

SELECT PROVISIONS OF
ACT IV / 1959
*Unofficial Translation*¹

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7. Non-Profit Company²

Section 57.

- (1) A nonprofit company is a legal entity performing activity of public utility on a regular basis, in the interest of satisfying the common needs of society without aiming at the acquisition of profits or property. A nonprofit company may carry on business-type economic activities in the interest of promoting its activity of public utility; any profits arising from the company's activity may not be distributed among the members.
- (2) With regard to the differences contained in this Act, the rules applying to limited liability companies shall apply *mutatis mutandis* to nonprofit companies, including the common rules of economic associations and transformation.
- (3) The activities of public utility and, as required, any business-type economic activities performed by a nonprofit company, shall be defined in the articles of association.

Section 58.

- (1) A nonprofit company may be formed by a natural person and a legal entity, as well as by an unincorporated economic association, and the above may join such a company already in operation as members.
- (2) A nonprofit company may also be formed through the amendment by a limited liability company of the articles of association in accordance with subsection (1), Section 57. In such a case the nonprofit company shall be the general legal successor of the limited liability company.
- 3) The common rules of the transformation of economic associations shall apply *mutatis mutandis* to the foundation of a nonprofit company in accordance with subsection (2).
- (4) A nonprofit company is established by registration in the Company Register, with retroactive effect to the execution of the articles of association or the amendment referred to in subsection (2).

¹ Translated by Kerszöv Computer Co. Ltd.

² Titles 7 and 8 of Chapter VI and the text of Sections 57 to 65 were established by Section 3 of Act XCII of 1993. Date of coming into force: 1 January 1994. See further subsection (7), Section 40 of Act XCII of 1993.

(5) The description of nonprofit company, or an abbreviation ("KHL" in Hungarian) shall be indicated in the company's firm name.

(6) Members may also be invited to a nonprofit company through a public announcement.

Section 59.

(1) The approval of a contract which is concluded by the company with an organ responsible for the satisfaction of common social needs on the conditions of the performance or activities of public utility shall be within the exclusive competence of the members' meeting of a nonprofit company.

(2) A nonprofit company shall establish a supervisory board and shall elect an auditor as a mandatory requirement. If the supervisory board detects violation of a contract concluded in respect of the conditions of the performance of activities of public utility, it shall, without delay, convene the members' meeting of the nonprofit company.

(3) The contracts concluded on the basis of subsection (1), Section 59 are public, and any person concerned may have access thereto.

Section 60.

(1) A nonprofit company may merge with another nonprofit company, or a limited liability company, or a company limited by shares, and may demerge into several such companies. A nonprofit company may, by the amendment of the articles of association, transform into an economic association applying mutatis mutandis the common rules governing the transformation of economic associations.

(2) In the case of termination, a nonprofit company shall be cancelled by the Court of Registration from the Company Register, and the company shall be terminated through cancellation.

8. Society and Public Body³

Section 61.

A society is a voluntarily established organization having self-government which is formed for a purpose defined by its charter, has registered membership, and organizes its members' activities in order to achieve its aim. A society is a legal entity.

Section 62.

(1) A society shall provide for its name, aim, registered office and divisional structure in its charter.

(2) A society is established by registration by the court

³ Concerning the social organization (political party, trade union, mass movement, interest representation, society, other social organization) see further Act 11 of 1989 on the Freedom of Association.

11. FOUNDATION⁵

Section 74/A.

(1) A private individual, legal entity and unincorporated economic association (hereinafter together "founder") may form a foundation. In a deed of foundation for a purpose serving a permanent public interest a foundation may not be formed for the primary purpose of performing economic activities. A foundation is a legal entity.

(2) A foundation is established by registration by the court. Registration cannot be refused, if the deed of foundation is in conformity with the conditions defined in this Act.

(3) A founder may not withdraw a foundation after registration.

(4) A foundation is registered by the county court or the Metropolitan Court competent in the area of the registered office of the foundation (hereinafter together: court). The application for registration shall be submitted to the court by the founder. The deed of foundation shall be attached to the application.

(5) The court shall decide on registration in a non-contentious procedure out of turn. The decision on registration shall be sent by the court to the Prosecutor's Office as well.

(6) A foundation is terminated by cancellation from the register. The relevant rules of registration of a foundation shall apply *mutatis mutandis* to cancellation.

Section 74/B.

(1) The deed of foundation shall contain:

- a) the name,
- b) the purpose,
- c) the assets made available and the way of their utilization, and
- d) the registered office of a foundation.

(2) A founder may provide for the possibility of joining the foundation and other conditions in the deed of foundation.

(3) A founder declares an organizational unit of the foundation in the deed of foundation a legal entity, if such an organizational unit has an independent administrative and representative organ, and if it has assets separated from the assets assigned for the purposes of the foundation, necessary for operation.

(4) If a founder allows joining the foundation (open foundation), anybody may join the foundation, under the conditions set forth in the deed of foundation. On founding an open foundation, assets shall be made available to the foundation at least to a value that is required for the commencement of its operation.

⁵ The title and Sections 74/A to 74/E were inserted by Section I of Law-Decree No. 11. of 1987. See further Government Decree No. II 5/1992. (VI 1.23.) Korm. on the Order of the Economic Management of Foundations, as well as paragraph g), subsection (2), Section 4, paragraph a), subsection (1), Section 10 and subsection (13), Section 19 of Act LXXXVI of 1991, paragraph 30, subsection (1), Section 7, paragraph a), subsection (1) and subsection (9), Section 34 of as well as subparagraph III3 of Schedule 3 to Act XC of 1991.

(2) A foundation shall also be cancelled from the register, if the court terminates it or orders its being consolidated with another foundation.

(3) The court shall terminate a foundation on the basis of a petition of a prosecutor if the realization of its purpose has become impossible, or if its registration had to be refused because of a change in legal rules.

(4) The court may terminate a foundation if the administering organ (organization) puts at risk the purpose of the foundation by its activity and the founder does not withdraw its appointment - in spite of court summons - and does not appoint another organ (organization) to act as administrator.

(5) The assets of a terminated foundation shall be allocated by court for the support of another foundation with a similar purpose, unless otherwise provided by the deed of foundation.

(6) At the joint request of the interested founders, the court may, for the purpose of the establishment of a new foundation or joining another foundation, order the consolidation of the foundations, if it is in harmony with the realization of the aims of the foundations concerned. The new or the duly amended deed of foundation shall also be attached to the application for the merger of foundations; in all other matters the rules of the registration of foundations shall apply to the proceedings of the court.

Section 74/F.

(1) The Prosecutor's Office exercises legal supervision over the activity of a foundation according to the rules applicable to it.

(2) If the legal activity of a foundation cannot be otherwise ensured, the prosecutor may resort to court. The court shall oblige the administrator of the foundation to restore the operation of the foundation in conformity with the legal rule by a fixed deadline. The court shall terminate the foundation following the elapse of the deadline without any result.

Section 74/G.

(1) A public foundation is foundation which is established by Parliament, the Government or the representative body of a local government for the purpose of the continuous performance of public responsibilities. The establishment of a public Foundation may be made mandatory by law.

(2) For type phrases of subsection (1) theme state or local government responsibilities shall qualify as public responsibilities, for the performance of which the state or a local Government shall provide, based on a legal rule. The establishment of a public foundation shall not affect the obligation of the state or a self-government of fulfilling such responsibilities.

(3) A public foundation may also be formed in a way that the whole of the assets of foundation be, with the consent of the founder thereof, offered to the organ entitled thereto in the interest of the establishment or a public foundation serving the same purpose. If the party entitled to form a public foundation accepts the offer, that party shall establish the public foundation together with the founder of the foundation. The foundation is terminated by the establishment of the public