

Articles



Contents

- I. Company and headquarters of the Cooperative**
 - § 1 Company and headquarters 5

- II. The Cooperative’s business**
 - § 2 Purpose and business of the Cooperative 5

- III. Membership**
 - § 3 Members 5
 - § 4 Acquiring membership 5
 - § 5 Admission fee 6
 - § 6 Ending membership 6
 - § 7 Terminating membership 6
 - § 8 Transferring the credit balance 6
 - § 9 Ending membership through death 7
 - § 10 Ending membership through the liquidation or discontinuation of a legal entity or a commercial partnership 7
 - § 11 Excluding a member 7
 - § 12 Settlements 8

- IV. Members’ rights and duties**
 - § 13 Members’ rights 9
 - § 14 Providing members with accommodation 9
 - § 15 Granting and assigning apartments 10
 - § 16 Members’ duties 10

- V. Mandatory capital shares, credit balance and liability sum**
 - § 17 Mandatory capital shares and credit balance 10
 - § 18 Terminating other shares 12
 - § 19 Members’ liability and excluding any further mandatory payments ... 12

VI.	The Cooperative's internal bodies	
§ 20	Internal bodies	12
§ 21	The Management Board	12
§ 22	Managing and representing the Cooperative	13
§ 23	The Management Board's tasks and duties	14
§ 24	The Supervisory Board	14
§ 25	The Supervisory Board's tasks and duties	15
§ 26	The Supervisory Board's duty of care	16
§ 27	Meetings of the Supervisory Board	16
§ 28	Matters to be jointly discussed by the Management Board and Supervisory Board	17
§ 29	Joint meetings of the Management Board and Supervisory Board ..	18
§ 30	Legal business with members of the Management Board	18
§ 30a	Legal business with members of the Supervisory Board.....	18
§ 31	Composition of the representatives' meeting and electing representatives	19
§ 32	Representatives' meetings	20
§ 32a	Representatives' meetings by written procedure	20
§ 33	Convening a representatives' meeting	21
§ 34	Chairing the representatives' meetings and taking decisions	22
§ 34a	Elections to the Supervisory Board	22
§ 34b	Minutes	23
§ 35	Responsibilities of the representatives' meeting	24
§ 36	Majority requirements	24
§ 37	Right to information	25
VII.	Accounting	
§ 38	The financial year and preparing the annual accounts	25
§ 39	Preparing for the decision to adopt the annual accounts	26
VIII.	Reserves, distributing profits and covering losses	
§ 40	Reserves	26
§ 41	Using profits	26
§ 42	Covering losses	26
IX.	Announcements	
§ 43	Announcements	27
X.	Auditing the Cooperative, auditing association	
§ 44	Auditing	27
XI.	Winding-up the Cooperative and its liquidation	
§ 45	Winding-up and liquidation	28
XII.	Coming into force of the Articles	28

I. Company and headquarters of the Cooperative

§ 1

Company and headquarters

The following company manages the Cooperative:

Sächsische Wohnungsgenossenschaft Chemnitz eG

It has its headquarters in Chemnitz.

II. The Cooperative's business

§ 2

Purpose and business of the Cooperative

- (1) The purpose of the Cooperative is to support its members primarily through supplying good, safe and socially responsible housing.
- (2) The Cooperative may manage, erect, acquire and sell buildings in all legal forms and types of usage; it can handle all the tasks that occur in the fields of housing and property business, urban development and infrastructure. They include communal facilities and downstream equipment, shops and premises for commercial enterprises, social, business and cultural facilities and services.
- (3) The Cooperative may take-over holdings in terms of § 1 Para 2 of the Cooperative Societies Act.
- (4) It is not permissible to extend business operations to non-members. The Management Board and the Supervisory Board shall determine the relevant conditions according to § 28 i.

III. Membership

§ 3

Members

Members may be

- a) natural persons (individuals),
- b) commercial partnerships as well as
- c) legal entities governed by private and public laws.

§ 4

Acquiring membership

To acquire membership, the applicants must submit an unconditional declaration of membership duly signed by them and gain approval from the Cooperative. The Management Board shall make a decision about any approval. Prior to submitting their declaration of membership, the applicants must be provided with the latest version of the Articles. It will be sufficient if the Articles are available on the Internet under the Cooperative's address and a printout of the Articles is offered to the applicant. Any power of attorney to submit the declaration of membership shall be made in writing.

§ 5
Admission fee

- (1) An admission fee must be paid when joining the Cooperative. After joint discussions, the Management Board and the Supervisory Board shall decide on the amount of the admission fee up to and including the maximum amount of a mandatory capital share according to § 28 j) of the Articles.
- (2) The admission fee may be waived for the spouse and/or the registered common law partner, the underage children of a member or the heirs who are continuing membership. The Management Board shall decide upon this matter.
- (3) The admission fee may be waived for a joining member who is already a member of another housing cooperative, if he or she requests this.

§ 6
Ending membership

Membership can be ended by

- a) notice of termination,
- b) death,
- c) transferring the complete credit balance,
- d) liquidation or discontinuation of a legal entity or a commercial partnership,
- e) exclusion.

§ 7
Terminating membership

- (1) The member shall have the right to resign from the Cooperative by sending a notice of termination.
- (2) Termination may only take place at the end of any financial year. It must have been sent to the Cooperative in writing at least 6 months in advance.
- (3) The member shall have an extraordinary right of termination limited to one month according to § 67a of the Cooperative Societies Act, in particular, if the representatives' meeting adopts
 - a) a major change to the Cooperative's business,
 - b) an increase in the mandatory capital share,
 - c) the introduction or extension of a mandatory holding with several capital shares,
 - d) the introduction or extension of the members' obligation to make additional payments,
 - e) a termination period longer than two years,
 - f) the introduction or extension of the obligation to make use of facilities or other services provided by the Cooperative or to provide benefits in kind or services.

- (4) The member shall leave the Cooperative at the end of the financial year in which the notice of termination has been received on time.

§ 8
Transferring the credit balance

- (1) If the Management Board agrees, a member may transfer its complete credit balance to another member by written agreement at any time, even during the financial year, and thereby leave the Cooperative without any settlement, provided that the acquirer is already a member or becomes a member.
- (2) A member can partially transfer its credit balance without leaving the Cooperative and thereby reduce the number of its mandatory capital shares, if it is not obliged by the Articles or an agreement with the Cooperative to hold several mandatory shares or the holding with several mandatory

shares is the prerequisite for a benefit from the Cooperative that the member is using. The prerequisites set forth in Section 1 shall apply accordingly.

- (3) If the acquirer is not a member of the Cooperative, it must acquire membership and take-over mandatory capital shares at least to the amount of the credit balance to be transferred. If the acquirer is already a member, the credit balance of the resigning or transferring member must be credited to its credit balance. If the amount of the previous mandatory capital shares taken-over is exceeded by such accreditation, the acquirer must take a holding with one or several shares up to the amount of the new credit balance. § 17 Section 7 must be observed (maximum number of shares that a member can hold).

§ 9

Ending membership through death

If a member dies, membership shall pass to the heirs at the end of the financial year when succession took place. It shall cease at the end of the financial year when succession took place. Several heirs may only exercise one voting right through a joint representative during this time. This person must be named to the Cooperative immediately in text form.

§ 10

Ending membership through the liquidation or discontinuation of a legal entity or commercial partnership

If a legal entity or a commercial partnership is liquidated or discontinued, membership shall cease at the end of the financial year when the liquidation or discontinuation took effect. If the liquidation or discontinuation leads to universal succession, the universal successor shall continue the membership until the end of the financial year.

§ 11

Excluding a member

- (1) A member can be excluded from the Cooperative at the end of the financial year:
- a) if it breaches its obligations under the Articles, under other cooperative legal stipulations, under the general statutory law as well as the funding relationship (especially under the contract on using the apartment) towards the Cooperative either culpably or unreasonably for the Cooperative and its members. A breach of obligations in this sense includes particularly:
 - if it damages or tries to damage the image of the Cooperative in public,
 - if it refrains from participating with owed capital shares (mandatory shares) as well as from payments to capital shares (mandatory shares and other shares),
 - b) if an application has been made to open insolvency proceedings against its assets,
 - c) if it has moved to an unknown address and particularly does not leave a forwarding address or its whereabouts have been unknown for more than 1 year.

- (2) In the cases mentioned in Section 1 a), a written letter of warning threatening exclusion must be sent, unless a written warning is superfluous. In particular, a written warning is superfluous if the member's mistakes are serious or it has seriously and finally refused to meet its statutory or other obligations towards the Cooperative.
If exclusion takes place according to Section 1 c), the stipulations set forth in Section 3 Sentence 2 and Sections 4 through 6 shall not apply.
- (3) Exclusion shall take place through a decision taken by the Management Board. The member being excluded must be given the opportunity to express its views on the exclusion process first.
- (4) The exclusion decision must be immediately communicated to the excluded member by the Management Board through a letter sent by registered letter (e.g. registered mail sent to the address). Once this letter has been sent, the member can no longer take part in the representatives' meeting.
- (5) The excluded member may lodge a complaint against the exclusion process by sending a registered letter to the Management Board (e.g. registered mail sent to the address) within one month after receipt of the exclusion decision. The Supervisory Board shall make a decision about the appeal. The decision of the Supervisory Board shall be final within the Cooperative.
- (6) During the procedure before the Supervisory Board, the persons involved must be given the opportunity to present their views. The Supervisory Board shall decide by the majority of votes cast. The decision must be communicated to those persons involved by registered letter (e.g. registered mail sent to the address).
- (7) A member of the Management Board or the Supervisory Board can be excluded only if the representatives' meeting has approved the revocation of the appointment or the dismissal (§ 35 Section 1 h)).

§ 12 Settlements

- (1) The Cooperative must reach a settlement with the excluded member. The balance sheet that has been adopted for the financial year at the end of which the member has left (§ 35 Section 1 b)) shall govern in this respect.
- (2) The excluded member can only demand its settlement assets, but not a share in the reserves or other assets held by the Cooperative as well. The settlement assets shall be calculated according to the member's credit balance (§ 17 Section 8). In terms of statutory law, the Cooperative shall be entitled to offset the amounts due to it from the excluded member against the settlement assets when settlement takes place. The member's settlement assets must be used to settle any financial shortfall that it has with the Cooperative.
- (3) Any assignment and pledging of the settlement assets to third parties shall be unlawful and invalid for the Cooperative.
Any offsetting of the settlement assets by the member against its liabilities towards the Cooperative shall not be permitted. The Management Board, however, may allow exceptions thereto.
- (4) The settlement assets must be paid to the excluded member within six months of the end of the financial year when the exclusion took place, however, not before the balance sheet has been adopted. Any claim for reimbursement shall lapse in three years.

IV. Members' rights and duties

§ 13 Members' rights

- (1) The members shall exercise their rights in matters concerning the Cooperative by electing the representatives to the representatives' meeting and, insofar as they are elected as representatives, by making decisions jointly at the representatives' meeting. They therefore ensure that the Cooperative can fulfil its tasks.
- (2) Based on the tasks performed by the Cooperative, each member shall have the right to use the Cooperative's services and facilities in line with the stipulations set forth in this regard and the right to share in other benefits granted by the Cooperative to its members, according to the following clauses of the Articles and the principles listed in § 28.
- (3) The member shall be primarily entitled to the following through its membership:
 - a) to take-out further mandatory capital shares according to § 17,
 - b) to elect representatives to the representatives' meeting (§ 31),
 - c) to request convening of a representatives' meeting, provided that one tenth of the members have signed a written request, or announce subject matter for resolution at a representatives' meeting that has already been convened, if this is part of the responsibility of the representatives' meeting (§ 33 Section 4),
 - d) to take part in a representatives' meeting that has been convened according to § 33 Section 4 and exercise the right to make applications and speak through a duly authorised person, if it belongs to the members at whose request the representatives' meeting was convened (§ 33 Section 5),
 - e) to request convening of a members' meeting to abolish the representatives' meeting according to a written submission handed-in by one tenth of the members; §§ 33 and 34 shall apply accordingly,
 - f) to apply for the appointment or dismissal of liquidators in a submission made to the court by one tenth of the members,
 - g) to request a copy of the list of elected representatives and deputy representatives,
 - h) to share in the Cooperative's balance sheet profits (§ 41),
 - i) to transfer the credit balance to another person either completely or partially through a written agreement (§ 8),
 - j) to announce its resignation from the Cooperative (§ 7),
 - k) to terminate other mandatory capital shares according to § 18,
 - l) to request the payment of settlement assets according to § 12,
 - m) to inspect the minutes of decisions of the representatives' meeting and request a copy of the minutes and, at its own expense, to demand a copy of the annual accounts, the management report and the comments made by the Supervisory Board on display at the company's offices,
 - n) to inspect the list of members,
 - o) to inspect the summarised results of the audit report.

§ 14 Providing members with accommodation

- (1) Members of the Cooperative shall primarily have the right to use a cooperative apartment or acquire a home or an apartment in the legal form of apartment ownership and/or permanent living rights according to the German Condominium Act as well as to make use of general support services and other services.
- (2) Rights for an individual member cannot be derived from this clause.

§ 15
Granting and assigning apartments

- (1) Any granting of a cooperative apartment through signing of a long-term usage agreement shall principally form the basis for the member's permanent usage right.
- (2) The usage relationship for a cooperative apartment can only be terminated during the existence of a person's membership on the basis of the statutory regulations or conditions laid down in the usage agreement.

§ 16
Members' duties

- (1) Membership shall create the obligation to raise the capital required by the Cooperative to fulfil its tasks and contribute this through:
 - a) taking-over mandatory capital shares according to § 17 and paying for them in due time,
 - b) sharing in losses (§ 42),
 - c) making further payments according to the decision of the representatives' meeting after the Cooperative has been wound-up for members who have not yet fully paid in their mandatory capital shares (§ 87a of the Cooperative Societies Act).
- (2) The member shall be obliged to pay joint assistance in constructing and maintaining the Cooperative's property according to the directives adopted by the representatives' meeting.
- (3) In order to use the Cooperative's services, the member must pay a fee set by the Management Board according to the principles of proper business management to fulfil the agreements made and provide a fixed contribution to funding.
- (4) The interests of all the members must be considered appropriately when fulfilling obligations and exercising rights, including this in signed agreements, as part of the allegiance to the Cooperative.
- (5) Due to its allegiance and in the light of the Cooperative's noteworthy interests, the member shall be obliged to forego exercising formal legal powers, particularly any plea based on the statutes of limitation, forfeiture or invoking formal rules regarding burdens of proof in any legal dispute with the Cooperative. As far as possible, the member must help clarify the circumstances.
- (6) The member may only exercise any other legal powers, if an objective interest exists for this, which can still be recognised as significant when appropriately considering the conflicting interests of the Cooperative. This shall also apply to any disputes arising from user relationships in a cooperative apartment.
- (7) The member undertakes to communicate immediately any change of its address or e-mail address.

V. Mandatory capital shares, credit balance and liability sum

§ 17
Mandatory capital shares and credit balance

- (1) The mandatory capital share shall amount to EUR 155,00.
- (2) Once membership has been acquired, each member shall be obliged to take-over one mandatory share (mandatory share based on membership). Each member to whom an apartment is or has been granted must make an appropriate payment to raise a personal contribution by taking-over mandatory shares related to usage. If an apartment has been granted to several members (e.g. spouses, common law partners, family members), the usage-related mandatory shares shall be taken-over only by one member according to Sentence 2.

Usage-related mandatory shares are set as follows:

Apartment size	Mandatory share based on membership	Mandatory share related to usage	Total
up to 35 m ²	1	3	620,00 €
up to 40 m ²	1	4	775,00 €
up to 45 m ²	1	5	930,00 €
up to 50 m ²	1	6	1.085,00 €
up to 55 m ²	1	7	1.240,00 €
up to 60 m ²	1	8	1.395,00 €
up to 65 m ²	1	9	1.550,00 €
up to 70 m ²	1	10	1.705,00 €
up to 75 m ²	1	11	1.860,00 €
over 75 m ²	1	12	2.015,00 €

Members who joined the Cooperative up to December 31, 2016 and are using an apartment in buildings which were built before June 26, 1946 must pay the following mandatory shares:

Apartment size	Mandatory share based on membership	Mandatory share related to usage	Total
up to 50 m ²	1	4	775,00 €
over 50 m ²	1	5	930,00 €

The living space details relate mandatorily to the details specified in the user agreement and set by the Cooperative when the member moved-in/started using the property.

- (3) As far as the member has already taken-over other shares according to Section 5, they shall be credited to the mandatory shares related to usage.
- (4) Each mandatory share must always be paid-in immediately. The Management Board may allow instalments, but EUR 310.00 must be paid-in immediately after the holding has been approved in this case.
Monthly instalments of EUR 50.00 and/or EUR 77.50 and/or EUR 100.00 and/or EUR 155.00 must then be paid-in before the start of the next month but one until the mandatory shares have been fully paid-in. The Management Board shall decide which of these instalments is allowed according to the member's individual economic circumstances. There is no right granted to payment by instalments. The member shall be entitled to make larger partial payments at any time.
Premature full payment of the mandatory shares shall also be permissible.
- (5) Members may take-over other shares beyond the mandatory shares according to Section 2, if the previous shares have been fully paid for, including the last one taken-over, and the Management Board has approved the takeover. Section 4 shall also apply to the payment of the share most recently taken-over.
- (6) As long as a mandatory capital share has not been fully paid-in, any dividend, if it is paid, shall be assigned to the credit balance. § 41 Section 4 shall apply incidentally.
- (7) The maximum number of shares according to Section 4, which a member can hold, is 300.
- (8) The incoming payments for the mandatory capital share(s), increased by assigned dividends and reduced by amortised shares in losses, shall form the member's credit balance.
- (9) No assignment or pledging of the credit balance to third parties shall be permissible or legitimate for the Cooperative. Any offsetting of the credit balance by a member against its liabilities towards the Cooperative shall not be allowed. § 12 of the Articles shall apply to the settlement assets.

§ 18
Terminating other shares

- (1) Member can terminate their holding with one or several of their other shares in terms of § 17 Section 5 if they are not obliged to have a holding with several mandatory shares according to an agreement with the Cooperative or the holding with several mandatory shares is the precondition for a service used by the member from the Cooperative. Notice of termination must be given in writing and received by the Cooperative at least 6 months before the end of the financial year.
- (2) A member, who has terminated individual mandatory capital shares, can only claim part of its credit balance, if it exceeds the incoming payments paid for the remaining mandatory capital, increased by any assigned dividends and reduced by amortised shares in losses. § 12 shall mutatis mutandis apply to determine the proportion of the credit balance needing to be paid-out. If a remaining mandatory capital share has not yet been fully paid-in (§ 17 Sections 4 to 6), the proportion of the credit balance to be paid-out shall be offset against this.

§ 19
Members' liability and excluding any further mandatory payments

The members shall be liable to the Cooperative with their holding according to § 17. Even if the Cooperative becomes insolvent, they shall not have to make any additional mandatory payments.

VI. The Cooperative's internal bodies

§ 20
Internal bodies

The Cooperative's internal bodies are:

the Management Board,
the Supervisory Board,
the representatives' meeting.

The members' meeting shall replace the representatives' meeting if the number of members falls below 1.501.

§ 21
The Management Board

- (1) The Management Board shall consist of at least 2 persons. They must be members of the Cooperative and individuals. If legal entities or commercial partnerships belong to the Cooperative, the persons authorised to represent them may be appointed to the Management Board.
- (2) Members of the Management Board may not be the following relatives of a member of the Management Board or the Supervisory Board:
 1. Spouses, fiancées, members of a similar common law partnership or registered common law partners of members of a relationship that is similar to a common law partnership,
 2. Siblings of persons mentioned under No. 1,
 3. Parents, children, grandchildren or siblings as well as their spouses, fiancées, partners of a similar common law partnership or registered common law partners of members of a relationship that is similar to a common law partnership.
- (3) Former Supervisory Board members can only be appointed to the Management Board two years after they have left office, starting from the time when their budget actions have been approved. § 24 Section 6 shall not be affected thereby.

- (4) The members of the Management Board shall be appointed by the Supervisory Board for a period of five years. In exceptional cases, the appointment may cover a shorter period. Reappointment is permissible. The appointment of a full-time member of the Management Board shall end at the end of the calendar year at the latest when the member of the Management Board has reached the respectively applicable individual statutory retirement age. The appointment may only be revoked prematurely by the representatives' meeting (§ 35 Section 1 h)).
- (5) The Supervisory Board can provisionally remove members of the Management Board from office until a decision is made by the representatives' meeting. The decision shall require a majority of three quarters of all members of the Supervisory Board. The representatives' meeting must be convened immediately. Members of the Management Board, who have been provisionally removed from office, must be given an opportunity to express their case verbally at the representatives' meeting.
- (6) Employment contracts with members of the Management Board shall be concluded for the period of their appointment. The chairperson of the Supervisory Board shall sign the employment contracts with the members of the Management Board on behalf of the Cooperative. The Supervisory Board, represented by its chairperson, shall be responsible for terminating the employment relationship with a member of the Management Board in compliance with the contractual or statutory period and concluding any severance agreements. The representatives' meeting shall be responsible for the extraordinary termination of an employment contract for an important reason (termination without notice). § 25 Section 2 Sentence 1 shall apply incidentally.

§ 22

Managing and representing the Cooperative

- (1) The Management Board shall be solely responsible for managing the Cooperative. It must only heed the restrictions imposed by law and the Articles.
- (2) The Cooperative shall be represented by a member of the Management Board together with another member of the Management Board or with an authorised signatory. Individual or all members of the Management Board can be released from the prohibition against multiple representation pursuant to § 181, second case of German Civil Code, by decision of the Supervisory Board.
- (3) Members of the Management Board shall sign for the Cooperative by attaching their personal signature to the Cooperative's company or to their appointment to the Management Board. Authorised signatories shall sign by adding their name to the company with a suffix indicating their signatory powers.
- (4) If a declaration of intent has to be submitted to the Cooperative, it is enough to submit this to a member of the Management Board or an authorised signatory.
- (5) The members of the Management Board, who are authorised to represent the Cooperative overall, may empower some of its members to conduct particular business or particular types of business. This shall apply mutatis mutandis to the respective member of the Management Board, who represents the Cooperative in conjunction with an authorised signatory.
- (6) The Management Board shall manage the Cooperative's business on the basis of its decisions which must be taken with the majority of votes cast. It shall have a quorum if more than 50 % of its members are present. If the vote is tied, the request shall be deemed rejected.
- (7) Decisions of the Management Board can also be taken in text form or by means of remote communication media (for instance, by phone, email or videoconference) without convening a meeting unless a member of the Management Board objects to this procedure at least in text form.
- (8) Minutes recording decisions must be signed by the participating members of the Management Board, who must indicate their voting behaviour. Guarantees must be provided that the minutes are complete and available.
- (9) The Management Board shall draw-up rules of procedure for itself. They must be signed by each member of the Management Board.

- (10) The members of the Management Board shall take part in the meetings of the Supervisory Board according to § 27 Section 2, provided that participation has not been ruled out by a special decision of the Supervisory Board. The Management Board must provide necessary information about the business affairs at the Supervisory Board's meetings. The members of the Supervisory Board shall not have any voting rights in decisions taken by the Supervisory Board.

§ 23

The Management Board's tasks and duties

- (1) The Members of the Management Board must exercise the due care of a responsible and conscientious business manager of a Cooperative in their management activities. They must maintain silence about confidential details and the Cooperative's secrets, namely operating and business secrets, which they learn about during their work on the Management Board, even after they are no longer in office.
- (2) The Management Board shall be particularly obliged
- a) to manage the business in line with the Cooperative's goals,
 - b) to schedule and implement the personnel, functional and organisational measures that are necessary for proper business operations in good time,
 - c) to ensure proper accounting measures in line with §§ 38 et seq.,
 - d) to decide on approving membership applications and any holdings with further mandatory capital shares,
 - e) to keep the members' list according to the Cooperative Societies Act,
 - f) to eliminate any defects found in the auditors' report and report on them to the auditing association.
- (3) The Management Board must report to the Supervisory Board about the intended business policy and other fundamental issues of business planning (in particular, financial, investment and personnel planning). It must also explain any major discrepancies in the course of business from the established plans and goals as well as the recognisable risks to future developments. The Management Board must submit the annual accounts and the management report to the Supervisory Board as soon as they have been prepared. § 25 Section 3 must be followed in this respect.
- (4) Members of the Management Board, who contravene their duties, shall be obliged to compensate the Cooperative for the damage caused as joint debtors. No breach of duty shall exist if the member of the Management Board could reasonably assume, when taking a business decision, that he/she acted on the basis of appropriate information for the benefit of the Cooperative. They must prove that they have exercised the due care of a responsible and conscientious business manager of a Cooperative.
- (5) Any obligation to compensate the Cooperative shall not apply if the action was based on a legitimate decision by the representatives' meeting. Any obligation for compensation, however, shall not be ruled out by the fact that the Supervisory Board has approved the action.

§ 24

The Supervisory Board

- (1) The Supervisory Board shall consist of at least three members. The representatives' meeting may set a higher number. The members of the Supervisory Board must be personally members of the cooperative and individuals. If legal entities or commercial partnership belong to the Cooperative, the persons authorised to represent them may be elected to the Supervisory Board. The first election can only take place up to the age of 70. There is no age limit for any re-election.
- (2) Supervisory Board members may not be members of the Management Board or permanent representatives of members of the Management Board at the same time. They may not be employees in a working relationship with the Cooperative either. Members of the Supervisory Board may not be relatives of a member of the Management Board or the Supervisory Board according to § 21 Section 2 or of a member in a working relationship with the Cooperative.

- (3) Former members of the Management Board may only be elected to the Supervisory Board two years after leaving office, starting from the time when their budget actions have been approved. The grace period shall not apply to members of the Supervisory Board, who have been appointed representatives of incapacitated Supervisory Board members according to Section 7 for a restricted period in advance
- (4) The members of the Supervisory Board shall be elected by the representatives' meeting for a period of three years. The financial year, in which the member of the Supervisory Board is elected, shall not count here. Their period of office shall end at the conclusion of the third ordinary representatives' meeting after the election. Re-election may be permissible. Permanently incapacitated members of the Supervisory Board shall be removed from office by the representatives' meeting and substituted by election.
- (5) The Supervisory Board, individual Supervisory Board members as well as each member shall be entitled to make proposals for the election of Supervisory Board members. Members of the Management Board are not entitled to make proposals. Subject to Sentence 6, a period of at least two weeks must lie between the day of receipt of the election proposal by the Management Board and the day of the meeting. The receipt of the election proposal by the Cooperative shall be decisive in this respect. Neither the day of meeting nor the day of receipt of the election proposal by the Management Board shall be counted here. In case of elections in the framework of meetings according to § 32c, the proposals must be received in text form up to the deadline set by the Management Board and the Supervisory Board according to § 32c Section 3 Sentence 4 a). No election proposals can be made any more after expiry of the deadline according to Sentence 3 or Sentence 6.
- (6) If members leave the Board during their period in office, the Supervisory Board shall only consist of the remaining members until the next ordinary representatives' meeting, in which the replacement elections take place. Earlier replacement elections by a special representatives' meeting are possible at any time, however, shall only be necessary if the number of the Supervisory Board members is less than three or the Supervisory Board has no longer a quorum in the sense of § 27 Section 4. Replacement elections shall always only take place for the remaining period in office of Supervisory Board members who have left. The representatives' meeting may decide differently that Section 4 should apply to the replacement elections, too.
- (7) The Supervisory Board may only appoint individuals from its members as representatives of incapacitated members of the Management Board for a restricted period in advance – for no longer than 1 year. During this time and until they have been exonerated for their work on the Management Board, they may not exercise any activity as a member of the Supervisory Board.
- (8) The Supervisory Board shall elect a chairperson, a secretary and their deputies from its members. This shall also apply if its composition has not changed through elections. The constituent meeting shall be convened by invitation of the Management Board. The constituent meeting shall be chaired by the eldest Supervisory Board member in terms of age until the elections according to Sentence 1.
- (9) The Supervisory Board shall be entitled to appropriate compensation for expenses including a flat rate. If remuneration has been granted for its work as Supervisory Board, the representatives' meeting shall decide on this as well as on the amount of remuneration.

§ 25

The Supervisory Board's tasks and duties

- (1) The Supervisory Board must support, advice and monitor the Management Board in its business management operations. The Supervisory Board's rights and duties are restricted by law and the Articles. It must particularly respect the management powers of the Management Board in line with § 27 Section 1 of the Cooperative Societies Act.
- (2) The Supervisory Board shall represent the Cooperative for the members of the Management Board both in court and out of court. The representatives' meeting shall decide whether to pursue any matters in the courts. § 21 Section 6 shall apply incidentally.

- (3) The Supervisory Board may demand information about the Cooperative's affairs from the Management Board at any time. A single member of the Supervisory Board may only demand information for the complete Supervisory Board. Each member of the Supervisory Board shall have the right and duty to learn about the presentations submitted by the Management Board.
- (4) Each member of the Supervisory Board must take note of the content of the audit report.
- (5) The Supervisory Board must check the annual accounts, the management report and the suggestions made by the Management Board for using the annual profits or covering the annual shortfall and report to the representatives' meeting before the annual accounts are finally approved. The Supervisory Board shall report separately on allocations to other revenue reserves according to § 40 Section 4 before the annual accounts are finally approved.
- (6) The Supervisory Board may appoint committees from its members, particularly to prepare its negotiations and decisions or monitor their implementation.
- (7) The members of the Supervisory Board and its committees may not transfer their obligations to other persons. The Supervisory Board may make use of the help of outside experts to fulfil its monitoring duty.
- (8) Decisions taken by the Supervisory Board shall be executed by the chairperson, in case of being prevented, by its deputy. In this case, the rights and duties of the chairperson will pass over to the deputy for the period of its prevention.
- (9) The Supervisory Board shall draw-up rules of procedure for itself.

§ 26

The Supervisory Board's duty of care

The members of the Supervisory Board must exercise the due care of a responsible and conscientious member of the Supervisory Board of a housing cooperative in their activities. § 23 Section 4 Sentence 2 shall also apply thereto. They must maintain silence about all confidential details and secrets of the Cooperative and about the members and third parties, which they learn about during the work on the Supervisory Board; this shall also apply after they have left office. In other matters, § 34 of the Cooperative Societies Act shall apply to the duty of care and responsibility of the members of the Supervisory Board in line with § 41 of the same Act.

§ 27

Meetings of the Supervisory Board

- (1) The Supervisory Board shall hold meetings when necessary. It should meet once every calendar quarter and must meet once every six calendar months. The meetings shall be convened and lead by the chairperson of the Supervisory Board. The joint meetings of the Management Board and the Supervisory Board shall be regarded as meetings of the Supervisory Board according to § 29. The rules of procedure shall settle the finer details.
- (2) The Supervisory Board shall normally invite the Management Board to its meetings. The Management Board shall attend the meetings without any voting rights.
- (3) The chairperson of the Supervisory Board must immediately convene the Supervisory Board if one third of the members of the Supervisory Board or the Management Board request this, citing the purpose and the reasons.
- (4) The Supervisory Board shall have a quorum if more than one half of the members set according to the Articles or according to the decision of the representatives' meeting have participated in taking the decision.

- (5) The chairperson may decide in terms of the convention according to Section 1,
- a) that members of the Supervisory Board may also take part in the meeting without physical presence at the place of meeting by means of remote communications media (for instance, by phone or video), or
 - b) that a meeting of the Supervisory Board may be held without physical presence by means of remote communications media (for instance, by phone or video).

The chairperson of the Supervisory Board shall respectively decide on the definitely permissible remote communications media at its due discretion, however, it can also allow a combination of several ways of communication. Any objection against the decisions taken by the chairperson of the Supervisory Board according to Sentences 1 and 2 shall be excluded.

- (6) Written decisions made without convening a meeting of the Supervisory Board are only permissible on proposal of the chairperson of the Supervisory Board only if no member objects to this procedure in text form.
- (7) The Supervisory Board takes its decisions with the majority of votes cast. If the vote is tied, the request shall be deemed rejected.
- (8) Minutes must be kept about the decisions and signed by the chairperson and the secretary. Sentence 1 shall apply accordingly to those meetings during which no decision has been taken. Guarantees must be provided that the minutes are complete and available.

§ 28

Matters to be jointly discussed by the Management Board and the Supervisory Board

The Management Board and the Supervisory Board shall decide the following on the basis of the Management Board's submissions by voting separately on:

- a) the fundamental issues of business policy,
- b) the building and finance plans (annual, medium-term and long-term plans),
- c) the breakdown of the new-construction and modernisation programme,
- d) the rules for allocating cooperative apartments and using the Cooperative's facilities,
- e) the principles for members to provide their own services,
- f) the principles for selling developed or non-developed plots of land and creating and transferring hereditary building rights and permanent rights of residence,
- g) the principles for managing the construction of homes and apartments in the legal form of property ownership or a permanent right of residence, completing renovation and development measures and managing outside apartments,
- h) the concept for demolishing property,
- i) the preconditions for non-member business,
- j) the admission fee,
- k) the principles for holdings,
- l) issuing authorised signatory rights,
- m) the measures needing to be adopted as a result of the report about statutory auditing,
- n) the allocation to revenue reserves when preparing the annual accounts (non-binding advance allocation),
- o) the withdrawal from revenue reserves when preparing the annual accounts (non-binding advance allocation),
- p) the binding allocation to revenue reserves when preparing the annual accounts according to § 40 Section 4,
- q) the suggestions for making use of the balance sheet profits or covering balance sheet losses (§ 39 Section 2),
- r) the preparation of joint submissions to the representatives' meeting,
- s) the preparation of rules for the election procedure when electing representatives to the representatives' meeting,
- t) the appointment of members of the Management Board and the Supervisory Board who should belong to the election committee,
- u) the conduct of the representatives' meeting in a form provided by § 32 Section 2.

§ 29

Joint meetings of the Management Board and the Supervisory Board

- (1) Joint meetings of the Management Board and the Supervisory Board shall be held regularly. The meetings are normally convened at the suggestion of the Management Board by the chairperson of the Supervisory Board. The meetings shall be led by the chairperson of the Supervisory Board or by a representative nominated by it. Upon request issued by the auditing association, a joint meeting of the Management Board and the Supervisory Board must be convened.
- (2) § 27 Section 5 shall apply accordingly to the joint meeting and discussions of the Management Board and Supervisory Board.
- (3) Each internal body shall vote separately by taking a decision on the basis of a joint meeting and discussions. § 22 Section 7 shall apply to taking decisions on the Management Board and § 27 Sections 5 and 6 shall apply to taking decisions on the Supervisory Board accordingly. To establish the quorum in terms of separately taking decisions, it is necessary for each of the internal bodies to have a quorum and that each internal body has participated in the joint meeting and discussions with a quorum. Any requests which both of the bodies do not adopt in the proper way shall be deemed to have been rejected.
- (4) Minutes must be kept by the secretary of the Supervisory Board about the joint meetings and be signed by the chairperson, the secretary and a member of the Management Board. Guarantees must be provided that the minutes are complete and available. § 22 Section 8 shall apply to the minutes about the decisions of the Management Board and § 27 Section 7 shall apply to the minutes about the decisions of the Supervisory Board accordingly. The minutes according to Sentence 3 must be made known to the respectively other internal body.

§ 30

Legal business with members of the Management Board

- (1) The members of the Management Board and their relatives may only conduct legal business with the Cooperative according to § 21 Section 2 if the Supervisory Board has given its consent thereto. Sentence 1 shall also apply to any unilateral legal business of the Cooperative, in particular, for amending and terminating contracts.
- (2) Section 1 shall further apply to any legal business between the Cooperative and legal entities or commercial partnerships in which a member of the Management Board or his/her relatives cited in Section 1 hold shares of at least 20 % each or on which they exercise a significant influence.

§ 30a

Legal business with members of the Supervisory Board

- (1) The members of the Supervisory Board and their relatives may only conduct legal business with the Cooperative according to § 21 Section 2 if the Supervisory Board has given its consent thereto. Sentence 1 shall also apply to any unilateral legal business of the Cooperative, in particular, for amending and terminating contracts.
- (2) Section 1 shall further apply to any legal business between the Cooperative and legal entities or commercial partnerships in which a member of the Supervisory Board or his/her relatives cited in Section 1 hold shares of at least 20 % each or on which they exercise a significant influence.
- (3) If a member of the Supervisory Board covenants by an employment contract outside his/her activities on the Supervisory Board whereby an employment relationship is not justified or by a service contract towards the Cooperative to any activity of higher type, § 114 of the German Stock Corporation Act shall apply to the relevant contract.

§ 31

Composition of the representatives' meeting and electing representatives

- (1) The representatives' meeting shall consist of at least 50 representatives elected by the members of the Cooperative. The representatives must personally be members of the Cooperative. They may not be members of the Management Board or the Supervisory Board or be substituted by a duly authorised person.
- (2) Only individuals, who are fully able to conduct business, shall be eligible as representatives or deputy representatives. If a member of the Cooperative is a legal entity or a commercial partnership, individuals who are authorised to represent it may be elected as representatives. A member to whom a decision about exclusion has been sent according to § 11 may not be elected.
- (3) Each member shall have one vote when electing any representative. Members or their legal representatives may grant proxy voting powers in writing. One duly authorised person cannot represent more than two members. Duly authorised persons can only be members of the Cooperative or spouses, registered common law partners, parents or children of full legal age of the member. Any authorisation of persons to whom a letter about exclusion has been sent (§ 11 Section 4) or of persons who offer to commercially exercise proxy voting powers shall be excluded.
- (4) The representatives shall be elected in a general, direct, uniform and secret vote. One representative must be elected for every 70 members. Another representative shall be elected for the remaining members. Deputy representatives must also be elected. The election may take place by votes cast in the voting room or by postal votes. Further details about the election of the representatives and deputy representatives including establishment of the election results shall be laid down in the election rules. The crucial time for determining the number of members in the aforementioned sense shall be defined in the election rules.
- (5) The period in office for representatives shall start when they accept the vote, however, not before the end of the period in office of the previous representatives. The period in office for a deputy representative shall start when the representative has dropped out. The period in office for a representative or a deputy representative replacing them shall end with the representatives' meeting that decides on exonerating the members of the Management Board and the Supervisory Board for the 4th financial year after the start of their period in office. The financial year in which the period in office starts shall not be counted.
- (6) The new election of the representatives and the deputy representatives must have been completed at the latest by the representatives' meeting which decides about exonerating the members of the Management Board and the Supervisory Board for the 4th financial year after the start of the period in office of the previous representatives. If no effective new election of the representatives' meeting has taken place, the previous representatives' meeting shall remain in office until the new elections, in terms of the statutory maximum period (§ 43a Section 4 of the Cooperative Societies Act).
- (7) The office of a representative shall expire prematurely if a representative lays down his/her office, becomes unfit for business or leaves the Cooperative. If the office of a representative expires prematurely, a deputy representative shall replace the representative who has left. The election rules may determine that the replacement case shall already apply if an elected representative drops out before accepting the vote.
- (8) New elections to the representatives' meeting must take place immediately notwithstanding Section 6 if the number of representatives falls below the legally envisaged minimum number (Section 1 Sentence 1), taking into account a deputy representative replacing a representative who has dropped out.
- (9) A list with the names as well as addresses, phone numbers or email addresses of the elected representatives and the deputy representatives must be displayed for inspection by members at the Cooperative's business premises and its subsidiaries for at least two weeks or made accessible on the Cooperative's website until the end of the period in office of the representatives. Its display or accessibility on the Internet must be announced according to § 43. The deadline for the display or accessibility on the Internet shall start with the announcement. If requested, a copy of the list

must be handed-over to each member; this must be mentioned in the announcement according to Sentence 2.

§ 32 Representatives' meetings

- (1) The ordinary representatives' meeting must take place during the first six months of a financial year.
- (2) The representatives' meeting may take place as follows:
 - a) Normally with physical presence and participation of the representatives at a physical meeting place (presence meeting).
 - b) The representatives' meeting shall be held without physical meeting place over a definite period of time, comprising several weeks, in terms of a written procedure (§ 32a). The conduct of a representatives' meeting without physical meeting place always presupposes that the representatives' rights are preserved.
- (3) The Management Board must submit the annual accounts (balance sheet, profit and loss statement, notes on the account) as well as the management report together with notes of the Supervisory Board to the ordinary representatives' meeting. The Supervisory Board must report to the representatives' meeting about its activities.
- (4) Apart from cases specifically mentioned in the Cooperative Societies Act or in these Articles, extraordinary representatives' meetings must be convened if it is necessary in the interests of the Cooperative. This should be particularly assumed if the auditing association deems it necessary to convene a meeting to discuss the auditing results or the Cooperative's situation. The procedure according to § 32a is not permissible in the case of Sentence 2.

§ 32a Representatives' meetings by written procedure

- (1) According to § 43 Section 7 Sentence 1 of Cooperative Societies Act, representatives' meetings can also be held without physical meeting place over a definite period of time, comprising several weeks, in terms of a written procedure. In this case, the representatives' meeting is broken down into two phases over a definite period of time, comprising several weeks (discussion and voting phase).
- (2) The period of time between the start of the discussion phase and the end of the voting phase is the representatives' meeting in this case. If any deadline must be calculated, the start of the discussion phase as regards the day of the representatives' meeting and the end of the voting phase as regards the conclusion of the representatives' meeting must be applied in this case.
- (3) If a representatives' meeting is held by written procedure, any and all information needed for unrestricted participation in the representatives' meeting must be communicated to the representatives together with the invitation. This includes particularly information of how the rights to speak, to make proposals, to access information and to vote can be exercised. Such information shall also contain the following issues about which the Management Board and the Supervisory Board have to take decisions according to § 28 t):
 - a) in what form and by what date proposals for election to the office of Supervisory Board must be submitted to the Cooperative in the framework of the discussion phase,
 - b) in what form and by what date votes must be cast after the end of the discussion phase,
 - c) in what form and by what date requests for secret voting must be made in the framework of the discussion phase,
 - d) in what form and by what date decisions or election results will be announced,
 - e) in what form and by what date members elected to the Supervisory Board have to declare their acceptance of election,
 - f) in what form and by what date requests for taking a decision about reading of the audit report have to be made in the framework of discussion phase according to § 59 of Cooperative Societies Act.

§ 33

Convening a representatives' meeting

- (1) The representatives' meeting shall normally be convened by the chairperson of the Supervisory Board. The Management Board's legal right to convene a representatives' meeting shall not be affected by this.
- (2) The invitation to the representatives' meeting shall take place through a written communication sent to representatives in text form and specifying the items on the agenda. Any announcement in the electronic German Federal Gazette or in another publicly accessible information medium will not suffice. The invitation shall normally come from the chairperson of the Supervisory Board or from the Management Board, if the latter convenes the representatives' meeting. There must be a period of at least two weeks between the day of the representatives' meeting and the day when the communication in text form according to Section 8 is deemed received or the date of the publication containing the announcement. Neither the day of the representatives' meeting nor the day on which the communication in text form according to Section 8 is deemed received nor the date of the publication containing the announcement are counted.
- (3) The agenda for the representatives' meeting must be communicated to all members of the Cooperative through publication on the Internet under the Cooperative's website address or by direct announcement in text form.
- (4) The representative's meeting must be convened immediately if one tenth of the members or one third of the representatives demand this in a request submitted in text form, citing the purpose and the reasons for it.
If one tenth of the members or one third of the representatives similarly request that a decision should be made about particular items that are the responsibility of the representatives' meeting, these items must be placed on the agenda.
- (5) Members, at whose request a representatives' meeting has to be convened according to Section 4 or who have requested that a decision should be made about particular issues at a representatives' meeting, may take part in these meetings. The participating members can exercise their rights to speak and to make requests at the representatives' meeting through a duly authorised person, who must be elected from their group.
The regulations applicable to representatives with regard to the participation in representatives' meetings, in particular § 32a, shall also apply to members according to Sentence 1 as well as to the duly authorised person according to Sentence 2.
- (6) Decisions may only be taken about items on the agenda. Any requests for a decision may be included subsequently, if they are the responsibility of the representatives' meeting.
- (7) Any items on the agenda must be announced in good time before the representatives' meeting according to Section 2. There must be a period of at least one week between the day of the representatives' meeting and the day when the communication in text form according to Section 8 is deemed received. Neither the day of the representatives' meeting nor the day on which the communication in text form according to Section 8 is deemed received are counted.
The same shall apply to requests issued by the Management Board or the Supervisory Board. Requests to chair the representatives' meeting or a request made during the representatives' meeting to convene an extraordinary representatives' meeting do not need to be announced.
- (8) If the invitation according to Section 2 or the announcement according to Section 7 are sent to the representatives in text form, the communications are deemed received on the third day after sending. The sending day will not be counted.
- (9) If § 32a provides other regulations, they shall have priority.

§ 34

Chairing the representatives' meeting and taking decisions

- (1) The chairperson of the Supervisory Board or, if he/she is prevented from doing so, the deputy chairperson shall chair the representatives' meeting. If the representatives' meeting so decides, the chairmanship of the meeting may be transferred, for instance, to a member of the Management Board, a member of the Supervisory Board or a representative of the auditing association. Sentence 2 shall not apply to representatives' meetings according to § 32a. The person chairing the meeting must appoint a secretary and the vote counters.
- (2) Votes in the framework of presence meetings shall take place by raising hands or standing up, at the discretion of the person chairing the meeting. If requested, the representatives' meeting may make a decision with simple majority to vote secretly using ballot papers. § 32a Section 3 Sentence 3 c) shall remain unaffected by this.
- (3) Each representative at the representatives' meeting shall have one vote which is non-transferable. Anybody who is to be exonerated by a decision or exempted from any liability may not vote insofar. The same shall apply to any decision about whether the Cooperative should assert a claim against him/her.
- (4) The members of the Management Board and the Supervisory Board shall take part in the representatives' meeting without any voting rights.
- (5) When determining the voting results, only votes that have been cast shall be counted; abstentions and invalid votes shall not be considered. In the case of tied vote, a request shall be deemed rejected – subject to the special rules for elections according to § 34a Section 3.

§ 34a

Elections to the Supervisory Board

- (1) Elections to the Supervisory Board shall take place depending on the number of the candidates nominated as well as on the number of the seats to be assigned by way of single selection according to Section 2 or proportional election according to Section 3. § 24 Section 5 must be noted.
- (2) If the number of the candidates nominated corresponds to the number of seats to be assigned or if the number of the candidates nominated is smaller than the number of seats to be assigned in the respective case, the candidates to be elected must be voted by way of single election individually on the basis of single election suggestions. In this case, the persons eligible to vote shall have the opportunity to vote on each candidate individually with an express YES or NO.
If the election takes place with written ballot papers, a ballot paper with a box for a YES-vote and with a box for the NO-vote must be provided for each candidate individually. A candidate will be deemed elected if he has received more YES-votes than NO-votes. Abstentions and invalid votes shall not be counted.

The voting procedure (with or without ballot paper) depends on the form of the representatives' meeting and may take place as follows:

- a) The single election in the framework of presence meetings shall take place openly - by raising hands or standing up – or secretly with written ballot papers.
- b) For a single election in the framework of representatives' meetings in a written procedure (§ 32a), the participating representatives shall vote with written ballot papers according to the information announced according to § 32a Section 3 Sentence 4 b).
- (3) If more candidates can be nominated than the number of seats to be assigned, votes shall be cast secretly by way of proportional election with ballot papers. All candidates shall be listed on one ballot paper.
Bound list suggestions to be adopted or rejected only as a whole are not permissible.

One box for the YES-vote is exclusively provided on the written ballot paper for each candidate. The persons eligible to vote shall decide about the candidates whom they wish to elect by ticking the YES-vote on their ballot papers. Each person eligible to vote shall have as many votes as the number of members of the Supervisory Board needing to be elected. Those candidates who have received most of the valid votes cast altogether shall be deemed elected. If the vote is tied, the chairperson of the meeting shall draw lots to decide who has been elected.

Elected candidates must immediately declare whether they accept the vote. This declaration can also be given as a precaution already before the election.

The voting procedure depends on the form of the representatives' meeting and may take place as follows:

- a) For a proportional election in the framework of a presence meeting, voting shall take place with written ballot papers.
- b) For a proportional election in the framework of representatives' meetings in a written procedure (§ 32a), voting shall take place with written ballot papers according to the information announced according to § 32a Section 3 Sentence 4 b).

§ 34b Minutes

- (1) Minutes must be kept about the decisions taken by the representatives' meeting. They must contain the place and the date or time period of the meeting, the name of the person chairing the meeting as well as the type and result of the vote and the declaration of the chairperson of the meeting about the decisions taken. In the case of § 32a, the Cooperative's premises shall be the place of meeting. In elections, the names of the candidates and the number of votes that they receive must be indicated. It is not necessary to keep the ballot papers. The minutes must be signed by the person chairing the meeting and by at least one member of the Management Board who participates in the meeting. The evidence of convening the meeting must be enclosed as annex to the minutes.
- (2) If any change has been decided to the Cooperative's Articles concerning an increase in mandatory capital shares, the introduction or extension or a mandatory holding with further shares, the introduction or extension of an obligation to make further mandatory payments, an extension to the period of termination beyond two years, moreover, the cases of § 16 Section 3 of the Cooperative Societies Act or an essential change in the company's business or if a decision is made to continue the Cooperative according to § 117 of the Cooperative Societies Act, a list of the members who have attended or have been represented and a note of the number of votes must be attached to the minutes.
- (3) If the representatives' meeting is held according to § 32a, a list of the members participating in the meeting with a note of how the votes have been cast must be additionally attached to the minutes.
- (4) Each member shall be granted access to the minutes. The minutes must be kept by the Cooperative.

§ 35 Responsibilities of the representatives' meeting

- (1) The representatives' meeting shall decide about the matters outlined in the Cooperative Societies Act and in these Articles, particularly about
 - a) a change to the Articles,
 - b) approving the annual accounts (balance sheet, profit and loss statement, note on the accounts),
 - c) using the balance sheet profits,
 - d) covering any balance sheet losses,
 - e) using the statutory reserves to cover losses,
 - f) exonerating the members of the Management Board and the Supervisory Board,
 - g) electing members of the Supervisory Board and setting their remuneration,

- h) revoking the appointment of members of the Management Board and the Supervisory Boards,
- i) terminating the employment contract of members of the Management Board without notice,
- j) excluding members of the Management Board and the Supervisory Board from the Cooperative according to § 11 Section 7,
- k) conducting legal cases against members of the Management Board and the Supervisory Board in office or who have left on account of their position on these internal bodies,
- l) setting the restrictions for granting loans according to § 49 of the Cooperative Societies Act,
- m) transforming the Cooperative by means of a merger, division or change of form,
- n) winding-up the Cooperative,
- o) approving voting rules for electing representatives to the representatives' meeting,
- p) electing members of the election committee for election to the representatives' meeting.

(2) The representatives' meeting shall discuss

- a) the Management Board's management report,
- b) the Supervisory Board's report,
- c) the report about statutory auditing according to § 59 of the Cooperative Societies Act, if necessary, the representatives' meeting shall decide how much of the auditing report should be published.

(3) If the number of members falls below 1,501, the members shall exercise their rights in matters concerning the Cooperative collectively at the members' meeting. This shall replace the representatives' meeting. The rules for the representatives' meeting shall also apply to the members' meeting. If there is a need for a particular number of representatives to exercise rights or a particular number of representatives must be present to make decisions, the members shall replace the representatives.

§ 36 Majority requirements

(1) The decisions of the representatives' meeting shall be taken by the majority of votes cast, provided that a larger majority or other requirements are not laid down by law or the Articles.

(2) Any decisions by the representatives' meeting about

- a) changing the Articles,
- b) transforming the Cooperative by means of a merger, division or change of form,
- c) revoking the appointment of and dismissing members of the Management Board without notice or dismissing members of the Supervisory Board,
- d) winding-up the Cooperative,

shall require a majority of three quarters of the votes cast to be valid.

(3) Decisions to wind-up the Cooperative according to Section 2 d) may be taken only if at least half of all the representatives have participated in the decision. If this is not the case, another representatives' meeting must be convened after no more than four weeks while still maintaining the invitation period which may then take the appropriate decisions with a majority of three quarters of the votes cast, regardless of the number of representatives present. This must be outlined expressly in the invitation.

(4) Decisions, which introduce or extend the members' obligations to make use of facilities or other services offered by the Cooperative or to provide financial or material services, shall require a majority of at least nine tenths of the votes cast.

(5) If a members' meeting has been convened to abolish the representatives' meeting, decisions to abolish the representatives' meeting can only be taken if at least three tenths of all the members are present or represented and they agree to abolish the representatives' meeting by a majority of three quarters of the votes cast.

§ 37
Right to information

- (1) The Management Board or the Supervisory Board must provide information about matters regarding the Cooperative to any representative in response to a request issued at the representatives' meeting, if this is necessary to objectively assess the matter on the agenda. The information must satisfy the principles of conscientious and true accountability.
- (2) The information may be refused if
 - a) providing the information is appropriate according to sound business judgment, but could do considerable damage to the Cooperative,
 - b) providing the information would be a criminal act or would infringe a duty to maintain confidentiality set forth in the law, the Articles or an agreement,
 - c) the request for information concerns the personal or business circumstances of a third party,
 - d) it involves employment contract agreements with members of the Management Board or employees of the Cooperative,
 - e) reading aloud of papers would prolong the representatives' meeting to an unreasonable degree.
- (3) If information is refused to representatives, they may demand that the question and the reason why the information has been refused shall be entered in the minutes.

VII. Accounting

§ 38
The financial year and preparing the annual accounts

- (1) The financial year runs from 1st January until 31st December.
- (2) The Management Board must take care that the accounts and the business organisation ensure that the Cooperative fulfils its tasks.
- (3) Following the expiry of each financial year, the Management Board must prepare annual accounts (balance sheet, profit and loss statement and notes on the accounts). The annual accounts must satisfy the statutory rules about assessment and the statutory rules about structuring the balance sheet as well as the profit and loss statement. The prescribed forms must be used.
- (4) The Management Board must also prepare a management report together with the annual accounts. The management report must meet the requirements set forth in § 289 of the German Commercial Code.
- (5) The annual accounts and the management report must be submitted to the Supervisory Board for checking together with the suggestion for using the balance sheet profits or covering the balance sheet losses as soon as they have been prepared. They must then be forwarded to the representatives' meeting with the comments made by the Supervisory Board.

§ 39
Preparing for the decision to adopt the annual accounts

- (1) The annual accounts (balance sheet as well as profit and loss statement, notes on the accounts) checked by the Supervisory Board and the Management Board's management report as well as the Supervisory Board's report must be put on display at the Cooperative's headquarters for inspection by the members one week before the representatives' meeting at the latest or communicated to them in some other way.
- (2) In addition to the annual accounts, the suggestion for using the balance sheet profits or covering the balance sheet losses shall also be submitted to the representatives' meeting for decision.

VIII. Reserves, distributing profits and covering losses

§ 40 Reserves

- (1) Statutory reserves must be formed. They are exclusively intended to cover any losses occurring on the balance sheet.
- (2) At least 10% of the annual profits minus any losses current forward must be assigned to the statutory reserves until the statutory reserves have reached 50% of the total liabilities entered on the annual balance sheet. The statutory reserves must be formed when preparing the balance sheet.
- (3) Upon the Supervisory Board's approval, the Management Board may mandatorily transfer up to a maximum of 50 % of annual profits to the revenue reserves according to Section 3 when preparing the annual accounts (see also § 20 Sentence 2 of the Cooperative Societies Act).
- (4) Apart from that, other revenue reserves can be formed when preparing the annual accounts upon the Supervisory Board's approval according to § 28 n) to be reported separately to the representatives' meeting before approving the annual accounts (§ 25 Section 5).

§ 41 Using profits

- (1) The balance sheet profits can be distributed among the members as a dividend or they can be used to form other revenue reserves.
- (2) The dividend should not exceed 4% of the credit balance.
- (3) The dividend should be distributed according to the proportion of the credit balance at the beginning of the financial year for which the annual accounts have been prepared.
- (4) If a mandatory capital share has not been fully paid in, the dividend shall not be paid out but allotted to the credit balance. This shall also apply if the credit balance has been reduced to cover a loss.

§ 42 Covering losses

If the balance sheet records a loss, the representatives' meeting must decide how to cover a loss, in particular, to what degree the loss should be eliminated by reducing the credit balance or using the statutory reserves. If the credit balance is used to cover the loss, the loss proportion shall not be calculated according to the existing credit balance, but according to the proportion of the mandatory payments laid down in the Articles at the beginning of the financial year for which the annual accounts have been prepared, even if they are still in arrears.

IX. Announcements

§ 43 Announcements

- (1) Announcements shall be published under the Cooperative's company name; they must be signed according to § 22 Sections 2 and 3. Announcements made by the Supervisory Board shall be signed by the chairperson and, if being prevented, by his/her deputy in the name of the Supervisory Board.

- (2) Announcements which must be made in a public gazette according to law or the Articles shall be published on the Internet under the Cooperative's address. The invitation to the representatives' meeting and the announcements of issues on the agenda must be prepared according to § 33 Section 2. The accounting documents that have to be disclosed shall be published in the electronic Federal Gazette. All other announcements shall be made in text form or on the Internet under the Cooperative's address.

X. Auditing the Cooperative, auditing association

§ 44 Auditing

- (1) In order to establish the economic circumstances and ensure that the managers are acting properly, the Cooperative's facilities, assets and management practices must be checked for each financial year.
- (2) The annual accounts, including the accounting systems and the management report, must be checked as part of the audit according to Section 1.
- (3) If the Cooperative is affected by auditing obligations arising from the Broker or Property Developer Order, this audit must be completed, too.
- (4) The Cooperative is a member of the Association of Saxon Housing Cooperatives Reg. Ass. It is audited by this auditing association. The name and headquarters of this auditing association must be indicated on the website or, in the absence of this, on the business letters.
- (5) The Cooperative's Management Board shall be obliged to prepare the audit carefully. It must give the auditors all the documents and requested declarations that are necessary to complete the audit.
- (6) The Cooperative's Management Board must submit the annual accounts approved by the representatives' meeting and the management report immediately to the auditing association, together with the comments of the Supervisory Board and its report.
- (7) The Management Board and the Supervisory Board must discuss the results of the audit at a joint meeting as soon as the audit report has been received. The auditing association shall be entitled to take part in the meeting. The Cooperative's internal bodies shall be obliged to honour the objections and constraints imposed by the auditing association.
- (8) The auditing association shall be entitled to take part in the representatives' meetings of the Cooperative and speak at them at any time. It must therefore be invited to all representatives' meetings in good time.

XI. Winding-up the Cooperative and its liquidation

§ 45 Winding-up and liquidation

- (1) The Cooperative shall be wound-up
- a) by a decision taken at the representatives' meeting,
 - b) by opening of insolvency proceedings,
 - c) by the decision of a court, if the number of Cooperative Members is fewer than three,
 - d) by the other cases mentioned in the Cooperative Societies Act.
- (2) The stipulations laid down in the Cooperative Societies Act shall be binding for the liquidation procedure.

XII. Coming into force of the Articles

These Articles were adopted by the representatives' meeting on 8th June 2022.

The new version of the Articles was entered in the Register of Cooperatives on 19th August 2022.



**Sächsische
Wohnungsgenossenschaft
Chemnitz eG**

Dresdner Straße 80
09130 Chemnitz
Telefon: 0371 44440-0
Telefax: 0371 44440-77
Mail: info@swg-chemnitz.de
Internet: www.swg-chemnitz.de