perform alteration work that improves accessibility in the facilities possessed by the housing company. The board of directors or the manager of the housing company shall be notified of the alteration work in advance. (280/2023)

The provisions of section 1, subsections 2–5 apply to alteration work referred to in subsection 1 and to the storage of the related information; the provisions of section 2 regarding the notice of alteration work apply to the contents of the application, forwarding the application to another shareholder and the expenditure incurred for processing the application; the provisions of section 3, subsection 3 apply to the prohibition of alteration work and the setting of additional conditions after consent has been given; the provisions of section 5 apply to the amendment of the articles of association and application for the required permits; and the provisions of section 7 apply to the supervision of the work. The provisions of section 1, subsections 2–5, section 2, subsection 2, and sections 3–7 apply to alteration work referred to in subsection 2. (280/2023)

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

In good time, the housing company shall notify the shareholder and the holder of the right to use 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 to the address provided by the shareholder to the housing company.

Provisions on housing company decisions regarding modernisation are laid down in chapter 6, sections 31–33.

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

General provisions

Section 1
Decision-making by the shareholders

The shareholders 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 under the law or the articles of association.

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 a written decision.

Section 2
Powers

The general meeting makes decisions on matters that fall within its competence under this Act. It may be provided in the articles of association that the general meeting decides on matters that fall within the competence of the board of directors and the manager, unless specifically otherwise provided in this Act.

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 that the board of directors may submit to the general meeting for decision-making.

Section 3
Ordinary general meeting

An 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.

The following shall be presented at the meeting:

1) the financial statements, management report, auditor's report and operations inspector's report;

2) a written report of the board of directors regarding the need for any maintenance on the housing company's buildings and real estate properties, 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) a 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.

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.

If the housing company is the parent company of a group of companies, the consolidated financial statements and management report shall also be presented at the ordinary general meeting. Furthermore, the ordinary general meeting shall decide on the adoption of the consolidated financial statements.

The articles of association may contain a provision that more than one ordinary general meeting shall be held during a financial period. In this event, the matters specified in subsection 3, paragraphs 4–6 may be decided at a general meeting held over six months after the conclusion of the previous financial period.

Any information on maintenance and alteration work included in the reports referred to in subsection 2, paragraphs 2 and 3 shall be submitted to the National Land Survey of Finland in compliance with section 17a of the Act on the Residential and Commercial Property Information System. (152/2023)

Section 4
Extraordinary general meeting

An extraordinary general meeting shall be held, if:

1) 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 requests the same in accordance with section 5.

Section 5
Right to request an extraordinary general meeting

An extraordinary general meeting shall be held if it is requested 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 request for the extraordinary general meeting shall be made in writing and the purpose of the meeting shall be the need to deal with a given matter.

A notice of the extraordinary general meeting shall be delivered within two weeks of the arrival of the request.

Section 6
Right to have a matter dealt with by the general meeting

A shareholder has the right to have a matter falling within the competence of the general meeting dealt with by the general meeting, if the shareholder so requests in writing from the board of directors well in advance of the meeting, so that the matter can be mentioned in the notice of the general meeting.

Participation in the general meeting

Section 7
Participation by a shareholder

Every shareholder has the right to participate in a general meeting.

A prerequisite for the participation is that the details of the shareholder have been recorded in the share register or in the Register of Housing Company Shares referred to in section 4 of the Act on the Residential and Commercial Property Information System by the day preceding the general meeting (*general meeting record date*). Changes in shareholdings occurring after the general meeting record date do not affect the right to participate in the general meeting or the voting rights of the shareholder. (1330/2018)

In a limited liability housing company with at least 30 owner apartments, a shareholder has the right to participate in a general meeting only in the manner referred to in section 17, subsection 2 using a telecommunications connection and a technical device, if the shareholder has notified the housing company that they will participate in such a manner and the binding nature of such a mode of participation to be notified to the company was mentioned in the notice of the general meeting. (661/2022)

Section 8
Proxy and assistant

A shareholder may exercise the rights of a shareholder at a general meeting by way of proxy representation. The proxy shall produce a dated proxy document or otherwise provide reliable evidence of the right to represent the shareholder. The appointment of the proxy holder is valid for one general meeting, unless otherwise indicated in the proxy document.

A shareholder and a proxy may have an assistant at the general meeting.

Section 9
Treasury shares

Shares held by the housing company or a subsidiary do not entitle the shareholder to participate in the general meeting. Likewise, these shares are not 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 (1209/2015)
Participation by others

A member of the board of directors and the manager 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 ensure that the right of shareholders to request information, as referred to in section 25, may be exercised. The Auditing Act (1141/2015) 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

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 have the right to participate 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.

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.

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 referred to in subsection 1 lives.

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

The general meeting may only decide on 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 section 3, subsections 3 and 4, unless otherwise provided in section 3, subsection 5. In addition, it may also decide on the appointment of an auditor referred to in chapter 9, section 5 and on the appointment of an operations inspector referred to in chapter 9, section 6, and it may deal with a proposal for a special audit referred to in chapter 9, section 13.

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
Number of votes

Each share confers one vote in all matters decided at the general meeting. However, it may be provided in the articles of association that each share group confers one vote.

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

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

1) a 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.

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.

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.

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 mode of participation (661/2022)

The general meeting shall be held in the place where the registered office of the housing company is located, unless another location is specified in the articles of association. On very serious grounds, the meeting may be held at another location.

The board of directors may decide that participation in a general meeting referred to in subsection 1 may also take place so that a shareholder exercises their power of decision referred to in section 1, subsection 1 in full using a telecommunications connection and a technical device during the meeting, unless holding such a meeting is restricted or prohibited under the articles of association. (661/2022)

The board of directors may also decide that a general meeting is held without a meeting venue so that the shareholders exercise their power of decision referred to in section 1, subsection 1 in full using a telecommunications connection and a technical device in real time during the meeting. A prerequisite for this is that a general meeting shall or may be held this way under the articles of association. (661/2022)

The board of directors may decide that participation in a general meeting referred to in subsections 1–3 may also take place by post or using a telecommunications connection and a technical device before or during the general meeting, unless providing such a mode of participation is restricted or prohibited under the articles of association. The board of directors may decide that only some of the shareholders' rights may be exercised in the manner referred to in this subsection and that a given right may only be exercised in the manner determined by the board of directors, unless otherwise provided in the articles of association. (661/2022)

A further prerequisite for holding a meeting referred to in subsections 2 and 3 and providing a possibility to use the mode of participation referred to in subsection 4 is that the right to participate and the correctness of the vote count can be verified in a manner comparable to the procedures to be complied with at a general meeting referred to in subsection 1. Only those who have exercised their right to vote before the meeting or who can exercise their right to vote during the meeting are considered participants in the meeting. Any proposal for a decision that is subject to advance voting is considered to have been presented at the general meeting without amendments. (661/2022)

The notice of the general meeting shall contain information on the possibility to participate in the manner referred to in subsections 2–4 and on the prerequisites for using this possibility, the technical implementation of participation, any related restrictions on the shareholders' right to speak referred to in subsection 4, and the procedure to be complied with. (661/2022)

Section 17a (661/2022)
Right of minority shareholders to participate remotely and at the meeting venue

The housing company shall provide the shareholders with a possibility to participate in the general meeting in the manner referred to in section 17, subsection 2, if the company has at least 30 owner apartments and the shareholders requesting this hold at least one tenth (1/10) of all shares

in the company. Such participation shall be requested in writing from the board of directors well in advance of the meeting so that the matter can be mentioned in the notice of the meeting.

If the articles of association contain a provision referred to in section 17, subsection 3, the housing company shall also provide a possibility to participate in the general meeting at a meeting venue referred to in subsection 1 of the said section, if the shareholders requesting this hold at least one tenth (1/10) of all shares in the housing company. Such participation shall be requested in writing from the board of directors well in advance of the meeting so that the matter can be mentioned in the notice of the meeting.

Section 18
Convocation

The board of directors convenes the general meeting. A member of the board of directors has the right to convene a general meeting if the member has reason to assume that the board of directors no longer has any other members.

If the general meeting is not convened, even though it should be convened under the 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 may be enforced even if it has not become final.

Section 19
Contents of the notice of a general meeting

The notice of a 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 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.

Specific provisions on the contents of the notice of the general meeting are laid down in:

1) section 7, subsection 3 concerning the advance notice of participation and section 17, subsection 6 concerning the use of technical devices and participation by post; (661/2022)

2) section 20, subsection 3 concerning a later meeting;

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

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

If the notice of the general meeting concerns the transfer and liquidation of real estate or the right to use it or the transfer and liquidation of a building referred to in section 38 or the demolition and new build referred to in section 39, the notice shall also urge the shareholders to examine how the decision impacts their taxation and the use of the company's shares as security for debt. (183/2019)

Section 20
Convocation period

The notice of a general meeting 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 time limit and shortening the two-month time limit.

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

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 taken at the previous general meeting shall be mentioned in the notice.

The notice of a general meeting deciding on the transfer and liquidation referred to in section 38 or the demolition and new build referred to in section 39 shall be delivered no earlier than four

months and no later than two months before the general meeting. The notice shall be submitted to the Trade Register for registration within the same period. (183/2019)

Section 21 (1330/2018)
Manner of convocation

The notice of a general meeting shall be delivered in writing to all shareholders whose postal address is known to the company or who have given their email address or other communications link for delivering the notice.

The contact details referred to in subsection 1 shall be stored in the Register of Housing Company Shares based on the information provided by the shareholder.

Section 22
Meeting documents, keeping them available and delivering them

The proposals of the board of directors for decisions and the latest financial statements, management report, auditor's report and 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 this. A reasonable fee, confirmed by the board of directors, may be charged for the delivery. The said documents shall be kept available at the meeting venue.

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 of subsection 1 also apply to any 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.

If a decision pertains to transfer and liquidation referred to in section 38, the documents referred to in this section above and the proposal for a decision with appendices and the statement referred to in section 38 shall be delivered to the shareholders and, without delay, to the company's or a shareholder's creditor, if the creditor so requests. The documents referred to in

this subsection shall also be kept available to the shareholders and the creditors of the company and its shareholders at the location specified in the notice of the general meeting for at least two months before the general meeting. The creditors of the company and its shareholders may be charged a reasonable fee confirmed by the board of directors for the delivery of the documents. (183/2019)

If a decision concerns demolition and new build referred to in section 39, the documents referred to in subsections 1 and 2, the plan referred to in section 40 with appendices and the statement referred to in section 41 shall be delivered to the shareholders and, without delay, to the company's or a shareholder's creditor, if the creditor so requests. The documents referred to in this subsection shall also be kept available to the shareholders and the creditors of the company and its shareholders at the location specified in the notice of the general meeting for at least two months before the general meeting. The creditors of the company and its shareholders may be charged a reasonable fee confirmed by the board of directors for the delivery of the documents. (183/2019)

If a decision to amend the articles of association concerns such information on owner apartments that is referred to in chapter 1, section 13, subsection 1, paragraph 4 or such information on share groups that is referred to in chapter 1, section 13, subsection 1, paragraph 5, the provisions of subsection 1 also apply to a report to be drawn up on the effects that the amendment will have on the shares in question or the rights of any third parties, as indicated in the Register of Housing Company Shares, when it comes to the right of possession conferred by such shares. The report shall indicate that, for the purpose of amending the articles of association, the necessary consents of the holders of the rights registered and recorded in the Register of Housing Company Shares have been obtained for the purposes of registration or recording referred to in section 8a of the Act on the Residential and Commercial Property Information System. This subsection does not apply if the amendment of the articles of association only concerns a remeasurement of the floor area of an owner apartment or a change to the number of rooms in an owner apartment, or if the decision on the amendment is made for the purpose of carrying out demolition and new build referred to in section 39 of this chapter. (152/2023)

Subsection 5 added by Act 152/2023 enters into force on a date to be specified by decree.

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

The general meeting is opened by a person designated by the convener of the meeting. The general meeting elects the chairperson, unless 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.

The chairperson shall ensure that a register is compiled of the shareholders, proxies and assistants present at the meeting, indicating the number of shares and the voting rights of each shareholder (*register of votes*). Of the information included in the share register, the following shall be kept available at the general meeting: the name and municipality of residence of each shareholder as well as the number of shares, broken down by share class, and any other differences in the rights and obligations conferred by the shares. (661/2022)

The chairperson shall ensure 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.

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 has 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 the delivery.

Section 24
Continuation meeting and suspension of a meeting due to technical malfunction (661/2022)

The general meeting may decide that a matter is to be postponed to be dealt with in a continuation meeting.

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 shall 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.

If a malfunction occurring in the housing company's telecommunications connection or in another technical device, as referred to in section 17, subsections 2–4, used by the company for arranging the general meeting could affect the validity of decisions made at the meeting and there is reason to assume that fixing the malfunction would significantly delay the meeting, the chairperson of the general meeting may decide that the meeting shall be suspended and resumed within four weeks of the start time mentioned in the notice of the meeting. A prerequisite is that the shareholders who had the right to participate in the meeting at the time of its suspension are informed of the suspension, the possible time of resumption and any new technical solutions that may be required for participation in good time before the meeting is resumed. (661/2022)

Section 25
Right to request information

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 also applies 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.

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.

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 of section 23, subsection 4 regarding the minutes of the meeting apply to keeping available and delivering such a statement to the shareholder who requested the information. The statement shall be sent to the shareholder asking the question without delay.

General decision-making requirements

Section 26
Decision by majority

A proposal that has been supported by more than half of the votes cast constitutes the decision of the general meeting, unless otherwise provided in this Act. In an election, the person receiving the most votes is elected. The general meeting may decide before the election that the person receiving more than half of the votes cast will be elected. In the event of a tie, an election is decided by drawing lots and another vote is decided by the casting vote of the chairperson, unless otherwise provided in the articles of association.

The requirement of majority may be relaxed by way of the articles of association only as regards elections.

Section 27
Decision by a qualified majority

If a decision shall be made by a 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 constitutes the decision.

Unless otherwise provided in section 28, 34, 35 or 37 or in the articles of association, the following decisions shall be made by a qualified majority:

1) amendment of the articles of association;

2) a directed share issue;

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

4) directed acquisition of own shares.

The requirement of qualified majority shall not be relaxed by way of the articles of association.

A decision by majority is, however, sufficient for amending the articles of association, if the amendment in question is about an obligation to provide the shareholders with a possibility to exercise their rights at the general meeting in the manner referred to in section 17, subsection 2. (661/2022)

Section 28
Consent to deviations from the principle of equal treatment

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.

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 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

The general meeting shall decide on any maintenance that has broad effects or that has significant impacts on residence or on residential costs.

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

The general meeting shall decide on any modernisation that has broad effects or that has significant impacts on residence or on residential costs.

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 is modernised to match current standard requirements;

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

3) the sustainability of the real estate or building is otherwise significantly improved in a manner equivalent to new build;

4) provisions on the procedure are laid down in the articles of association; or

5) the procedure is otherwise in compliance with the activities specified in the articles of association.
(280/2023)

Section 32

Amendment of the obligation to pay with regard to maintenance and modernisation

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.

By a qualified majority referred to in section 27, the general meeting may decide to divide the expenditure 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.

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 shall 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.

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 expenditure 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. (547/2010)

By a majority vote referred to in section 26, the general meeting may decide that no charge for common expenses will 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

By a majority vote 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.

By a qualified majority 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 referred to in chapter 1, section 10.

In order to cover the expenditure arising from the activities specified in subsection 1 or 2, 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 expenditure shall be divided among these shareholders in accordance with the criteria for the charge for common expenses laid down 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 transfer of assets

Section 34
Amendment of the articles of association

Amendment of the articles of association is subject to a decision by the general meeting. The 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, laid down in the articles of association, by a majority vote 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.

The general meeting may decide to amend the articles of association in such a manner as to prepare for undertaking modernisation work 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.

Any decision on the amendment of the articles of association shall be submitted for registration without delay and the said decision shall not be implemented prior to its registration. However, any court decision referred to in section 36 regarding the amendment of the articles of association shall be complied with and submitted for registration as soon as such a decision becomes final. If the amendment of the articles of association requires implementation measures to be recorded in the register, the amendment shall, however, be submitted for registration and registered simultaneously with the implementation measures. (547/2010)

If the right conferred by a share is determined on the basis of the nominal value of the share, the abandonment of nominal values does not affect the rights conferred by the share, unless otherwise decided.

If the amendment of the articles of association concerns such information on owner apartments that is referred to in chapter 1, section 13, subsection 1, paragraph 4 or such information on share groups that is referred to in chapter 1, section 13, subsection 1, paragraph 5, the party submitting the decision for registration shall give an affirmation that the requirement to obtain the necessary consents of the holders of rights laid down in section 22, subsection 5 of this chapter was complied with when the decision on the amendment was made. (152/2023)

Subsection 5 added by Act 152/2023 enters into force on a date to be specified by decree.

Section 35
Consent to the amendment of the articles of association

In addition to the qualified majority 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 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.

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.

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

If the articles of association include a provision that results in unreasonable consequences, the board of directors and a shareholder are entitled to bring an action for amending the articles of association at the district court with jurisdiction in the place 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.

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 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.

The names of any shareholders that object to the amendment of the articles of association at the general meeting shall be mentioned in the minutes of the general meeting.

The action shall be brought within three months of the general meeting referred to in subsection 2 or of the expiry of the time limit referred to in that subsection.

The action shall be brought against those shareholders who objected to the amendment of the articles of association at the general meeting or who failed to consent to the amendment. The housing company shall be given an opportunity to be heard by the court.

The court may amend the articles of association, if a provision of the articles of association results in unreasonable consequences so that it provides a shareholder with a significant benefit at the expense of other shareholders or so that it puts a shareholder at a significant disadvantage compared to other shareholders. When assessing unreasonableness, the entire contents of the articles of association, the circumstances that existed when the articles of association were drafted and those that existed thereafter, and other factors shall be taken into consideration.

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

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 transfer of an apartment or building in the housing company’s possession, or the transfer of the right to use these.

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

Subsection 3 was repealed by Act 183/2019.

However, the general meeting may decide on the merger referred to in subsection 1, paragraph 3 if shareholders holding at least four fifths (4/5) of all the shares of the company are in favour of the merger and the failure to carry out the merger would be unreasonable, considering the harm caused to the shareholders opposing the merger and the benefits gained by all shareholders. (183/2019)

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 38 (183/2019)
Liquidation and transfer of the housing company's real estate, of the right to use it or of a building

Notwithstanding section 37, subsection 1, paragraphs 2 and 5, the general meeting may decide on the company's liquidation and the transfer of real estate or a building or the transfer of the right to use them if the shareholders in favour of the decision hold at least four fifths (4/5) of the votes cast and the shares represented at the general meeting and:

1) maintenance work for which the company is responsible would cause substantial damage to shareholders, considering the value of the shares and the usability of the owner apartments;

2) the net assets of the dissolving company are distributed in the proportion of the fair values of the shareholders' owner apartments and share groups.

The proposal for a decision referred to in subsection 1 above shall at least contain:

1) a proposal for the terms and conditions of transfer of the real estate or building or the right to use them, and the name, personal identity code or business ID of the transferee, or corresponding identification data;

2) proposals for the start date of the liquidation and for the terms and conditions of the liquidation;

3) a proposal for the estimated end date of the shareholders' right of possession to owner apartments and for the estimated end date of the obligation to pay the charge for common expenses;

4) a proposal for the criteria for distributing the net assets of the dissolving company among all shareholders, the estimated amount that each shareholder is entitled to, and the payment date;

5) an account of the reasons for transferring the real estate or the building or the right to use them and of the fair values of the real estate and the building and the shareholders' shares and rights of possession to existing owner apartments immediately before the notice of the general meeting deciding on the liquidation and the transfer;

6) an account of the maintenance that will be needed for the real estate and the buildings of the company, within the ten years following the decision of the general meeting at least and that will significantly affect the use of the premises in the possession of the shareholder, the charge for common expenses or other expenses arising from the use of the premises, and an estimate of the maintenance expenses;

7) an account of the land use planning, building rights and any other matters affecting the value of the real estate of the company; and

8) an account of how the transfer of the real estate or the right to use it or of the building and the liquidation impact the taxation of the company.

The company shall designate at least one independent expert referred to in section 41 to issue a reasoned statement on the proposal for a decision and information referred to in subsection 2 to the company and all its shareholders. The following matters shall be assessed in the statement:

1) whether the prerequisites for a qualified majority decision laid down in subsection 1 are met; and

2) whether a true and fair view has been provided on the fair values of the real estate, the building and the shareholders' shares and the owner apartments possessed based on them and on the criteria for determining the fair values.

Shareholders may also support the decision before or after the general meeting and oppose the decision before the meeting. A shareholder that did not participate in the general meeting may support the decision within one week of the end of the meeting. If the decision is adopted with the votes cast after the meeting, shareholders shall immediately be notified of the decision in the same manner in which they are given notice of the general meeting, and the period for keeping the minutes available referred to in section 23 and the period for bringing an action referred to in chapter 23, section 1 or 2 begin one week after the end of the general meeting.

Shareholders' right of possession and their obligation to pay the charge for common expenses continue for a maximum of three months from the date on which the decision on the liquidation was made and the price for the real estate or the building or the right to use them was paid to the company.

Demolition and new build (183/2019)

Section 39 (183/2019)
Decision on demolition and new build

Notwithstanding sections 35, 37 and 38 above, the general meeting may decide on the demolition and new build of a building in the possession of the company or on the transfer of real estate or a building or the right to use them for the purposes of demolition and new build, if the shareholders in favour of the decision hold at least four fifths (4/5) of the votes cast and the shares represented at the general meeting and:

1) each shareholder will obtain possession of a new owner apartment that at least corresponds to the owner apartment in their possession at the time of the decision (*existing owner apartment*);

2) the fair value of the new owner apartment and any other consideration that each shareholder will obtain at least equals the value of the shareholder's existing owner apartment;

3) the ratio between the fair value of the new owner apartments and share groups and any other consideration that the shareholders will obtain corresponds to the ratio between the fair value of their existing owner apartments and share groups;

4) the shareholders' payment obligations towards the company will not be increased, the purpose of use of their owner apartments will not be changed, their right to transfer their shares will not be restricted and their right to the profit or the net assets of the company will not be restricted in the manner referred to in section 35, subsection 1, paragraphs 2–5.

The decision shall at least contain the information referred to in section 40, subsection 1, paragraphs 1, 4–8, 12–14, 18 and 22. The decision of the general meeting on the demolition and new build shall be submitted for registration without delay.

Shareholders who did not support the decision referred to in subsection 1 have the right to request the redemption of their shares as provided in section 42.

If the decision referred to in subsection 1 only applies to some of the owner apartments of the company and the decision does not require the consent of the other shareholders referred to in section 35, the decision requires, in addition to the qualified majority referred to in section 27, four fifths (4/5) of those shareholders' votes cast and shares represented at the general meeting that confer the right of possession to the owner apartments referred to in the decision and that the requirements referred to in subsection 1, paragraphs 1–4 are met with regard to all shareholders of the company. With regard to the owners of shares conferring the right of possession to the owner apartments that are not demolished, a new owner apartment referred to in subsection 1, paragraphs 1–3 means the owner apartment remaining in their possession.

A shareholder may also support the decision before or after the general meeting and oppose the decision before the meeting. A shareholder that did not participate in the general meeting may support the decision within one week of the end of the meeting. If the decision is adopted with the votes cast after the general meeting, the shareholders shall immediately be notified of the decision in the same manner in which they are given notice of the general meeting, and the period for keeping the minutes available referred to in section 23, the period for presenting a redemption

request and bringing an action referred to in section 42, and the period for bringing an action referred to in chapter 23, section 1 or 2 begin one week after the end of the general meeting.

A shareholder may, for their own part, accept an exemption to the requirements laid down in subsection 1, paragraph 1–4 if the exemption does not require the consent of the other shareholders referred to in section 35.

Following the decision on demolition and new build under this section, the responsibility of the company and the shareholder for maintenance only applies to maintenance that is required to avoid further damage or the absence of which substantially restricts the use of the shareholders' owner apartments. If the implementation of the decision adopted by the general meeting lapses, this subsection no longer applies.

What is provided above in this section also applies to demolition and new build that is carried out jointly by at least two companies. Sections 40 and 41 apply to the plans and expert statements concerning such demolition and new build with regard to each participating company.

What is provided above in this section also applies to the decision of the general meeting on such merger and demerger that is carried out in the manner laid down in subsection 1. By derogation from the provisions of chapters 19 and 20, the provisions of this section and sections 40–42 apply to the plan, independent expert statement and decision of the company concerning such merger or demerger with regard to each participating company.

Section 40 (183/2019)
Plan for demolition and new build

The board of directors of the housing company shall prepare a plan for demolition and new build that shall contain:

1) company names, business IDs or corresponding identification data of the companies taking part in the project, and their tasks and responsibilities in the project;

2) an account of the reasons for and implementation of the demolition and new build, of the fair values of the shareholders' shares and rights of possession to the existing owner apartments and of the new owner apartments replacing them and any other consideration to be provided to the

shareholders, and of the ratios of the fair values immediately before the notice of the general meeting that decides on adopting the plan and when the new apartments are put into use;

3) an account of such maintenance that will be needed for the real estate properties and buildings of the company within the ten years following the signing of the plan at least and that will significantly impact the use of the premises in the possession of the shareholder, the charge for common expenses or other expenditure arising from the use of the premises, and an estimate of the maintenance expenses;

4) a proposal for the new owner apartment to be provided to each shareholder and, for each such owner apartment identified by a running number, the details of its location in the building, floor area, purpose of use, number of rooms, amenities, any other facilities related to the possession of the apartment, criteria for the charge for common expenses payable for the apartment and other costs arising from the use of the facilities, and the same details of the shareholder's existing owner apartment corresponding to the new owner apartment;

5) a proposal for any other consideration to be provided to the shareholder and an account of the criteria on the basis of which the shareholder can be offered an owner apartment whose fair value or characteristics otherwise deviate from what is provided in section 39, subsection 1, paragraphs 1–4;

6) a proposal for issuing shares conferring right of possession to owner apartments other than those referred to in paragraph 4 or for organising the issuing of such shares in a new company and the details referred to in paragraph 4 of these owner apartments;

6a) an account of the provision of information about the holders of the shares entitling to the possession of the new owner apartments and about the holders of the rights related to the shares or to the right of possession conferred by them for the purpose of being registered and recorded in the Register of Housing Company Shares; (152/2023)

7) a proposal for the facilities and areas that would be in direct possession of the company or the new company and available to shareholders and the details of them corresponding to the information referred to in paragraph 4;

8) a proposal for an amendment of the articles of association concerning the new owner apartments and the facilities and areas that would remain in the possession of the company referred to in paragraphs 4, 6 and 7 or a proposal for the articles of association of the new founded company that would own the buildings of the new owner apartments (*new company*) and for determining how the members of the new company's bodies shall be appointed and for other arrangements under which the new owner apartments shall be transferred to the company's shareholders;

9) an account of the estimated total costs of the project and the estimated purchasing costs of each new owner apartment without additional work and alterations and a statement that the expenses arising from any additional work and alterations required by shareholders shall be paid in addition to these costs;

10) an estimate of the costs arising from the use of each new owner apartment during the first financial year following the final acceptance of the owner apartment;

11) an account of how the demolition and new build may impact the taxation of the company;

12) a proposal for the estimated end date of the shareholders' right of possession to their existing owner apartments and the estimated acceptance date of the new owner apartments transferred to them and the buildings in which they are located;

13) a proposal for the criteria for the start of the right of possession to all owner apartments of the company or the new company and the obligation to pay the charge for common expenses;

14) in a transfer of real estate or a building, a part of these or the right to use these, a proposal for the terms and conditions of transfer and for the organisation of ownership and possession or the right to use real estate or a building of the new company or a part of these;

15) an account of the type and amount of the building rights to be used in the construction of the new buildings and the type of the new buildings;

16) an account of how the required changes to land use plans and building permits will be obtained;

17) an account of the plans concerning the new buildings and their method of construction, including a preliminary description of the construction method;

18) a proposal for the terms and conditions on which the company is prepared to redeem the shares of the shareholders referred to in section 42, subsection 1;

19) an account of the income and expenses of the company, its assets, liabilities and equity, and the factors impacting their valuation, the planned impact of the demolition and new build on the income, expenses and balance sheet of the new company, and the accounting methods to be applied;

20) an account of the real estate mortgages referred to in the Code of Real Estate (540/1995) and of the enterprise mortgages referred to in the Enterprise Mortgage Act (634/1984) that the company's assets are subject to;

21) an account of or a proposal for the rights of the holders of option rights and other special rights entitling to shares in the company in connection with demolition and new build carried out in accordance with this plan; and

22) a proposal for the right of the company and the new company to decide on arrangements beyond their normal business operations that affect their equity or shares.

A plan that concerns more than one company or a merger or a demerger referred to in section 39, subsection 8 or 9 above shall be dated and the board of directors of each participating company shall sign it.

Section 41 (183/2019)
Statement of an independent expert

The company shall designate at least one independent expert to issue a reasoned statement on the plan for demolition and new build to the company and all its shareholders. Issuing the statement requires at least adequate expertise on the legislation on limited liability housing companies and real estate, on the evaluation of the condition of real estate properties, buildings and owner apartments and on their valuation, as well as on assessing trends in the real estate market.

The following matters shall be assessed in the statement:

1) whether the plan gives a true and fair view on the fair values of the shareholders' shares, the new owner apartments to be possessed based on them and any other consideration and on the criteria for determining the fair values;

2) whether the proposal for distributing the shares and the new owner apartments to be possessed based on them and the other consideration to the shareholders complies with the provisions of section 39, subsection 1, paragraphs 1–4;

3) whether the plan is technically and economically feasible; and

4) whether the redemption price referred to in section 40, subsection 1, paragraph 18 corresponds to the fair value of the shares.

It shall also be stated whether implementing the plan could compromise the repayment of the company's debts.

Section 42 (183/2019)
Right of a shareholder to request redemption in connection with demolition and new build

Shareholders who were against the decision referred to in section 39 or did not take part in the making of the decision have the right to request redemption of their shares.

The fair price payable immediately before the decision shall be used as the redemption price. When the fair price is determined, consideration shall be given to the right of possession to the owner apartment and the other rights and obligations conferred by the shares.

Annual interest shall be paid on the redemption price from the date on which the redemption request was presented; however, at the earliest from the date on which the decision of the general meeting was made, up to the payment of the redemption price, at the rate equal to the reference rate referred to in section 12 of the Interest Act (633/1982) in effect at the time.

The redemption request shall be presented to the company within two months of the general meeting referred to in section 39, subsection 1. If no agreement on redemption is reached, the shareholder shall refer the redemption matter for consideration at a district court within four months of the general meeting. If necessary, the district court shall notify the company of the bringing of an action. After the action has been brought, the shareholder is only entitled to the redemption price and the shareholder has the right of possession to the owner apartment for three months from the payment of the redemption price. The shareholder shall pay the charge for common expenses for the period during which the apartment is in their possession as provided in the articles of association. If the shareholder has not requested redemption or brought an action within the time limit, the right to redemption is forfeited. Information on the fact that an action is pending shall be recorded in the share register.

If it is later in the redemption proceedings determined that the shareholder has no right to redemption, the shareholder has the right to a new owner apartment in accordance with the decision of the general meeting. If the implementation of the decision of the general meeting lapses, the right to redemption also lapses.

The redemption price shall be paid within one month of the date on which the judgment became final. The redemption price can be deposited and security can be posted on paying it as laid down in section 45. The share shall be transferred to the redeemer once the redemption price has been paid, unless it has already been transferred in accordance with section 45.

The company acts as the redeemer. However, it can be specified in the decision of the general meeting referred to in section 39 that a party other than the company acts as the redeemer. The company shall notify this other redeemer of the redemption requests without delay. If the other party specified as the redeemer fails to pay the redemption price, the company is responsible for paying the redemption price.

The redeemer is responsible for the costs of judicial procedure if the district court does not, for special reasons, determine that it is reasonable to decide otherwise.

Section 43 (183/2019)
Squeeze-out

A shareholder with more than nine tenths (9/10) of all shares and votes in the company

(*redeemer*) has the right to redeem the shares of the other shareholders at a fair price (*right of squeeze-out*), if the maintenance responsibilities of the company would cause shareholders substantial damage, considering the value of the shares and the usability of the owner apartments. A shareholder whose shares may be redeemed (*minority shareholder*) has the corresponding right to demand that their shares be redeemed (*right of sell-out*).

In applying subsection 1, the following shall be deemed to be shareholdings of the redeemer:

1) the shares and votes held by a corporation, association or foundation over which the redeemer exercises control as referred to in chapter 1, section 5 of the Accounting Act (1336/1997); and

2) the shares and votes held by the redeemer or the corporation, association or foundation referred to in paragraph 1 together with a third party.

Any voting restrictions based on law or the articles of association are not taken into account in the calculation of the votes of the redeemer. The shares and votes held by the company itself or by its subsidiaries are not taken into account in the calculation of the total numbers of shares and votes in the company.

If there are more than one redeemer under subsections 1–3, the shareholder who has the most immediate majority of shares and votes in the company, as referred to in this section, is deemed the redeemer.

The redeemer shall, without delay, notify the company of the fact that they now hold the share of the votes and shares referred to in section 1 or that they no longer hold such a share. The company shall, without delay, provide information on the fact that someone holds, or no longer holds, such a share of the votes and shares that is the prerequisite for the commencement or termination of the rights of squeeze-out and sell-out for the purpose of being registered and recorded in the share register, and notify the shareholders of the matter in the same manner as they are given notice of a general meeting, once the company has been notified of the matter by the redeemer or has otherwise reliably been informed of the matter. (152/2023)

Disagreements concerning the right of redemption and redemption price shall be referred to a district court for consideration. The district court shall notify the company of the fact that a redemption matter has been instituted. The company shall record the details of the institution of

the redemption matter in the share register. Changes in the circumstances referred to in subsection 1 taking place after the matter has been instituted do not cause the right of squeeze-out or the right of sell-out to lapse. The redemption price shall be determined in accordance with the fair price of the time immediately preceding the institution of the matter. When the fair price is determined, consideration shall be given to the right of possession to the owner apartment and the other rights and obligations conferred by the shares. The redemption price shall be paid within one month of the date on which the judgment became final. The share is transferred to the redeemer once the redemption price has been paid, unless it has already been transferred in accordance with section 45. The redemption price shall bear annual interest for the period following the institution of the matter, at the rate equal to the reference rate referred to in section 12 of the Interest Act in effect at the time. The right of possession of the shareholder ends after three months from the date of payment of the redemption price, and the shareholder has the obligation to pay the charge for common expenses for the period during which the apartment is in their possession as provided in the articles of association.

The redeemer is responsible for the costs of judicial procedure if the district court does not, for special reasons, consider that it is reasonable to decide otherwise.

Section 44 (183/2019)
Special representative

After having been notified of institution of a matter referred to in section 42, subsection 4 or section 43, subsection 6, the company shall petition the district court to appoint a special representative to supervise the interests of the holders of the shares subject to redemption in the district court proceedings in question, unless all parties to the case have announced that they consider the appointment of a special representative unnecessary or unless the appointment of the special representative shall be considered unfounded, when taking into consideration the legal protection of the minority shareholders and the safeguarding of a fair trial. The district court with jurisdiction for the place where the company has its registered office is competent in the matter. The matter can be resolved without hearing the holders of the shares subject to redemption. The appointment of a special representative and the decision not to petition for the appointment of a special representative shall be recorded in the Trade Register. A decision not to petition for the appointment of a special representative may not be appealed against separately.

In the district court, the special representative has the right and obligation to make a case on behalf of the minority shareholders and to present facts and evidence in support thereof in the district court. The special representative is not competent to make or accept demands relating to the redemption on behalf of the minority shareholders whose shares are subject to redemption, nor to undertake measures that are contrary to the measures taken by the shareholders in question.

The district court decides on the fee of the special representative and the reimbursement for the representative's expenses in accordance with the provisions on the costs of judicial procedure laid down in section 42, subsection 8 and section 43, subsection 7. After the conclusion of the judicial proceedings, the special representative shall without delay submit a report on the measures that the representative has taken for registration; once registered, the report is deemed to have been delivered to the holders of the shares subject to redemption. In other respects, the provisions of the Guardianship Services Act (442/1999) on a guardian apply to the special representative, as appropriate.

Section 45 (183/2019)
Posting of security for the redemption price and depositing the redemption price

If there is a final decision on the existence of the right of squeeze-out or its existence is otherwise undisputed but there is no agreement or decision on the redemption price, a share shall be transferred to the redeemer immediately if the redeemer posts security for the payment of the redemption price and the security is approved by the special representative. Where necessary, the special representative shall keep the security on behalf of those entitled to the redemption price.

The redemption price may be paid by depositing it with the regional state administrative agency of the place where the company has its registered office, as provided in the Act on the Deposit of Cash, Book Entries, Securities or Instruments in Payment of Debts or for Release from Other Liabilities (281/1931), provided that the preconditions for deposit provided in section 1 of the said Act are met. In this case, the redeemer shall not reserve the right to recover the deposit.

After the posting of the security referred to in subsection 1 or the depositing referred to in subsection 2, the possession of the share certificate issued for the share only entitles its holder to the redemption price and to the right of possession to the owner apartment referred to in section 42, subsection 3. The redeemer has the right to receive a new share certificate to replace one

issued earlier; the new share certificate shall bear a mention that it replaces an earlier one. If the earlier share certificate is thereafter given to the redeemer, it shall be cancelled.

Chapter 7
Management and representation of the limited liability housing company

Management of the housing company

Section 1
Board of directors and manager

A housing company shall have a board of directors. It may also have a manager, if so provided in the articles of association or so decided by the general meeting.

Provisions on a prohibition against decisions contrary to the principle of equal treatment are laid down in chapter 1, section 10, provisions on the duty of care are laid down in chapter 1, section 11, and provisions on liability for damages are laid down in chapter 24.

Provisions on the representation of the housing company are laid down in sections 22–26.

Duties of the board of directors and decision-making

Section 2
General duties of the board of directors

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 is responsible for the appropriate arrangement of the control of the housing company accounts and finances.

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 a shareholder; or

3) significantly affect a shareholder's obligation to pay the charge for common expenses or the other expenditure resulting from the use of the owner apartment in the possession of the shareholder.

However, the board of directors may undertake measures referred to in subsection 2, if the decision of the general meeting cannot be delayed without causing essential 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.

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 in violation of this Act or the articles of association.

Section 3
Decision-making by the board of directors

The opinion of the majority constitutes the decision of the board of directors, unless a qualified majority is required under the articles of association. In the event of a tie, the chairperson has the casting vote. If there is a tie in the election of 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 is decided by drawing lots.

The board of directors has a quorum when more than half of the members of the board of directors are present, unless a larger proportion is required under the articles of association. The proportion is calculated on the basis of the number of members who have been appointed. When this proportion is being calculated, disqualified members are deemed to be absent. No decision shall be made unless all members have been given an opportunity, as far as possible, to participate in the consideration of the matter. If a member is unavailable, this opportunity shall be given to a 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 in accordance with what is provided in section 6 concerning the minutes of meetings of the board of directors.

Section 4
Disqualification

A member of the board of directors is disqualified from the consideration of a matter pertaining to:

1) a contract or other legal transaction between the member and the housing company;

2) modernisation or other than 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.

A member is likewise 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.

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

Section 5
Meeting of the board of directors

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 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.

The board of directors may decide that a person other than a member of the board of directors may also be present at a meeting. Section 18 contains provisions on the right of the manager to be present at a meeting. Provisions on persons 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 and they shall 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 have the right to have their dissent recorded in the minutes. The minutes shall be numbered consecutively and archived in a reliable manner.

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 shall be provided in writing.

Section 7
Transfer of decision-making

In individual cases or if 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.

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

There shall be between one and five regular members of the board of directors, unless otherwise provided in the articles of association.

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 also apply to a deputy member.

If there are several members of the board of directors, a chairperson shall be elected for the board of directors. The board of directors shall elect the chairperson, unless otherwise decided when the board of directors is appointed or unless otherwise provided in the articles of association. The manager may be elected the chairperson of the board of directors only if so provided in the articles of association or if all shareholders consent to that.

Section 9
Appointment of the members of the board of directors

The general meeting shall appoint the members of the board of directors.

It may be provided in the articles of association that a minority of the board of directors is to be appointed in accordance with some other procedure. However, if a member has not been appointed in accordance with 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

The following cannot be members of the board of directors: legal persons, minors, persons for whom a guardian has been appointed, persons with restricted legal capacity, and persons in bankruptcy. The Act on Business Prohibitions (1059/1985) contains provisions on the effect of a business prohibition on the qualification of a member.

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.
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Section 11
Term of the members of the board of directors

The term of a member of the board of directors ends upon conclusion of the next 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 of a member ends

and the term of a successor member begins upon conclusion of the general meeting deciding on the appointment of the successor member, unless otherwise provided in the articles of association or decided when the successor member is appointed.

Despite their term having ended, 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 the member has reason to believe that the housing company no longer has any members of the board of directors.

Section 12
Resignation of members of the board of directors

A member of the board of directors may resign before the end of the member's term.

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 else than the general meeting, the resignation shall also be notified to the appointing party.

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

A member of the board of directors may be dismissed before the end of their 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.

The term of a dismissed member of the board of directors ends upon 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 ends 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 competence 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 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 responsibility of the general meeting and if 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 recorded in or attached to the minutes of the board of directors.

Manager

Section 17
General duties of the manager

The manager shall see to the maintenance of the real estate and 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.

The manager may undertake measures referred to in section 2, subsection 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 has 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

The provisions laid down in section 2, subsection 4 concerning invalid decisions, section 4 concerning disqualification and section 10 concerning competence, applicable to the members of the board of directors, 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

The board of directors appoints the manager.

The manager shall be a natural person or a registered company.

The manager has the right to resign from the post. The resignation takes effect at the earliest when the board of directors has been notified of it.

The board of directors may dismiss the manager from the post. The dismissal takes 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

If a company has been appointed as the manager, it shall provide the housing company with the name of the person bearing primary responsibility for management.

The manager bearing primary responsibility shall 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 limited liability housing company and the management company.

If a company has been appointed as the manager, the provisions of this Act and of any other act on a manager apply to the manager bearing the primary responsibility.

Representation

Section 22
Board of directors and manager as representatives

The board of directors represents the housing company and signs for the housing company.

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 recorded 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

A legal transaction entered into by a representative of the housing company referred to in this Act is not binding on the housing company if:

1) the representative has violated a restriction of the representative's competence to represent the housing company referred to in this Act;

2) the representative has violated a restriction referred to in section 24; or

3) the representative has exceeded their authority and the other party to the legal transaction knew or should have known that the authority had been exceeded.

In cases referred to in subsection 1, paragraph 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 of the fact that the other party to the legal transaction knew or should have known of the authority having been exceeded.

Section 26
Service of notices on the housing company

Summonses and other notices are 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.

If none of the representatives of the housing company referred to in subsection 1 has been recorded in the Trade Register, 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 in compliance with chapter 11, section 7, subsections 2–4 of the Code of Judicial Procedure (4/1734).

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

Section 27 (152/2023)
Manager's certificate

Upon request, the manager shall issue a manager's certificate on an owner apartment or make an update of information as referred to in section 17a of the Act on the Residential and Commercial Property Information System. If the housing company does not employ a manager or if the manager is disqualified, the responsibility for issuing the certificate or making the update falls on the chairperson of the board of directors. A request may be made by:

1) the holder of the shares that confer the right of possession to the owner apartment;

2) a party possessing the shares under a pledge; and

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

The certificate shall 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 land;

4) whether the articles of association include a redemption clause;

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

6) information on including the company's shares and registering the holder of the share group in the Register of Housing Company Shares;

7) the name of the holder of the share group recorded in the share register and any restriction on use or transfer affecting the shares or the possession of the owner apartment recorded in the share register, unless the shareholder has been registered in the Register of Housing Company Shares;

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

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

10) an account of the liability for loans, if the liability for housing company's loans is divided unevenly between the shareholders;

11) any action referred to in chapter 6, section 36 brought against the housing company, and the section of the articles of association that this action concerns;

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

13) information to be recorded in the certificate under some other act.

A reasonable fee approved by the board of directors may be charged for issuing the certificate and for updating the share group-specific information in the Residential and Commercial Property Information System.

Further provisions on the contents of the manager's certificate and any documentation to be attached to it may be issued by government decree.

Section 28
Storage of notices pertaining to maintenance or alteration work and submitting them to the Residential and Commercial Property Information System (152/2023)

The board of directors shall keep a list of the notices concerning maintenance and alteration work referred to in chapter 4, section 7 and chapter 5, section 4 that have been submitted to the housing company. All notices shall be stored in a reliable manner and on an owner apartment-specific basis. Any information on maintenance and alteration work included in the notices shall be submitted to the National Land Survey of Finland in compliance with section 17a of the Act on the Residential and Commercial Property Information System. (152/2023)

Shareholders have the right 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

Members of the housing company's board of directors, the manager, and any person so authorised by the board of directors or the manager have the right 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.

Visits to the owner apartment shall 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.

If access is denied, members of the board of directors and the manager have the right to obtain executive assistance from the police.

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

The general meeting may decide that the housing company shall take possession of an owner apartment in the possession of a shareholder, for a maximum period of three years, if:

1) the shareholder does not pay the charge for common expenses due or the costs referred to in section 3, subsection 4;

2) the owner apartment is cared for so badly as to cause harm to the housing company or another shareholder;

3) the owner apartment is essentially used contrary to its purpose of use as provided in the articles of association or contrary to 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, contrary to 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 the rules necessary to maintain order in the housing company's facilities.

The housing company must not take possession of an owner apartment if the violation is only of minor significance.

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

The three-year term referred to 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

The board of directors shall 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 transferred the apartment to another person's use, a notice of the warning shall also be served on 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.

The warning shall be served in compliance with the provisions on the service of a summons or 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 the person by registered letter, which is deemed to have come to the person's attention on the seventh day from posting.

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 is deemed to have been informed of the warning on the date of publication of the newspaper.

If, as a consequence of the warning, the shareholder fulfils their duties without delay or the matter is otherwise rectified, the housing company does not have the right 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
Service of decisions

The shareholder, leaseholder and other party living in the owner apartment under right of use shall be served with the decision of the general meeting stating that the housing company will take possession of the owner apartment in the manner provided for a warning in section 3 within 60 days of the date on which the decision was made. Otherwise, the decision shall be ineffective.

Section 5
Protesting against and enforcing a decision

The shareholder, leaseholder or other party living in the owner apartment under right of use may refer the question of whether the grounds laid down in section 2 exist for the housing company to take possession of the owner apartment to a court for consideration. Such an action for annulment of the general meeting's decision due to it being in violation of section 2 shall be brought against the housing company within 30 days of the service of the decision to take possession of the owner apartment as referred to in section 4.

If the court rejects the action for annulment pertaining to the decision of the general meeting referred to in subsection 1, the said court decision may be enforced in the same manner as an eviction order concerning a leaseholder. If the taking possession of the owner apartment by the housing company is based on section 2, subsection 1, paragraph 1, the leaseholder or other party living in the apartment under right of use shall not be evicted unless the person has been served with the housing company's decision to take possession of the owner apartment.

Section 6

Leasing an owner apartment taken into possession of the housing company

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 price for the period that 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 shall primarily conclude a lease agreement with this party for the period that it remains in the housing company's possession. If the apartment is not in a suitable condition for leasing, the necessary repairs shall first be made at the shareholder's expense. The leaseholder's right of possession to the owner apartment expires without notice when the housing company's possession of the owner apartment ends at the latest, irrespective of what was agreed regarding the duration of the lease.

The housing company has the right to withhold 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 an owner apartment

If the shares pass to a new holder after the decision to take possession of an 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, subsection 2. If the apartment has been leased in accordance with section 6, subsection 1, the legal validity of the lease with regard to the new holder is defined in accordance with the Act on Residential Leases (481/1995) or the Act on Commercial Leases (482/1995). The leaseholder's right of possession to the owner apartment expires without notice when the housing company's possession of the apartment ends at the latest, 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 of this chapter and the provisions of the Auditing Act apply to the audit of a limited liability housing company.

Section 2
Appointment of an auditor

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

The general meeting shall appoint an 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

If only one auditor is appointed for a housing company and this auditor is not an audit firm referred to in the Auditing Act, at least one deputy auditor shall be appointed. The general meeting may also appoint a deputy auditor 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 for such an auditor is appointed in accordance with the other procedure.

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

Section 4
Term of an auditor

The term of an auditor ends and the term of a successor auditor begins upon conclusion of the general meeting deciding on the election of the successor auditor, unless otherwise provided in the articles of association or decided when the successor auditor is appointed.

Other provisions on the temporary or indefinite character of the term may be included in the articles of association.

Section 5
Obligation to appoint an auditor

In a limited liability 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 shall be appointed under 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 request at an ordinary general meeting or at the general meeting where, according to the notice of meeting, the matter is to be dealt with.

If the general meeting does not appoint an auditor in a situation referred to in subsection 1, paragraph 3, the Finnish Patent and Registration Office shall designate an auditor in accordance with the procedure laid down in chapter 2, section 8, subsections 1 and 4 of the Auditing Act, provided that a shareholder applies for the designation within one month of the general meeting. Provisions on the designation of an auditor by decision of the Finnish Patent and Registration Office in the event that the general meeting does not appoint an auditor in a situation referred to in subsection 1, paragraph 1 or 2 are laid down in chapter 2, section 8 of the Auditing Act. (1209/2015)

Operations inspection

Section 6
Appointment and term of an operations inspector

The general meeting shall appoint an operations inspector for a housing company if the housing company does not have an auditor and if not otherwise provided in the articles of association.

An operations inspector shall always be appointed if the housing company does not have an auditor and the 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 request at an ordinary general meeting or at the general meeting where, according to the notice of meeting, the matter is to be dealt with.

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.

If an operations inspector has not been appointed in accordance with this Act or the articles of association, the regional state administrative agency shall designate an operations inspector as provided in section 5, subsection 2 concerning the designation of an auditor.

The provisions of section 4 regarding an auditor's term 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 also apply to the deputy operations inspector.

Section 8

Competence and independence of the operations inspector

The following may not act as an operations inspector:

1) a legal person, a minor, a person for whom a guardian has been appointed, a person with restricted legal capacity, and a person 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 an employment relationship to the housing company or to a 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 a lineal ascendant or descendant of such a person.

The operations inspector shall have such financial and legal knowledge and experience that is deemed necessary, in view of the nature and extent of the housing company's operations, for performing the operations inspection task.

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

Section 9
Contents of an operations inspection

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

Section 10
Operations inspector's report

The operations inspector shall issue, for each financial period, an operations inspector's report that shall be dated and signed. The operations inspector's report shall specify the financial statements subject to the operations inspection.

The operations inspector's report shall contain a statement on whether:

1) the financial statements cover the essential parts of the housing company's income, expenses, equity, liabilities and pledges provided by the housing company; and

2) the management report contains the information referred to in chapter 10, sections 5–7.

If the operations inspector cannot issue a statement, this shall be indicated in the operations inspector's report. The operations inspector's report shall include any further information considered necessary.

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 omission which may result in liability for damages towards the housing company; or

2) has violated this Act or the articles of association.

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 expenditure

The operations inspector has the right to receive remuneration from the housing company. The housing company is also liable for any other expenditure arising from an operations inspection.

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

The board of directors and the manager of a housing company shall provide the operations inspector with an opportunity to conduct an inspection in the scope considered necessary by the operations inspector, and they shall provide any accounts 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.

The operations inspector has the right to be present and to speak at the meeting of the board of directors where matters relating to the operations inspector's duties are dealt with. The operations inspector shall be present at the meeting where the matters to be dealt with require their presence.

Upon request of the general meeting, the 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 cause essential harm to the housing company.

Upon request of a shareholder, the operations inspector shall provide the general meeting with all information pertaining to the housing company, provided that this does not cause any essential harm to the housing company. The operations inspector may otherwise disclose any such information that the operations inspector has learned while carrying out their duties:

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

2) of which the authorities, court or other person has the right to be informed under the law;

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

4) that has become public knowledge; or

5) that does not cause any harm to the housing company.

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

Special audit

Section 13
Ordering a special audit

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 conduct a special audit of the administration and accounts of the housing company for a given past period or for given measures or circumstances. A prerequisite for such an order is 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.

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.

The regional state administrative agency shall obtain a statement from the board of directors of the housing company and, if the special audit pertains to the measures undertaken by a given person according to the application, from that person. The application shall be granted if it is determined that there are serious reasons for the special audit. The regional state administrative agency may designate one special auditor or several special auditors. The order may be enforced even if it is not yet final.

Section 14 (625/2016)
Special auditor

The special auditor shall be a natural person or an audit firm. The special auditor shall have the financial and legal knowledge and experience that is, in view of the nature and scale of the audit engagement, needed for the performance of the engagement. The provisions on an auditor laid down in chapter 2, section 7, chapter 3, sections 9 and 10, chapter 4, sections 6–8, and chapter 10, section 9 of the Auditing Act also apply to the special auditor.

Section 15
Report on a special audit

A report on a special audit shall be submitted to the general meeting. The report shall be kept available to shareholders at the location specified in the notice of meeting for at least two weeks before the general 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 expenditure

The special auditor has the right to receive remuneration from the housing company. The housing company is also liable for any other expenditure 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 expenditure.

Chapter 10
Equity, financial statements, management report and group

Equity

Section 1
Types of equity and its use

The equity of a housing company is divided into restricted equity and unrestricted equity.

Restricted equity consists of:

1) the share capital;

2) the construction reserve; and

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

Unrestricted equity consists of other reserves and of the profit from the current and the previous financial periods.

A reserve fund established prior to 1 January 1992 shall be indicated in the housing company's equity in accordance with its terms.

In addition to this chapter, provisions on the distribution and other use of equity are laid down 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 management report

Section 3
Application of the Accounting Act

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

Section 4
Financial period

Provisions on the financial period of the housing company are laid down in the memorandum of association or in the articles of association. Even in the event that provisions on the financial period are laid down in the memorandum of association, the decision to change the financial period shall be made by the general meeting. The change enters into force upon registration.

Section 5
Management report

A limited liability housing company shall always draw up a management report that shall contain the information required under this Act.

The management report shall contain:

1) information on the use of the charge for common expenses if the charge for common expenses may be collected for various purposes under various criteria;

2) for a capital loan, the main terms of the loan and the interest accruing on it and not entered as an expense in 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, and a proposal, where appropriate, for the distribution of other unrestricted equity.

Section 6
Information on corporate structure and finance in the management report

The management report shall contain an account of:

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

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

3) 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) 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) 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 on own shares in the management report

The management 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.

The management 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.

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

In addition to what is provided elsewhere by law, the provisions of this chapter apply to the drawing up of the consolidated financial statements.

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

The Accounting Board may, in the manner provided in chapter 8, section 2 of the Accounting Act, issue instructions and statements on the application of the provisions of this Act relating to the drawing up of the financial statements and the management report.

Group

Section 10
Group

If a limited liability 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 is the parent company and the other company or foundation is a subsidiary. The parent company and its subsidiaries form a group.

A limited liability housing company also exercises control over another company or foundation 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.

The provisions of chapter 1, section 5 of the Accounting Act on the party responsible for keeping accounts apply to the limited liability housing company referred to above, and the provisions of 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

The assets of a housing company may only be distributed to the shareholders 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 referred to in chapter 17;

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

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

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, constitute unlawful distribution of assets.

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 have been 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 financial statements

The distribution of assets referred to in section 1, subsection 1 is 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. Any 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 violation 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) valid at the time.

Dividend and distribution of reserves of unrestricted equity

Section 5
Amount to be distributed

Unless otherwise provided in 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

The general meeting shall make the decision on the distribution of assets. The provisions of chapter 6, sections 18–22 apply to the notice of the general meeting, the meeting documents, keeping them available and their 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.

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.

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

With the consent of all shareholders, unrestricted equity may also be distributed in a manner other than that referred to in section 1, subsection 1, unless otherwise provided in the articles of association.

Other provisions

Section 7
Restrictions related to granting a loan and pledge

The housing company may only grant a monetary loan if the debtor does not belong to the housing company's related parties 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.

The restriction referred to 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, subsection 1, paragraph 1, all of the housing company's shareholders consent to this, or, in the cases referred to in section 8, subsection 1, paragraphs 2–5, 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

The housing company's related parties are:

1) parties in control of the housing company, or those under the authority of parties exercising control over 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 those who 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 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 a marriage-like relationship;

5) the company and foundation over which a person referred to in paragraphs 2–4 has exclusive or joint control.

The provisions of chapter 1, section 5, subsections 2 and 3 of the Accounting Act apply to the determination of shareholdings and voting rights referred to in subsection 1, paragraph 2. The shareholdings and voting rights of natural persons referred to in subsection 1, paragraph 4 of this section and companies and foundations referred to in subsection 1, paragraph 5, with whom a shareholder or member of a company has a relationship, shall be considered in this regard a shareholder's or member's proportion.

When applying the presumption of negligence referred to in chapter 24, section 1, subsection 3 or chapter 24, section 2, subsection 2 of this Act, the proportion of shareholdings or votes referred to in subsection 1, paragraph 2 of this section is 20 per cent.

Chapter 1, section 5, subsection 3 of the Accounting Act (1336/1997) was repealed by the Act amending the Accounting Act (1620/2015).

PART IV
INCORPORATION AND FINANCE

Chapter 12
Incorporation of a limited liability housing company

General provisions

Section 1
Memorandum of association

A housing company is incorporated by way of a written memorandum of association that shall be signed by all shareholders.

By signing the memorandum of association, a shareholder subscribes for a quantity of shares indicated in the memorandum of association. The subscription may not be cancelled after all of the shares have been subscribed for, unless otherwise agreed.

The term and duties of the management, the auditors and the operations inspectors begin as of the signing of the memorandum of association.

Section 2
Contents of the memorandum of association

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.

The articles of association referred to in chapter 1, section 13 shall be included or attached to the memorandum of association. Provisions on the financial period of the housing company shall be laid down either in the memorandum of association or in the articles of association.

Where appropriate, the memorandum of association shall also contain information on the manager, the auditors and the operations inspector. The chairperson of the board of directors may be designated in the memorandum of association.

Section 3
Subscription price

The subscription price of a share is credited to the share capital, unless it is provided in the memorandum of association or in the 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 otherwise provided in the Accounting Act (1336/1997).

Payment for shares

Section 4
Payment in cash

A subscription price payable 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

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.

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 and the circumstances relevant to the valuation of the contribution and the methods of valuation. If the provisions of 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.

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

The board of directors may declare that the right to a share has been forfeited if the subscription price, together with any interest for late payment, 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.

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 any collection charges, with one tenth (1/10) of the subscription price of the share.

Registration and its legal effects

Section 7
Registration of a housing company

A 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) contains more detailed provisions on the registration.

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

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 incorporation of the housing company. 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.

If a share has been paid for in kind, a statement by an auditor on the account referred to in section 5, subsection 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 8
Legal effects of registration

A housing company is 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 are transferred to the housing company upon registration.

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

Section 9
Activities prior to registration

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.

Before registration, those having decided on and participated in any acts on behalf of the housing company are jointly and severally liable for such acts. In the situations referred to in section 8, subsection 1, this liability is transferred to the housing company upon registration.

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 and take measures for the collection of the payment for shares.

Section 10
Legal transactions with an unregistered housing company

If a contracting partner of a housing company knew that the housing company had not been registered, that partner may, unless otherwise agreed, withdraw from the contract if the registration submission has not been submitted within the time limit referred to in section 7, subsection 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

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, subsection 1 or if registration is refused.

If the incorporation lapses, the board of directors and the manager are jointly and severally liable for refunding the shareholders for the paid-up subscription prices and the income accruing on them. The normal expenditure arising from measures referred to in section 9, subsection 3 may be subtracted from the amount to be refunded.

Chapter 13
Share issue

General provisions

Section 1
Share issue

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

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

Section 2
General provisions on decision-making

The general meeting shall make the decisions on share issues.

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 the decision. The authorisation remains in effect for one year from the decision of the general meeting, unless otherwise provided in the decision. A new share issue authorisation supersedes an earlier one, unless otherwise decided.

The provisions of chapter 6, sections 18–22 apply to the notice of the general meeting, the meeting documents, keeping them available and their delivery.

Section 3
Right in a share issue

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

Provisions of subsection 1 may be derogated from in the articles of association.

A derogation from the pre-emptive right 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 a qualified majority as referred to in chapter 6, section 27.

Share issue against payment

Section 5
Contents of decision

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

1) the quantity or maximum quantity of shares to be issued, and information on whether new or treasury shares are to be issued;

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

3) who has the right to subscribe for shares and, in a directed share issue, the justification for the existence of a serious 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 criteria for determining the subscription price;

5) the deadline for the payment of the shares;

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.

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.

The number of shares referred to above in subsection 1, paragraph 2 shall be determined using the same criteria as for the number of shares conferring the right of possession to the housing company's other apartments.

The articles of association shall be amended in connection with a decision to increase the housing company's share capital to reflect the issues specified in chapter 1, section 13, subsection 1, paragraphs 4 and 5 regarding the apartments referred to in subsection 1.

The period referred to in subsection 2, paragraph 2 shall not end before two weeks have passed from the beginning of the subscription period.

Section 6
Subscription price

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 otherwise provided in the Accounting Act.

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 otherwise provided in the Accounting Act.

Section 7
Access of shareholders to information

A shareholder who, according to a decision referred to in section 5, subsection 2, has a subscription right shall before the beginning of the subscription period be notified of the decision in the same manner as they are given notice of a 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.

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.

The contents of the share issue decision and the documents concerning the financial position of the housing company 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.

Shareholders shall be notified 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

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

The subscription price may only be set off against receivables from the housing company 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

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.

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 and the circumstances relevant to the valuation of the contribution and the methods of valuation. If the provisions of 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.

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

The board of directors may declare that the right to a share has been forfeited if the subscription price, together with any interest for late payment, 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.

A person whose right has been declared forfeited in accordance with subsection 1 is liable to pay to the housing company, in addition to any collection charges, one tenth (1/10) of the subscription price of the share as compensation.

Section 13
Registration of new shares

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.

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

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.

If a share has been paid for in kind, a statement by an auditor on the account referred to in section 11, subsection 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.

After the submission referred to in subsection 1, the board of directors shall without delay submit the subscribers of the shares for registration in the Register of Housing Company Shares. (1330/2018)

Section 14
Legal effects of registration

A new share confers shareholder rights as of registration, unless a later point in time is determined in the share issue decision. In any event, the shares confer shareholder rights no later than one year after the registration.

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

Section 15 (1330/2018)
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 share may not be transferred to the transferee before the said point in time.

Share issue without payment

Section 16
Contents of decision

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

If the shares issued in a share issue without payment confer the right of possession referred to in section 5, subsection 1, paragraph 2, the information specified in section 5, subsection 1, paragraphs 2, 6 and 7 shall be mentioned in the decision.

Section 17
Registration and its legal effects

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

A new share confers shareholder rights, excluding the rights referred to in section 16, as of registration, unless a later point in time is determined 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 is not 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

If there is a serious 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 to subscribe for shares (*option right*). The right may also be attached to an undertaking to subscribe for shares.

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

The general meeting decides on the issue of option rights and other rights referred to in section 1.

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 the decision. The authorisation remains in effect one year from the decision of the general meeting, unless otherwise provided in the decision. A new authorisation supersedes an earlier one, unless otherwise decided.

A general meeting decision referred to in subsection 1 or 2 shall be made by a qualified majority, as referred to in chapter 6, section 27. The provisions of chapter 6, sections 18–22 apply to the notice of the general meeting, the meeting documents, keeping them available and their delivery.

Section 3
Contents of decision

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, and information on 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) who has the right to receive or 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 serious financial reason for the issue of the rights referred to in section 1, subsection 1, and 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) provisions on the status of the rights in a share issue when issuing rights under this chapter in accordance with some other decision, distributing housing company assets in accordance with chapter 11, section 1, subsection 1, reacquiring rights under this chapter or in connection with a merger of the housing company into another company or a demerger of the housing company, and provisions on the consideration of disputes over redemption in a court or in arbitration in connection with a merger or demerger, on the payment of the redemption price, and on the transfer of ownership.

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

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
Access of shareholders to information

Shareholders shall be informed of a decision regarding the issue of option rights and other rights 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 is governed by the corresponding provisions laid down in chapter 13, sections 9–11 and section 12, subsection 1 on the subscription price receivables, payment in cash, contribution in kind and the consequences of late payment. The provisions of the said sections on the share issue decision apply to the decision referred to in section 3 of this chapter.

Section 7
Issue of shares

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

However, the issue of shares under this chapter is not subject to the deadline for the registration of new shares specified in chapter 13, section 13, subsection 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

A decision on an increase from reserves is made by the general meeting.

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 remains in effect for one year from the decision of the general meeting, unless otherwise provided in the decision. A new authorisation supersedes an earlier one, unless otherwise decided.

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 of chapter 6, sections 18–22 apply to the notice of the general meeting, the meeting documents, keeping them available and their delivery.

Section 3
Share capital investment

A decision to increase share capital on the basis of a share capital investment is made by the board of directors. The decision shall indicate the amount of the increase and the investment on which the increase is based.

The provisions of 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 of 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

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 are laid down in chapter 13, section 13.

Other share capital increases shall be submitted for registration without delay once the possible 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 needs to be appointed for the housing company, other evidence on the payment for shares shall be attached to the registration submission.

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, subsection 2 and on whether the assets had a financial value for the housing company at least equal to the payment.

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

Chapter 16
Capital loan

Section 1
Subordination and other terms of the loan

The housing company may take out a loan (*capital 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 otherwise be repaid and interest paid only insofar as the sum total of the unrestricted equity and all of the capital 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.

The provisions of chapter 11, section 4 and chapter 27, section 1 on the unlawful distribution of assets apply to the repayment of the principal, the payment of interest and the posting of security for a capital loan in violation of subsection 1.

The provisions of 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 capital loan may be paid or security posted only after the measure requiring creditor protection has been registered. With the consent of the creditor of the capital loan, the capital 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
Other provisions

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

If interest due on a capital loan cannot be paid, the interest is deferred to be paid on the basis of first such financial statements that allow for payment.

Capital loans have an equal right to the assets of the housing company, unless otherwise agreed between the housing company and the creditors of the capital loans.

Capital loans shall be shown on the housing company balance sheet as a separate item.

PART V
REDUCTION OF SHARE CAPITAL AND TREASURY SHARES

Chapter 17
Reduction of share capital

Section 1
Decision-making

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, subsection 1.

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 of chapter 6, sections 18–22 apply to the notice of the general meeting, the meeting documents, keeping them available and their delivery.

Provisions on decision-making in respect of the acquisition and redemption of own shares are laid down in chapter 18. Provisions on decision-making and creditor protection in connection with a merger, a demerger, changing the legal form and the dissolution of the housing company are laid down in chapters 19–22.

Chapter 1, section 7, subsection 1 was repealed by Act 185/2019.

Section 2
Creditor protection

The creditors of the housing company whose receivables have arisen before the issue of the public notice referred to in section 4 have the right to object to the reduction of the share capital. However, they do 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.

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 does 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 under section 2, subsection 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

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, subsection 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 and register the public notice on its own motion.

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, subsection 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.

The registration authority shall inform the housing company of the objections filed with it without delay after the due date.

Section 5
Preconditions for registration

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.

If a creditor has objected to the reduction, the decision on the reduction of the share capital lapses 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.

The share capital is considered to have been reduced when the reduction has been registered.

Section 6
Registration of other forms of reduction of share capital

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

The reduction of the share capital and an increase of the share capital referred to in section 2, subsection 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 provision in the articles of association or a derogation from such a provision. In this event, the provisions of 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.

Chapter 18
Own shares

General provisions

Section 1
Acquisition, redemption and acceptance as pledge

As provided in 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 referred to in chapter 2, section 5; and

3) to accept its own shares as pledge.

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

Section 2
Restriction of the scope of application

The provisions of 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 housing company; or

3) receives an own share for no consideration.

Section 3
Retention, cancellation and transfer

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.

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

Acquisition and redemption of own shares

Section 4
Provisions on decision-making

A decision on acquisition and redemption is made by the general meeting. The decision shall be made by a qualified majority, as referred to in chapter 6, section 27. The housing company may not acquire or redeem all of its own shares.

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 fair price of the shares when assessing the acceptability of the acquisition or redemption.

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 for one year from the decision of the general meeting, unless a shorter period is specified in the decision. Own shares may be acquired on the basis of an authorisation only by using unrestricted equity for the purpose.

The provisions of chapter 6, sections 18–22 apply to the notice of the general meeting, the meeting documents, keeping them available 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 shall 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 decision concerns 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 referred to in section 4, subsection 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 on which 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

The board of directors may decide to cancel treasury shares. The cancellation shall be submitted for registration without delay. The shares are considered to have been cancelled once the submission has been registered.

Shares acquired or redeemed in violation of the provisions of this Act shall be transferred without undue delay, and in any event within one year of the acquisition or redemption.

If the shares have not been transferred within the period referred to in subsection 2, they shall be cancelled.

Acceptance of own shares as pledge and subscription for own shares

Section 7
Own shares as pledge

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.

Besides the provisions of chapter 10 of the Code of Commerce, the sale of own shares held as pledge is governed by the provisions of chapter 13 of this Act on the transfer of treasury shares.

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

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 are 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 are 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 are deemed to have subscribed for the shares. The subscribers are jointly and severally liable for the payment of the subscription price. However, a person who proves that they objected to the subscription or did not know and should not have known of the subscription is not deemed a subscriber.

A person who has subscribed for shares in a housing company in their own name but on behalf of the housing company or a subsidiary is deemed to have subscribed for the shares on their own behalf.

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

PART VI
CHANGES IN COMPANY STRUCTURE AND DISSOLUTION OF A HOUSING COMPANY

Chapter 19
Merger

Definition of a merger and forms of merger

Section 1
Merger

A limited liability housing company (*merging company*) may merge into another limited liability housing company or another 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.

With regard to another limited liability company participating in a merger, the provisions of chapter 16 of the Limited Liability Companies Act (624/2006) apply to the draft terms of merger and their approval, to creditor protection, to the right of the merging company's shareholders and option right holders to request redemption, and to the payment of the redemption price.

If a cooperative owns all the shares of a limited liability housing company, the limited liability housing company may merge with the cooperative in accordance with the provisions of chapter 20, section 2 of the Cooperatives Act (421/2013) concerning limited liability companies merging with cooperatives. 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). (428/2013)

Section 2
Forms of merger

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*).

A subsidiary merger means 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 housing company.

A triangular merger means an absorption merger where a party other than the acquiring company provides the merger consideration.

In 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

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.

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 housing 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, and 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, and of the accounting treatments to be applied in the merger;

12) an account of the maintenance that will 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 will significantly affect the use of shareholders' facilities, the charge for common expenses, or other expenditure 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 capital 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, and 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);

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, their operations inspectors and their auditors 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.

The provisions of subsection 2, paragraphs 4–10, 12 and 13 do not apply to a subsidiary merger.

Section 4
Statement of an auditor

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 and of 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.

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

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

Section 5
Registration of the draft terms of merger

The draft terms of merger 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.

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.

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

Section 6
Public notice to creditors

The creditors of the merging company whose receivables have arisen before the registration of the draft terms of merger 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), and whose receivables have arisen no later than on the due date referred to in paragraph 2 also have the right to object to the merger.

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 and register the notice on its own motion.

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 referred to in section 4, conducive to compromising the repayment of the debts of the acquiring company. In this event, the provisions of 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, subsection 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 requested redemption in accordance with 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

Restructuring proceedings referred to in the Restructuring of Enterprises Act (47/1993) replace the public notice referred to in section 6; a creditor has 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.

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

In the merging limited liability housing company, the decision on the merger is made by the general meeting. Provisions on the decision-making are laid down 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.

In the acquiring limited liability housing company, the general meeting shall make the decision on the merger by a qualified majority, as referred to in chapter 6, section 27.

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 request 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 request 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
Keeping available and delivery of documents

The following documents shall be kept available to shareholders at the location specified in the notice of the general meeting for at least two weeks before the general meeting deciding on the

merger, sent without delay to any shareholders who so request, and made available at the general meeting:

1) the draft terms of merger;

2) the financial statements, management 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

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

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

Section 12
Legal effects of the merger decision

The merger decision of the merging company replaces 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 also replace the memorandum of association of the acquiring company.

If the merger is not approved in accordance with the draft terms of merger without any amendments 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 the demerger consideration, option rights and other special rights entitling to shares

Section 13
Redemption procedure

The holder of option rights or other special rights entitling to shares may request the redemption of the rights at the general meeting that is to decide on the merger or verifiably file a written request 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 requests of redemption.

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 for 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 the right to the redemption price. If it is later determined in the redemption proceedings that they have no right of redemption, they 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.

The fair price of the option right or other special right entitling to shares at the time preceding the merger decision serves 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 is not 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.

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

The acquiring company is liable for the payment of the redemption price. The merging company shall without delay notify the acquiring company of any requests for redemption.

Implementation and legal effects of a merger

Section 14
Notification of the implementation of a merger

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, and a statement regarding the account in the draft terms of merger referred to in section 3, subsection 2, paragraph 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.

In a subsidiary merger, the parent company is responsible for the notification. Notwithstanding the provisions of 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, a certificate of the sending of the notifications referred to in section 7, and the merger decisions need to be attached to the notification.

In an absorption merger, the board of directors of the acquiring limited liability housing company shall, without delay after the registration of the merger, provide information on the first holders of the new shares issued as merger consideration and information on the holders of the rights related to the shares or to the right of possession conferred by them for the purpose of being registered and recorded in the Register of Housing Company Shares. (152/2023)

In a combination merger, the companies involved in the merger with the limited liability housing company shall, without delay after the registration of the merger, provide information on the first holders of the shares of the company to be incorporated and information on the holders of the rights related to the shares or to the right of possession conferred by them for the purpose of being registered and recorded in the Register of Housing Company Shares. (152/2023)

Section 15
Preconditions for registration

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.

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 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.

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 in the manner referred to in chapter 22, section 15 has already begun.

If the assets of more than one of the companies involved in the merger are subject to a business mortgage 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 a merger

The assets and liabilities of the merging company are transferred to the acquiring company without liquidation once the implementation of the merger has been registered. At the same time,

the merging company is dissolved, and, in a combination merger, the acquiring company is established.

The assets and liabilities of the merging company shall not be recorded in 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 recorded in the balance sheet in the context of a merger.

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 become entitled to the merger consideration in accordance with the draft terms of merger. The new shares to be issued as merger consideration confer 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 confer shareholder rights no later than one year after the registration. Shares in the merging company held by the acquiring company or the merging company do not confer a right to the merger consideration.

If the receipt of the merger consideration requires specific measures from the recipient 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 devolves on the acquiring company. (1330/2018)

Section 17
Final accounts

The board of directors and the manager of the merging company shall, as soon as possible after the implementation of the merger, draw up financial statements and a management report for the period not yet covered by the 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, and they shall issue their report on the final accounts within one month.

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.

The final accounts shall be submitted for registration without delay.

Section 18
Cancellation of a merger

Even if a merger has been registered, it is cancelled if the merger decision is invalid according to a final court judgment. The merging company and the acquiring company are 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 applicable to joint-stock property companies

Section 19
Cross-border mergers

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

Chapter 20
Demerger

Definition and forms of demerger

Section 1
Demerger

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 another limited liability company (*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.

With regard to another limited liability company acting as the acquiring company, the provisions of chapter 17 of the Limited Liability Companies Act apply to the draft terms of demerger, their approval and creditor protection.

Section 2
Forms of demerger

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*).

Demerger into an existing company means a demerger where the acquiring company has been incorporated before the implementation of the demerger, and *demerger into a company to be incorporated* means 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.

In 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

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.

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 in accordance with 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, and 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, for the intended effect of the demerger on the balance sheet of the acquiring company, and for the accounting treatments to be applied in the demerger;

12) an account of the maintenance that will 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 will significantly affect the use of shareholders' facilities, the charge for common expenses, or other expenditure 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 capital loans whose creditors are entitled to object to the demerger in accordance with 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 and 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 their auditors 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

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 and of 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.

If all shareholders of the companies involved in the demerger consent to the same, a statement as to whether the demerger is conducive to compromising the repayment of the housing company's debts is only needed.

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

Section 5
Registration of the draft terms of demerger

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.

The submission shall be made by the companies involved in the demerger together.

The demerger shall lapse if the submission is not made in time or if registration is refused.

Section 6
Public notice to creditors

The creditors of the demerging company whose receivables have arisen before the registration of the draft terms of demerger 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 likewise have the right to object to the demerger.

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 and register the notice on its own motion.

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 referred to in section 4, conducive to compromising the repayment of the debts of the acquiring company. In this event, the provisions of 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 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, subsection 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 requested redemption under section 13, the creditors shall be notified of the quantities of rights that have been requested 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

Restructuring proceedings referred to in the Restructuring of Enterprises Act replace the public notice referred to in section 6; a creditor has no right to object to the demerger under 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.

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

In the demerging limited liability housing company, the decision on the demerger is made by the general meeting. A unanimous decision by the general meeting and the other shareholders' consent, as provided in chapter 6, section 37, is required for the draft terms of demerger to be accepted.

In the acquiring limited liability housing company, the general meeting shall make the decision on the demerger by a qualified majority, as referred to in chapter 6, section 27.

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 request 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 request 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

Keeping available and delivery of documents

The following documents shall be kept available to the shareholders of the acquiring limited liability housing company at the location specified in the notice of the general meeting for at least two weeks before the general meeting deciding on the demerger, sent without delay to any shareholder who so requests, and made available at the general meeting:

1) the draft terms of demerger;

2) the financial statements, management 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; and

5) a statement on the draft terms of demerger referred to in section 4.

Section 12
Legal effects of the demerger decision

The demerger decision of the demerging company replaces 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 also replace the memorandum of association of the acquiring company.

If the demerger is not approved in accordance with the draft terms of demerger without any amendments 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

The holder of option rights or other special rights entitling to shares may request the redemption of the right at the general meeting that is to decide on the demerger or verifiably file a written request 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 requests of redemption.

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 for 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 the 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 has no right of redemption, they have the right to the demerger consideration in accordance with the draft terms of demerger. If the demerger lapses, the redemption proceedings shall also lapse.

The fair price of the option right or other special right entitling to shares at the time preceding the demerger decision serves 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 is not taken into account. The redemption price shall bear annual interest from the demerger decision until the payment of the redemption price at the current reference rate referred to in section 12 of the Interest Act.

The redemption price shall be paid within one month of the award or judgment becoming final, but in any event not before the registration of the implementation of the demerger.

The companies involved in the demerger are 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 requests for redemption.

Implementation and legal effects of the demerger

Section 14
Notification of the implementation of a demerger

The companies involved in a 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 and a statement regarding the account in the draft terms of demerger referred to in section 3, subsection 2, paragraph 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.

In a demerger into an existing company, the board of directors of the acquiring company shall, without delay after the registration of the demerger, provide information on the first holders of the new shares issued as demerger consideration and information on the holders of the rights related to the shares or to the right of possession conferred by them for the purpose of being registered and recorded in the Register of Housing Company Shares. (152/2023)

In a demerger into a company to be incorporated, the companies involved in the demerger shall, without delay after the registration of the demerger, provide information on the first holders of the shares of the housing company to be incorporated and information on the holders of the rights related to the shares or to the right of possession conferred by them for the purpose of being registered and recorded in the Register of Housing Company Shares. (152/2023)

Section 15
Preconditions for registration

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.

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 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.

The demerger may be implemented even if the demerging company has been placed in liquidation, unless the distribution of the assets of the housing company to the shareholders in the manner referred to in chapter 22, section 15 has already begun.

If the assets of a demerging company are subject to a business mortgage 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 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 a demerger

The assets and liabilities of the demerging company are transferred to the acquiring companies without liquidation once the implementation of the demerger has been registered. However, in a partial demerger, the assets and liabilities divided by way of the draft terms of demerger are only transferred. At the same time, the demerging company is dissolved in a full demerger and, in a demerger into a company to be incorporated, the acquiring company is established.

The assets and liabilities of the demerging company shall not be recorded in 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 recorded in the balance sheet in the context of a demerger.

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 become entitled to the demerger consideration in accordance with the draft terms of demerger. The new shares to be issued as demerger consideration confer 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 confer shareholder rights no later than one year after the registration. Shares in the demerging company held by the acquiring company or the merging company do not confer a right to the demerger consideration.

If the receipt of the demerger consideration requires specific measures from the recipient 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 devolves on the acquiring company. (1330/2018)

If, in a full demerger, assets that have not been divided by way of the draft terms of demerger appear, they 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 otherwise provided in the draft terms of demerger.

The companies involved in the demerger are jointly and severally liable for the liabilities of the demerging company that have arisen before the implementation of the demerger was 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 request 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. Provisions on the liability relating to the payment of the redemption price are laid down in section 13, subsection 5.

Section 17
Final accounts

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 financial statements and a management report for the period not yet covered by the 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 and they shall issue their report on the final accounts within one month.

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.

The final accounts shall be submitted for registration without delay.

Section 18
Cancellation of a demerger

Even if a demerger has been registered, it is cancelled if the demerger decision is invalid according to a final court judgment. The demerging company and the acquiring company are 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 applicable to joint-stock property companies

Section 19
Cross-border demergers

In addition to the provisions of this chapter, the provisions on cross-border demergers laid down in chapter 17, sections 19–27 of the Limited Liability Companies Act apply to joint-stock property companies referred to in chapter 28, section 2.

Chapter 21
Changing the legal form of a housing company

Section 1
Changing the legal form

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.

A limited liability housing company with at least three shareholders may be changed into a cooperative so that the shareholders of the limited liability housing company become members of the cooperative.

Section 2
Decision-making

The general meeting decides on changing the legal form of a housing company 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 with the consent of holders of option rights and other special rights entitling to shares.

The decision referred to in subsection 1 replaces the incorporation instrument of the cooperative. The decision shall contain the following information:

1) the rules of the cooperative;

2) the shares and other participatory rights transferred to the members;

3) the names of the members of the cooperative's first board of directors or, if the board of directors is elected by the supervisory board, the names of the supervisory board members and, if necessary, the names of the auditors and the operations inspectors.
(428/2013)

Section 3
Registration of the decision

The housing company shall submit the decision on changing the legal form referred to in section 1 for registration within one month of the decision and, if a limited liability housing company is changed into a cooperative, apply for the issuing of a public notice referred to in section 4 from the registration authority; failing this, the decision shall lapse.

Section 4
Public notice to creditors

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 and register the notice on its own motion.

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 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.

The registration authority shall inform the housing company of the objections filed with it without delay after the due date.

Section 5
Preconditions for registration

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.

If a creditor has objected to the change in the legal form, the change shall lapse in one month after 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.

The legal form may be changed, notwithstanding the housing company being placed in liquidation, unless distribution of the assets of the housing company to shareholders in the manner referred to in chapter 22, section 15 has already begun.

A change in the legal form enters into force once it has been registered.

Chapter 22
Dissolution of a housing company

General provisions

Section 1
Dissolution

A housing company is dissolved in accordance with the provisions of this chapter on liquidation.

A bankrupt housing company is 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.

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

The general meeting decides on the placing of a housing company into liquidation in the manner referred to in chapter 6, sections 37 and 38. (183/2019)

Provisions on the notice of the general meeting and the meeting documents, keeping them available and their delivery are laid down in chapter 6, sections 18–22.

Section 4
Issuing an order for liquidation or deregistration

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 referred to in section 6 of the Freedom of Enterprise Act (122/1919); or

3) the housing company has been declared bankrupt, but the bankruptcy has lapsed for lack of funds.

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

In a situation referred to in section 4, subsection 1, paragraph 1 or 2, the registration authority shall take appropriate measures to request 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 within the time limit specified in the request. The written request shall be published in the Official Gazette no later than three months before the expiry of the time limit. 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 requested to do so in writing within the time limit. The matter may be decided even if no proof is available of the housing company having received the request.

The registration authority shall, on its own motion, register the published written request referred to in subsection 1.

Section 6
Right of initiative

A matter concerning liquidation or deregistration of the housing company 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 also take the matter up for consideration on its own motion.

Liquidation

Section 7
Purpose of liquidation

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.

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 begins 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

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. Unless otherwise provided in this chapter, the provisions of this Act on the board of directors and the

members of the board of directors apply to the liquidators. The decision revokes the authorisations given to designated individuals to represent the housing company, as referred to in chapter 7, section 23, unless otherwise determined in the decision.

The liquidators 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 and 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 is indefinite.

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 statements 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 management 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 provisions of this Act on general meetings apply to the general meeting of a housing company in liquidation, unless otherwise provided in this chapter.

Section 13
Financial statements, management report, audit, operations inspection and special audit

The liquidators shall draw up financial statements and management reports for each financial period; these shall be submitted to the ordinary general meeting for approval.

The term of the auditors and the operations inspectors is not terminated when the housing company goes into liquidation. The provisions of chapter 9 on audit, operations inspection and special audit also apply 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 is applied for from the registration authority, which registers the summons on its own motion. In other respects, the provisions of the Act on Public Summonses (729/2003) apply to the summons.

Section 15
Repayment of debts, distribution of assets and objection to the distribution

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 has the right to a share in the distribution of the net assets of the housing company in proportion to their

shareholding, unless 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.

If a shareholder wishes to object to the distribution, an action against the housing company shall be brought within three months of the final accounts being presented to the general meeting.

If a shareholder or another person entitled to a share in the distribution has not claimed the share within five years of the final accounts 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 accounts

After having completed their tasks, the liquidators shall without undue delay present final accounts of their administration by drawing up a report of the entire liquidation process. The report shall contain an account of the distribution of the assets of the housing company. The financial statements, management 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 accounts and the administration during the liquidation within one month.

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 accounts. The provisions of chapter 6, sections 18–22 apply to the notice of the meeting, the meeting documents, keeping them available and their delivery, with the exception that the final accounts are governed by the provisions on financial statements. The final accounts shall be submitted for registration without delay.

Section 17
Dissolution

The housing company is 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.

Once dissolved, the housing company cannot acquire rights nor give undertakings. Measures taken on behalf of the housing company that has been dissolved are 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

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 after continuing the 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.

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.

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 liquidation and continuation of operations

If the general meeting has decided on the liquidation of the housing company, the general meeting may decide that the liquidation be terminated and the operations of the housing company be continued. The decision shall be made unanimously by the general meeting and it requires the consent of all other shareholders as provided in chapter 6, section 37. 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 referred to in section 15, subsection 1 has already been remitted to a shareholder or a third party.

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.

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

A housing company is deregistered once a decision to this effect has been recorded in the register.

Section 21
Representation of a deregistered housing company

A deregistered housing company is represented by one or several representatives, if necessary. The representatives are appointed and dismissed in a shareholders' meeting, which is subject to the provisions on a general meeting. Provisions on the competence of the representatives to act

on behalf of the housing company are laid down in section 22. In other respects, the provisions on liquidators apply to the representatives, as appropriate.

If a deregistered housing company has no representative, the provisions of chapter 7, section 26, subsection 2 apply to the service of summonses and other notices.

Section 22
Legal status of a deregistered housing company

The provisions of section 17, subsection 2 apply to a deregistered housing company, where necessary. However, the representatives referred to in section 21, subsection 1 act as the representatives of the housing company.

Notwithstanding what is provided 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 behalf of the housing company. The Business Mortgages Act contains provisions on the effects of deregistration on the persistence of a business mortgage.

Assets of a deregistered housing company may not be distributed to shareholders or others entitled to shares in the distribution without liquidation. However, in five years 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 are liable for the payment of the debts of the housing company up to the amount that they have received.

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

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 attached to the registration submission, is more than 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.

In the calculation of equity under subsection 1, a capital loan referred to in chapter 16 is considered equity. In addition, the compound difference between the actual and planned depreciation of the assets of the housing company (*depreciation difference*) and the voluntary provisions held by the housing company are taken into account as additions to equity. If the probable current price of the assets of the housing company is otherwise 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 management report.

Section 24
Restructuring of enterprises

An application for the commencement of restructuring proceedings referred to in the Restructuring of Enterprises Act may be filed based on 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

The assets of a housing company may be surrendered into bankruptcy by decision of the board of directors or, if the housing company is in liquidation, by decision of the liquidators. While in bankruptcy, the housing company as the bankrupt debtor is 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.

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 is deemed to have been dissolved once the final accounts in the bankruptcy have been approved.

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 of section 18 apply.

If the bankruptcy of the housing company has been concluded and assets appear for the housing company, the provisions of chapter 19 of the Bankruptcy Act (120/2004) on belated scrutiny apply. If assets remain after the conclusion of the bankruptcy, the provisions of subsection 3 apply.

PART VII
SANCTIONS AND REMEDIES

Chapter 23
Objections to decisions

Section 1
Objecting to a decision by the general meeting

A shareholder may object to a decision by the general meeting by bringing an action against the housing company if:

1) the procedural provisions of this Act or the articles of association have not been complied with and this 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.

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 is deemed valid.

Section 2
Void decision by the general meeting

A decision by the general meeting is void if:

1) no notice of the general meeting has been delivered 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 no such consent has 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 referred to in chapter 6, section 28 has not been obtained; or

4) under the law, the decision could not have been made even with the consent of all shareholders.

A void decision is not subject to the provisions of section 1, subsection 2 on the three-month time limit. However, no action concerning a merger or demerger decision may be brought if more than six months have passed from the registration of the merger or demerger. No action concerning a decision on transfer and liquidation referred to in chapter 6, section 38 or a decision on demolition and new build referred to in chapter 6, section 39 may be brought if more than six months have passed from the decision. (183/2019)

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 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 provided in section 2, subsection 1, paragraphs 2–4, the provisions on a corresponding decision made by the general meeting apply to the decision.

Section 4
Contents and effects of a judgment

The judgment on an action of objection may render a 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 prohibited from 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.

A judgment rendering a decision of the general meeting invalid or amending the decision shall also have an effect in relation to the shareholders who have not joined in the action.

Section 5 (152/2023)
Decision violating the right of a holder of rights registered or recorded in the Register of Housing Company Shares

A decision of the general meeting referred to in chapter 6, section 22, subsection 5 to make changes to such information on owner apartments that is referred to in chapter 1, section 13, subsection 1, paragraph 4 or to such information on share groups that is referred to in chapter 1, section 13, subsection 1, paragraph 5 shall be invalid against a holder of rights related to the shares or to the right of possession conferred by them, protected by registration or recording in the Register of Housing Company Shares, if such holder of rights has not consented to the change.

The holder of rights may bring an action against the housing company to have the invalidity referred to in subsection 1 confirmed. Such a decision shall not be subject to the three-month time limit laid down in section 1, subsection 2. However, the action shall be brought within three months of the date on which the holder of rights was served with the decision of the general meeting that was made based on their consent. The decision shall be served in compliance with the provisions on the service of a summons or by some other verifiable means.

Section 5 added by Act 152/2023 enters into force on a date to be specified by decree.

Chapter 24
Damages

Section 1
Management's liability for damages

A member of the board of directors and the manager is liable to compensate for any damage that they have, in violation of the duty of care referred to in chapter 1, section 11, while in office, intentionally or through negligence caused to the housing company.

A member of the board of directors and the manager is likewise liable to compensate for any damage that they have, by violating this Act or the articles of association, while in office, intentionally or through negligence caused to the housing company, a shareholder or a third party.

If the damage has been caused by violating this Act in some other manner than by merely violating the provisions of chapter 1 on the main principles of housing company operations, or if the damage has been caused by violating the provisions of the articles of association, it is deemed to have been caused through negligence unless the person liable proves that they have acted with due care. The same applies to damage that has been caused by an act to the benefit of a related party referred to in chapter 11, section 8.

If a company has been appointed to serve as the manager, the company and the manager with the primary responsibility are liable for any damage.

Section 2
Liability for damages of shareholders

A shareholder is liable to compensate for any damage that the shareholder has, intentionally or through negligence, caused to the housing company, another shareholder or a third party by contributing to a violation of this Act or the articles of association.

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 damage is deemed to have been caused through negligence, unless the shareholder proves that they have acted with due care. The same applies to damage that has been caused by an act to the benefit of a related party referred to in chapter 11, section 8.

If a shareholder has, in the manner referred to in subsection 1, caused damage to the building structures or 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 on the responsibility of the housing company for maintenance laid down in chapter 4, section 2. The shareholder that caused the damage shall compensate the housing company for the costs arising from the repair of the apartment.

Section 3
Liability for damages of the chairperson of the general meeting

The chairperson of the general meeting is liable to compensate for any damage that the chairperson has, by violating the provisions of this Act or the articles of association, intentionally or through negligence caused to the housing company, a shareholder or a third party while in office.

Section 4 (625/2016)
Liability for damages of auditors

The liability for damages of the auditors is governed by the provisions of chapter 10, section 9 of the Auditing Act.

Section 5
Liability for damages of operations inspectors

An operations inspector is liable to compensate for any damage that the operations inspector has, intentionally or through negligence, caused to the housing company while performing their duties. The operations inspector is also liable to compensate for any damage that the operations inspector has, by violating this Act or the articles of association, while in office, intentionally or through negligence caused to the housing company, a shareholder or a third party.

If the damage has been caused by violating this Act in some other manner than merely violating the provisions of chapter 1 on the main principles of housing company operations, or if the damage has been caused by violating the provisions of the articles of association, it is deemed to have been caused through negligence unless the person liable proves that they have acted with due care.

Section 6
Liability for damages of the housing company

A housing company is liable to compensate for any damage that the housing company has, intentionally or through negligence, caused to a shareholder or a third party by contributing to a violation of this Act or the articles of association.

If the damage has been caused by violating this Act in some other manner than merely violating the provisions of chapter 1 on the main principles of housing company operations, or if the damage has been caused by violating the provisions of the articles of association, it is deemed to have been caused through negligence unless the housing company proves that it has acted with due care.

Section 7
Adjustment and allocation of liability for damages

The adjustment of damages and the allocation of liability among two or more liable persons are governed by the provisions of chapters 2 and 6 of the Tort Liability Act (412/1974).

A party suffering damage shall take reasonable measures to mitigate the damage. Should the party neglect to do so, the party shall cover the corresponding part of the damage.

Section 8
Decision-making in the housing company

Decisions on matters related to the right of the housing company to damages under sections 1–3 and 5 of this Act and under chapter 10, section 9 of the Auditing Act are made by the general meeting. However, the board of directors may decide to bring an action for damages based on a punishable act. (625/2016)

A decision of the general meeting on the discharge of a member of the board of directors or the manager from liability is not 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 is not 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 application filed within two years of the decision.

Section 9
Right of shareholders to bring an action on behalf of the housing company

One or several shareholders 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 chapter 10, section 9 of the Auditing Act, if it is probable at the time of filing the action that the housing company will not make a claim for damages and if: (625/2016)

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 referred to in chapter 1, section 10.

The housing company shall be given 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.

If the person liable for damages has been discharged from liability by decision of the general meeting, the action shall be brought within three months of the decision. However, if a proposal for a special audit has been made and seconded in the same general meeting in the manner referred to in chapter 9, section 13, 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.

A shareholder does not have the right to compensation for any damage caused to the housing company.

Section 10
Limitation of the right of action

If an action is pursued under section 1–3, 5 or 6 or under chapter 10, section 9 of the Auditing Act and it is based on an act other than a punishable one, the action shall 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 of the party responsible for it. The limitation of a debt for damages shall be interrupted as provided in the Act on the Limitation of Debts (728/2003), hereinafter referred to as *the Limitation Act*. (625/2016)

Notwithstanding the provisions of subsection 1, the action shall be brought within 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 action was taken or the measure was neglected;

2) against an auditor or an operations inspector within five years of the presentation of the auditor's report, the operations inspector's report, the statement or the 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.

Notwithstanding what is provided above in this section, an action regarding the compensation for damage resulting from maintenance, its neglect or alteration work, brought under section 2 or 6, may be brought against a shareholder or the housing company within the period provided in section 7 of the Limitation Act.

Section 11 (625/2016)
Binding nature of the provisions

Provisions of the articles of association shall be without prejudice to the right of the housing company or other person to damages under this chapter or under chapter 10, section 9 of the Auditing Act.

Chapter 25
Duty of redemption based on abuse of entrusted power

Section 1
Duty of redemption

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 intentionally abused the power entrusted to them 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.

The redemption price shall be set at the fair price that the share would have in the absence of any abuse of entrusted power.

Chapter 26
Dispute resolution

Judicial proceedings in court

Section 1 (183/2019)
Competent courts

Notwithstanding the provisions of chapter 10 of the Code of Judicial Procedure on jurisdiction in civil matters, a matter concerning the application of this Act may also be examined by the district court with jurisdiction for the place where the company has its registered office. In matters concerning redemption referred to in chapter 6, sections 42 and 43, the district court with jurisdiction for the place where the company has its registered office has competence in the matter.

Section 2
Matters to be considered urgently

A matter concerning the redemption of a shareholder's shares referred to in chapter 6, section 42 or 43 and a matter concerning payment or full security shall be considered urgently if a court decision is a precondition for registration under chapter 17, section 5; chapter 19, section 15; chapter 20, section 15; or chapter 21, section 5. (183/2019)

An action of objection referred to in chapter 23 shall be considered urgently.

Section 2a (183/2019)
Legal costs in certain matters

By derogation from what is provided in chapter 21 of the Code of Judicial Procedure, the housing company is liable for its legal costs if the action concerns the rendering of a decision of the general meeting referred to in chapter 6, section 37, subsection 4 or section 38 or 39 of this Act invalid, and the district court does not, for special reasons, determine that it is reasonable to decide otherwise.

Arbitration

Section 3
Arbitration based on the articles of association

A provision in the articles of association on the referral of disputes for arbitration is 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). A provision in the articles of association on the referral for arbitration of disputes on the redemption right or redemption price under a redemption clause referred to in chapter 2, section 5 is likewise binding on the parties to the dispute.

However, a provision in the articles of association referred to in subsection 1 only applies to an action where the cause has arisen after the registration of the provision.

Other provisions

Section 4
Notification of decisions

If a decision pertains to a circumstance to be recorded in the Trade Register, the court or the arbitrators shall without undue delay notify the registration authority of the decision. A court shall likewise give notice of its decision becoming final.

Chapter 27
Penal provisions

Section 1
Limited liability housing company offence

A person who intentionally

1) violates the provisions on the drafting of a statement of an auditor referred to in chapter 19, section 4 or chapter 20, section 4,

2) violates the protection of shareholders or creditors by distributing assets of a housing company contrary to the provisions of this Act, or

3) grants a monetary loan or pledge contrary to the provisions of chapter 11, section 7

shall, unless the act is of minor significance or unless a more severe punishment for the act is provided elsewhere by law, be sentenced for *a limited liability housing company offence* to a fine or to imprisonment for at most one year.

Section 2
Limited liability housing company violation

A person who intentionally

Paragraph 1 was repealed by Act 1330/2018.

2) violates the provision of chapter 6, section 23, subsection 4 on the keeping available of the minutes of the general meeting, or

3) violates the provisions of this Act on the drawing up of financial statements or consolidated financial statements, or on the submission of final accounts or settlement relating to a merger, demerger or liquidation of a housing company

shall, unless the act is of minor significance or unless a more severe punishment for the act is provided elsewhere by law, be sentenced for *a limited liability housing company violation* to a fine.

A person who through gross negligence acts in the manner referred to in subsection 1, paragraph 3 shall also be sentenced for a limited liability housing company violation.

PART VIII
MISCELLANEOUS PROVISIONS

Chapter 28
Application of this Act to limited liability joint-stock property companies and other limited liability companies

Section 1 (152/2023)
Scope of application

This Act applies to a limited liability joint-stock property company registered under Finnish law, unless otherwise provided in this Act or in another act.

It may be provided in the articles of association of a limited liability joint-stock property company that this Act does not apply to the joint-stock property company or that only certain provisions of this Act apply to the joint-stock property company. However, the provisions of chapter 1, section 5, subsection 2 and section 13, subsection 1, paragraphs 3–6, the provisions concerning the Register of Housing Company Shares referred to in chapter 2, section 1a, and the provisions of chapter 2, section 4, subsection 2 may not be derogated from in the articles of association of a limited liability joint-stock property company. The Limited Liability Companies Act applies to such a company insofar as this Act does not apply to it.

If the start-up notification of the limited liability joint-stock property company was filed prior to 1 January 1992, this Act only applies in the event that provisions on its application are laid down 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 other than a limited liability housing company referred to in chapter 1, section 2 whose purpose, as provided in the articles of association, is to own and possess at least one building or a part of a building, each share of which confers, on its own or together with other shares, a right of possession to an apartment located in the company's building or to another part of that building or real estate in the possession of the company.

Section 3 (1330/2018)
Application to other limited liability companies

It may be provided in the articles of association of another limited liability company 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 a right of possession to an apartment located in the company's building or to another part of that building or real estate in the possession of the company. However, provisions on applying chapter 2, section 1a to the company may not be included in the articles of association of such a company. The Limited Liability Companies Act applies to this type of company insofar as this Act does not apply to it.

Section 4
Decision on the application of this Act

The provisions of the Limited Liability Companies Act concerning the amendment of the articles of association apply to a decision of the general meeting to amend the articles of association of a limited liability company so that this Act shall be applied to the company.

The provisions of chapter 6 of this Act concerning the amendment of the articles of association and changing the legal form apply to a decision of the general meeting to amend the articles of association so that this Act or certain provisions of this Act shall not be applied to the company.

Chapter 29
Entry into force

Section 1
Entry into force

This Act enters into force as separately provided by an act.