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23 September 2004;

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If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*<sup>1</sup> has adopted  
and the President has proclaimed the following Law:

## **Associations and Foundations Law**

### **Division A General Provisions**

#### **Chapter I Basic Provisions**

##### **Section 1. Purpose of this Law**

(1) The purpose of this Law is to promote the activities of associations and foundations and the long-term development thereof, as well as to facilitate the strengthening of a democratic and civil society.

(2) This Law regulates the guiding principles for the activity, organisational structure, liquidation and re-organisation of associations and foundations.

##### **Section 2. Concept of Associations and Foundations**

(1) An association is a voluntary union of persons founded to achieve the goal specified in the articles of association, which shall not have a profit-making nature.

(2) A foundation, also a fund, is an aggregate of property that has been set aside for the achievement of a goal specified by the founder, which shall not have a profit-making nature.

##### **Section 3. Legal Status of an Association and a Foundation**

An association and a foundation obtain the status of a legal person at the moment when it is entered into the Register of Associations and Foundations.

##### **Section 4. Delimitation of Liability of an Association and a Foundation**

(1) An association and a foundation are liable to the extent of all its own property.

<sup>1</sup> The Parliament of the Republic of Latvia

- (2) An association is not liable for the obligations of a member. A member is not liable for the obligations of an association.
- (3) A foundation is not liable for the obligations of a founder. A founder is not liable for the obligations of a foundation.

### **Section 5. Legal Address of an Association and a Foundation**

- (1) The legal address of an association and of a foundation is the address, which has been entered into the Register of Associations and Foundations.
- (2) If information, documents or other correspondence is sent to an association or to a foundation to the address registered in the Register of Associations and Foundations, it shall be considered that the association or foundation has received these documents, information or other correspondence on the seventh day, if the sender has proven that such dispatch has been performed.

### **Section 6. Name of an Association and a Foundation**

- (1) The name of an association and a foundation shall not be contrary to regulatory enactments and good morals, i.e., the name of a military body or the name of such organisation or group which has been recognised as criminal or anti-constitutional shall not be included therein, it shall not create a positive attitude toward violence, and similar.
- (2) The name of a foundation shall contain the word “nodibinājums” [foundation] or “fonds” [fund].
- (3) The name shall differ clearly and distinctly from other names of associations and foundations already registered or under application for registration in the Register of Associations and Foundations.
- (4) Only the letters of the Latvian or Latin alphabet shall be used in the name of associations and foundations.
- (5) Misleading information regarding the purpose of activities, type of activities and legal form shall not be included in a name.
- (6) The name of an association or a foundation shall not coincide with the names of State or local government authorities (institutions), as well as contain misleading information that the association or foundation is endowed with a public power.
- (7) An association or a foundation the rights of which have been infringed through illegal use of the name thereof may demand from the infringer that he or she cease using the name, as well as to reimburse losses incurred to the association or foundation through the illegal use of the name thereof.

*[23 September 2004]*

### **Section 7. Rights of an Association and a Foundation to Perform Economic Activity**

- (1) An association and a foundation have the right to perform economic activity in the form of complementary activity, which pertains to the maintenance and utilisation of its own property, as well as to perform other economic activity to achieve the goals of the association or foundation.
- (2) The income of an association or of a foundation may be utilised only for the achievement of the goal specified in the articles of association. Profit obtained from economic activity of an association or a foundation may not be divided among the members of an association or the founders of a foundation.

## **Section 8. Volunteer Work**

(1) Associations and foundations have the right to employ persons in volunteer work. Volunteer work shall be considered to be unpaid work or provision of services performed by a natural person without entering into employment legal relations and which is aimed at the achievement of the objective laid down in the articles of association of the association or foundation.

(2) A written agreement shall be entered into regarding the performance of volunteer work upon the request of a person, indicating the work to be performed and the performance deadline thereof.

(3) A person performing volunteer work may request the compensation of such expenses which have arisen during the course of the performance of the volunteer work, if it has been provided for in the articles of association of the association or foundation or in the decisions of the executive board.

(4) An association or foundation shall be liable for any harm caused to a person while performing volunteer work if such duty has been undertaken or also the harm was caused due to the fault of the association or foundation.

## **Section 9. Remuneration for Activity in an Association or a Foundation**

If a person receives remuneration (consideration) for activity in an association or a foundation this remuneration (consideration) shall be determined in accordance with the scope of the duties of the respective person and the financial situation of the association or foundation.

## **Section 10. Public Activities**

(1) An association and a foundation, in order to achieve the goals laid down in the articles of association, have the right to perform activities which are not in contradiction with law, especially to distribute freely information regarding its own activities, to establish its own publications and other mass media, to organise meetings, street processions and pickets, as well as to perform other public activities.

(2) An association and a foundation may apply to State and local government authorities in matters related to the goals of the activities of the respective association or foundation, as well as to maintain the rights of its members or interests protected by law in a court.

(3) An association and a foundation the articles of association of which have specified goals towards the protection of human rights or individual rights, has the right with the consent of the injured natural person to turn to institutions or to a court and defend the rights or lawful interests of such persons in matters, which are related to the violations of the prohibition of unequal treatment.

*[2 November 2006]*

## **Section 11. Prohibition against Establishing Armed or Militarised Units**

An association and a foundation are prohibited from arming the members thereof or other persons, to organise military training for them and to establish militarised units.

## **Section 12. Laws Regulating the Activities of Other Non-profit Associations of Persons and Foundations**

The activity of political parties, religious organisations, trade unions, professional organisations and those associations which are autonomous entities of public law, as well as public foundations (funds) shall be regulated by other laws.

### **Chapter II Register of Associations and Foundations**

#### **Section 13. Keeping of the Register of Associations and Foundations**

- (1) Information regarding associations and foundations shall be entered into the Register of Associations and Foundations (hereinafter also – the Register).
- (2) The Register shall be kept by the State institution authorised therefor by law (hereinafter – the Register authority).

#### **Section 14. Openness of the Register**

- (1) Everyone has the right to familiarise themselves with the entries in the Register and the documents submitted to the Register authority.
- (2) Everyone has the right to receive a statement of the entries in the Register, as well as an extract or copy of the document present in the Register file, upon submission of an appropriate request in writing and upon payment of the State fee. The accuracy of the extract or copy shall be attested by the signature and stamp of an official of the Register authority, indicating the date of the issuance thereof, upon a request of the recipient. The Register shall provide information regarding the personal identity numbers of the members of the executive board, the liquidator and the administrator only if a person proves the justification of his or her interest.
- (3) An official of the Register authority shall issue a statement upon the request of a recipient that a certain entry of the Register has not been amended or that a certain entry has not been made in the Register.

#### **Section 15. Information to be Entered in the Register**

The following information shall be entered in the Register:

- 1) the name of the association or foundation;
- 2) the legal address of the association or foundation;
- 3) the goals of the association or foundation;
- 4) the date when the decision regarding founding was taken and the articles of association were signed;
- 5) given name, surname, personal identity number of the members of the executive board, indicating whether they have the right to represent the association or foundation individually or collectively;
- 6) the term of duration of an association or foundation if the association or foundation has been established on a temporary basis;
- 7) information regarding the prohibition of the public activity or other activity of the association or foundation, the termination, continuation of activities, insolvency, liquidation or reorganisation of an association or foundation;

- 8) information regarding the appointment of a liquidator, indicating his or her given name, surname and personal identity number;
- 9) information regarding the appointment of an administrator in an insolvency case, indicating given name, surname and personal identity number of the administrator;
- 10) date of the making of the entry; and
- 11) other information if it is directly provided for by law.

#### **Section 16. Documents to be Submitted to the Register Authority and Storage thereof**

- (1) Documents justifying the making of an entry in the Register and any amendments thereto (Section 15), as well as other documents specified in the Law (Section 52, Paragraph three; Section 95, Paragraph four and Section 102) shall be submitted to the Register authority. The original of the document or a duly attested copy thereof shall be submitted to the Register authority. Public documents issued in foreign states shall be validated in accordance with the procedures provided for in international agreements and they shall be accompanied by a notarially certified translation into Latvian.
- (2) An association shall provide information in writing regarding the number of members thereof upon the request of the Register authority.
- (3) The documents submitted to a Register authority shall be stored in a registration file of the respective association or foundation if an entry has been made on the basis thereof.

#### **Section 17. Making of an Entry in the Register**

- (1) An entry in the Register shall be made on the basis of an application or the adjudication of a court. The Cabinet shall approve application forms.
- (2) An application regarding the entering of an association in the Register shall be signed by the all of the founders or at least by two persons authorised at the founding meeting, for the entering of a foundation (fund) – by all of the founders, but in respect of a testamentary foundation – the executor, heir or a trustee of the will.
- (3) Officials of the Register authority shall take a decision regarding the making of an entry, a refusal to make an entry or the postponing of the making of an entry in the Register within seven days of the receipt of an application. A Register authority official shall take a decision within the same time limit regarding the making of an entry in the Register on the basis of the adjudication of a court.
- (4) A Register authority official shall take a decision regarding the postponing of the making of an entry if:
  - 1) the requirements of this Law or other laws have not been observed in the drawing up of the articles of association or the selecting of a name; or
  - 2) all of the documents specified in the Law have not been submitted.
- (5) An official of the Register authority shall take a decision regarding the refusal to make an entry if:
  - 1) the goal laid down in the articles of association is in contradiction with the Constitution, laws or international agreements binding on Latvia;
  - 2) the procedures for the founding of an association or a foundation specified in this Law have been violated; or
  - 3) after the adoption of a decision regarding the postponing of the making of the entry the deficiencies in the articles of association or the name of the association or the foundation have not been rectified.

- (6) A decision regarding the refusal to make an entry in the Register or the postponing of the making of an entry must be motivated. A time limit for the rectification of deficiencies shall be indicated in a decision regarding the postponing of the making of an entry.
- (7) An official of the Register authority shall send the decision referred to in this Section, Paragraph three to the applicant within three days of the taking of the decision.
- (8) An applicant has the right to dispute and appeal the decision of an official of the Register authority in accordance with the procedures specified in regulatory enactments.
- (9) An entry in the Register shall be made on the same day when the decision regarding the making of the entry is taken.

### **Section 18. Registration Certificate**

- (1) After the entering of an association or foundation in the Register, a registration certificate shall be issued thereto, which shall be signed and stamped by an official of the Register authority.
- (2) The following information shall be indicated in the registration certificate of an association or a foundation:
  - 1) the name;
  - 2) the registration number;
  - 3) the place of registration; and
  - 4) the date of registration.

### **Section 19. Exclusion of an Association or a Foundation from the Register**

An association or a foundation shall be excluded from the Register on the basis of:

- 1) an application by the liquidator of an association or foundation;
- 2) an application by the administrator of an insolvent association or foundation;
- 3) an application by the association or foundation for the making of a reorganisation entry; or
- 4) the adjudication of a court.

### **Section 20. State Fees**

- (1) The amount of the State fee to be paid for the making of an entry in the Register shall be determined by the Cabinet.
- (2) The State fee for an extract from the Register and an extract or a copy of a document in a register file, as well as for the issuance of a statement shall be paid in the amount provided for in regulatory enactments.
- (3) The State fee for the making of an entry in the Register, for the issuance of an extract or copy, as well as for a statement may not exceed the administrative expenses related to the taking of a decision regarding registration and the making of the respective entry, as well as with the searching, processing and reproduction of documents or information.

### **Section 21. Time Limit for the Submission of Information**

Information on the basis of which new entries shall be made in the Register, as well as the documents specified in the Law shall be submitted to the Register authority within 14 days of the taking of the respective decision if it is not otherwise provided for in this Law.

## **Section 22. Liability for the Provision of False Information to the Register Authority**

The respective persons shall be held liable, in accordance with the law, for the provision of false information to the Register authority.

### **Division B. Associations**

#### **Chapter III Founding of an Association**

### **Section 23. Founders**

- (1) Natural persons and legal persons may be founders of an association, as well as partnerships with legal capacity.
- (2) The number of founders may not be less than two.

### **Section 24. Decision Regarding the Founding of an Association**

- (1) In order to found an association, the founders shall take a decision regarding the founding of the association.
- (2) The following information shall be indicated in a decision regarding the founding of an association:
  - 1) the name of the association;
  - 2) the objectives of the association;
  - 3) the given name, surname and personal identity number of the founders, but for a legal person and partnership – the name, registration number and legal address;
  - 4) the rights and obligations of the founders if the founders have agreed on such;
  - 5) an authorisation (if such was given) for certain founders to sign the articles of association and an application to the Register authority; and
  - 6) other information that the founders deem necessary.
- (3) After the taking of the decision regarding the founding of an association the founders shall approve the articles of association of the association, elect an executive body of the association (hereinafter – the executive board), which may be collegial or single-member and other bodies if such have been provided for in the articles of association.
- (4) A decision regarding the founding of an association shall be prepared in writing and it shall be signed by the all of the founders of the association. His or her authorised person who has participated in the taking of the decision may sign the decision on behalf of a founder. The authorisation in writing shall be attached to the decision.

### **Section 25. articles of Association of an Association**

- (1) The articles of association of an association shall be prepared in writing:
- (2) The articles of association shall specify:
  - 1) the name of the association;
  - 2) the objective of the association;
  - 3) the period of activity of the association (if an association is being founded for a certain period of time);
  - 4) preconditions for the entering into and removal from membership;

- 5) the rights and duties of members;
  - 6) the procedures by which the rights and duties of a territorial or another division (if such are established) may be laid down;
  - 7) the procedures for the calling of a meeting of members and the taking of decisions;
  - 8) the name of the executive body, the quantitative structure thereof, prescribing the rights of the members of the executive body to represent the association individually or collectively; and
  - 9) the structure, procedures for election, competence, procedures for the taking of decisions and terms of office of audit institutions of economic and financial activity or the procedures for the appointing and terms of office of a certified auditor.
- (3) Other provisions may be provided for in the articles of association which are not in contradiction with law. If the articles of association are in contradiction with law, the provisions of law are applicable.
- (4) The articles of association shall be signed by all of the founders or by at least two authorised representatives thereof, and the date of the approval of the articles of association shall be indicated therein.

#### **Section 26. Application for the Entering of an Association into the Register**

- (1) The founders shall submit to the Register authority an application for the entering of the association into the Register. The application shall indicate the information referred to in Section 15, Clauses 1-6 of this Law.
- (2) The following shall be appended to the application:
  - 1) the decision regarding the founding of the association;
  - 2) the articles of association; and
  - 3) the list of members of the executive board.
- (3) The application shall be signed by the all of the founders or at least by two representatives authorised thereby.

#### **Section 27. Responsibility for Obligations which have Derived before the Entering of an Association into the Register**

- (1) A founder who has acted on behalf of an association before the entering of the association into the Register shall be liable for any obligations arising from this action. If several founders have acted on behalf of an association to be established, they shall be jointly liable.
- (2) The obligations referred to in Paragraph one of this Section shall be transferred to the association from the moment when it is entered into the Register, if a founder had the right to act on behalf of the association to be established.
- (3) If a founder has not had the right to act on behalf of the association, any obligations arising from such action shall be transferred to the association if the meeting of members definitively approves these obligations.



## **Chapter IV. Members**

### **Section 28. Minimum Number of Members**

- (1) An association shall consist at least of two members, if the articles of association do not prescribe a greater number of members. The founders obtain the status of a member of the association upon the entering of the association into the Register.
- (2) Every association shall keep its own membership register in which the name, surname, personal identity number and the place of residence of each member (name and address of a legal person) are indicated. Information regarding members of the association shall be available only for members of the respective association, as well as for controlling and law enforcement authorities.

### **Section 29. Membership of a Member in an Association**

- (1) The executive board shall take a decision regarding the admission of a member into the association, if it is not otherwise provided for in the articles of association.
- (2) If the executive board or other body (except for a meeting of members), under the competence of which is the admission of members, takes a decision regarding the refusal to admit a member, the person wishing to become a member has the right to demand a review of the matter in accordance with the procedures prescribed in the articles of association.
- (3) Obligations for members are deemed only in accordance with procedures provided for in the articles of association.
- (4) A member's membership is not transferable to third persons or inheritable if it is not otherwise provided for by law. A member's membership shall terminate with the quitting of or exclusion from an association, as well as upon a member's – a natural person's death or upon a member's – legal person's termination.
- (5) A member's – legal person's membership is maintained if the legal person is being reorganised, transforming it in accordance with the procedures set out in law. If a legal person is being reorganised by merging it with another entity or by dividing it, this person's membership in the association ceases.
- (6) When reorganising a member – legal person in the course of division, the divisible legal person's membership in the association is maintained.
- (7) Within the meaning of Paragraphs four, five and six of this Section a partnership with legal capacity is also considered as a legal person.
- (8) Persons with special status may participate in the activity of an association (member candidates, honorary members, associate members, senior members and the like), the rights and duties of which shall be prescribed by the articles of association.

### **Section 30. Withdrawal from an Association**

A member may withdraw from an association at anytime by submitting a notification in writing to the executive board of the association if it is not stipulated in the articles of association that such notification is submittable to another administrative body.

### **Section 31. Exclusion from an Association**

- (1) A member may be excluded from an association on the basis of a decision of the executive board or another body in the cases and in accordance with the procedures laid down in the

articles of association. It may be stipulated in the articles of association that a member may be excluded from an association on the basis of a decision of a members' meeting.

(2) Apart from the provisions of the articles of association a member may be excluded from an association if there is a significant cause therefor. In any case, the blatant infringement of the articles of association or the commitment of significant harm to an association shall be considered as a significant cause.

(3) The executive board of the association has a duty to inform a member in writing regarding his or her exclusion from the association and the motivation (justification) for this decision.

(4) If a decision regarding the exclusion of a member is taken by the executive board or another body, a member has the right to request a review of the matter at a members' meeting.

### **Section 32. Consequences of the Termination of the Membership of a Member**

(1) If a member's membership in an association is terminated, the membership fee prescribed in the articles of association and paid in is not paid back to him or her.

(2) A person the membership of which in an association has terminated does not have any right to the property of the association.

(3) An association does not have the right to collect from the member any membership fees not paid in.

## **Chapter V.**

### **Organisational Structure of an Association**

#### **Section 33. Administrative Bodies of an Association**

(1) The administrative bodies of an association are the members' meeting (general assembly) and the executive board.

(2) Other administrative bodies may be provided for in the articles of association, determining the procedures for the establishment and the competence thereof.

#### **Section 34. Members' Meeting**

(1) The members' meeting is the supreme body of an association.

(2) All members of an association have the right to participate in a members' meeting if it is not otherwise provided for in law. A member may participate in a members' meeting also with the intermediation of a representative, if it is not otherwise provided for in the articles of association of the association. An authorisation to participate and vote at a members' meeting shall be issued in writing.

#### **Section 35. Competence of a Member's Meeting**

(1) The competence of a members' meeting shall include:

- 1) the making of amendments to the articles of association;
- 2) the election and recall of the executive board and audit institutions, if such rights are not granted to another administrative body in the articles of association;
- 3) the taking of a decision regarding the termination, continuation or reorganisation of the activities of the association; and
- 4) other matters which under the law or the articles of association are in the competence of a members' meeting.

(2) A members' meeting has the right to take also such decisions which are within the competence of the executive board or other bodies provided for in the articles of association, if it is not otherwise specified in the articles of association.

### **Section 36. Convening of a Members' Meeting**

(1) The executive board shall convene a members' meeting in accordance with the procedures laid down in law or in the articles of association in the cases specified in law or in the articles of association or if the convening of a members' meeting is necessary in the interests of the association.

(2) The executive board shall convene a members' meeting immediately (without undue hesitation) if so requested in writing, indicating the reason for the convening, by not less than one tenth of the members and if a lesser number of members is not laid down in the articles of association.

(3) If the executive board does not convene a members' meeting on the basis of Paragraph two of this Section, the members requesting the convening of a meeting may independently convene a members' meeting in observance of the procedures specified for the convening of a meeting.

(4) The executive board shall notify members regarding the convening of a members' meeting if it is intended to decide on the matters referred to in Section 35, Paragraph one, Clauses 1-3 and make known the agenda thereof not later than 14 days before the convening of the meeting if a longer period of time has not provided for in the articles of association.

### **Section 37. Course of a Members' meeting**

(1) The quorum of a members' meeting shall be not less than one-half of the members present at a members' meeting if a larger quorum has not been laid down in the articles of association.

(2) If a members' meeting does not have the right to take a decision in accordance with Paragraph one of this Section, the executive board shall again convene a members' meeting with the same agenda not later than within three weeks. The convened members' meeting is entitled to take decisions notwithstanding the number of members present, but only in such case if at least two members participate in the members' meeting.

(3) If in convening a meeting, the provisions of the law or the articles of association on the procedures and terms for the convening of a meeting have been violated, the members' meeting is not entitled to take decisions except for cases if all of the members are present at a members' meeting.

(4) A members' meeting shall be chaired by the chairperson of the executive board unless another chair of the meeting is elected by the members. The course of a members' meeting shall be recorded in the minutes. The minutes shall be signed by the chair of the meeting and by the minute-taker.

(5) Members' meetings shall be held openly unless a motivated decision regarding other procedures for the course of a meeting is not taken by the members' meeting.

### **Section 38. Decisions of a Members' Meeting**

(1) A decision of a members' meeting shall be taken if more than half of the members present vote in favour thereof, unless a greater number of votes is prescribed in law or in the articles of association.

(2) Each member has one vote in a members' meeting. A member shall not have a right to vote if the members' meeting is deciding on the entering into of a transaction with such member or the bringing of an action or the termination of a matter against such member.

(3) In order to amend or terminate the rights of a member which differ from the rights of other members, or in order to specify obligations of a member which differ from the obligations of other members, the consent of such member is required.

### **Section 39. Taking of a Decision regarding Amendments to the Articles of Association**

(1) A decision regarding the making of amendments to the articles of association is taken if not less than half of the members present vote in favour thereof, unless a greater majority of votes is prescribed in the articles of association.

(2) Amendments to the articles of association shall come into effect at the time of the taking thereof, unless it is otherwise specified in the articles of association, but in respect of third persons – only after the registration of the amendments to the articles of association in the Register.

(3) Amendments to the articles of association shall be notified to the Register authority by attaching an extract of the minutes of the members' meeting or an extract of the voting minutes with the decision regarding the amendments to the articles of association and a complete text of the articles of association in the new wording.

### **Section 40. Deeming Void the Decision of a Members' Meeting**

(1) A court may deem void the decision of a members' meeting on the basis of an application by a member, an executive board member, an auditor (also other bodies if provided for in the articles of association) of the association, if such decision or the procedures for the taking thereof are in contradiction with law or the articles of association or significant infringements have been allowed in the convening of the meeting or the taking of the decision. An action may be brought within three months from the day when the person concerned became aware regarding the decision of the meeting, but not later than one year from the day of the taking of the decision.

(2) In accordance with the provisions of Paragraph one of this Section, a court may also deem void decisions of other bodies of an association.

### **Section 41. Meeting of Representatives**

(1) It may be laid down in the articles of association that the duties of a members' meeting are carried out within the scope specified in the articles of association by a meeting of representatives elected from the total number of members. The representation norm, procedures for the nomination and election of representatives shall be determined by the executive board, unless otherwise specified in the articles of association. All members of an association have the right to participate in the election of representatives.

(2) The provisions of this Law regarding members' meetings are applicable in respect of representatives' meeting, unless otherwise specified in law.

### **Section 42. Executive Board**

(1) An executive board shall manage and represent an association.

(2) The executive board may be one member or several members.

(3) Members of the executive board must be natural persons with the capacity to act.

(4) [23 September 2004]  
[23 September 2004]

#### **Section 43. Competence of the Executive Board**

(1) The executive board shall oversee and manage the affairs of an association. It shall manage the property of the association and dispose of the funds thereof in accordance with law, the articles of association, decisions of a members' meeting or other bodies.

(2) The executive board shall organise the accounting of an association in accordance with regulatory enactments and perform other duties in accordance with the competence prescribed in the articles of association.

#### **Section 44. Rights of Representation of the Executive Board**

(1) All of the members of the executive board have rights of representation. Members of the executive board shall represent the association jointly, unless it is otherwise prescribed in the articles of association.

(2) The rights of representation of the executive board in respect of third persons may not be limited. The rights of the executive board members specified in the articles of association to represent an association jointly or separately shall not be considered as a limitation on the representation rights of the executive board within the meaning of this Section.

(3) With regard to the association, the executive board shall observe the limitations on representation laid down in the articles of association, in the decisions of members' meetings and other bodies prescribed in the articles of association.

#### **Section 45. Election, Recall and the Right to Leave Office of Executive Board Members**

(1) Members of the executive board shall be elected by a decision of a members' meeting, unless it is otherwise specified in the articles of association.

(1<sup>1</sup>) If there are several members in the composition of the executive board, a members' meeting shall elect the chairperson of the executive board from among the executive board members. It may be prescribed in the articles of association that the chairperson of the executive board is elected by the executive board or by a body supervising the activity of the executive board if such has been established.

(2) A member of the executive board may be recalled by the body, which elected such member or by a members' meeting.

(3) It may be provided for in the articles of association that an executive board member may be recalled only if there is good cause. The non-performance or improper performance of duties, the inability to manage the association, the commitment of harm to the interests of the association, as well as the loss of trust shall be considered as such cause in any case.

(4) An executive board member does not have any right to transfer his authorisations to third persons.

(5) An executive board member may at anytime submit a notification to the association regarding the leaving of his or her post as a member of the executive board.

(6) The election of an executive board member or the expiration of his or her authorisations shall be notified for entry into the Register by attaching to the application an extract of the minutes of the members' meeting or other body specified in the articles of association with the decision regarding the election or recall of the executive board member.

[23 September 2004]

#### **Section 46. Taking of Decisions of the Executive Board**

(1) A quorum of an executive board shall be not less than one-half of the members of the executive board present at a meeting, and if a larger quorum has not been prescribed in the articles of association.

(2) If there are several members in an executive board, a decision shall be taken by a simple majority of the executive board members present, unless it is otherwise prescribed in the articles of association.

Notwithstanding the provisions of Paragraphs one and two of this Section, the executive board is entitled to take decisions without the convening of a meeting if all of the members of the executive board vote in writing regarding the taking of a decision and if it is not otherwise prescribed in the articles of association.

(4) Minutes shall be taken (recorded) at executive board meetings. The decisions taken shall be mandatorily recorded in the minutes, indicating the vote of each council member separately for each decision with an entry "for" or "against".

#### **Section 47. Remuneration and the Covering of Expenses**

(1) An executive board member shall perform his or her duties without remuneration, unless it is otherwise prescribed in the articles of association.

(2) If an executive board member's right to receive remuneration is provided for in the articles of association, the amount and the procedure for the disbursement thereof shall be determined by a decision of a members' meeting, unless it is otherwise prescribed in the articles of association.

(3) An executive board member may request the covering of such expenses, which have arisen in the course of execution of his or her duties, unless it is prescribed otherwise in the articles of association.

#### **Section 48. Other Bodies of an Association**

It may be prescribed in the articles of association that another body shall be formed in addition to the executive board for the performance of certain activities in accordance with the procedures for appointment (election) and competence specified in the articles of association.

#### **Section 49. Liability of Members of the Executive Board and Other Bodies**

(1) Members of the executive board and other bodies shall be jointly liable for any losses caused to an association due to the fault thereof.

(2) An association may bring an action against a member of the executive board or other body within five years from the day of the infringement of rights or from the day when the violation of rights became known.

#### **Section 50. Divisions of an Association**

(1) An association may have its own territorial or other organisationally independent divisions. Divisions of an association are not legal persons.

(2) If a division of an association has its own members' meeting and executive board, the provisions of Sections 33, 34, 36-38, 40-43, 45-47 and 49 of this Law are applicable thereto.

## **Section 51. Control Rights of a Members' Meeting**

- (1) The executive board shall provide members of the association with the necessary information and documents pertaining to the activities of the association, as well as shall prepare a relevant report upon their request.
- (2) The members' meeting shall control the activity of other administrative bodies. For this purpose the members' meeting is entitled to call for an internal audit of the association.
- (3) Members of the executive board have a duty to provide to the audit institution all of the information and documents necessary for the carrying out of the audit.
- (4) The auditor shall prepare an opinion on the results of the audit, which shall be submitted to a members' meeting.

## **Section 52. Annual Accounts of an Association**

- (1) The executive board shall prepare an association's annual accounts after the end of the accounting year in accordance with the Law on Accounting and other regulatory enactments.
- (2) An association's annual accounts shall be examined by an economic and financial activities audit institution or by a sworn auditor. Members of the association have the right to become acquainted with the annual accounts.
- (3) An association shall submit the annual accounts to the State Revenue Service and the Register authority each year not later than by 31 March.

## **Chapter VI Termination of Activities and Liquidation of an Association**

### **Section 53. Basis for Termination of Activities of an Association**

The activities of an association shall be terminated:

- 1) by decision of a meeting of the members;
- 2) upon commencing bankruptcy procedures of the association;
- 3) upon the diminishing of the number of members to a single member or to another number laid down in the articles of association;
- 4) upon expiration of the term laid down in the articles of association (if the association was established for a specific period of time);
- 5) by the adjudication of a court; and
- 6) on another basis specified in law or in the articles of association.

### **Section 54. Termination of Activities of an Association by Decision of a Meeting of Members**

The decision of a meeting of members regarding the termination of activities of an association is taken if more than one-half of the members present vote in favour thereof, unless a higher voting majority is provided for in the articles of association.

### **Section 55. Termination of Activities of an Association upon Commencing Bankruptcy Procedures**

The procedures by which the activities of an association are terminated in the case of bankruptcy are regulated by a separate law.

## **Section 56. Termination of Activities of an Association by Decision of the Executive Board**

If the number of members diminishes to a single member or to another number laid down in the articles of association, as well as if the period of time specified in the articles of association for which an association has been established expires, the executive board of the association shall take a decision regarding the termination of the activities of the association.

## **Section 57. Termination of Activities of an Association by Adjudication of a Court**

(1) The activities of an association may be terminated on the basis of the adjudication of a court:

- 1) if the activities of the association are in contradiction with the Constitution, laws or other regulatory enactments;
- 2) if economic activity of a profit-making nature has become the primary activity of the association;
- 3) if the executive board of the association has not submitted an application regarding the termination of the activities of the association in accordance with this Law; and
- 4) in other cases prescribed by law.

(2) An application to the courts may be filed by a prosecutor or by the territorial office of the State Revenue Service if an association:

- 1) upon receipt of a written warning has not rectified violations within the time limit specified in such warning. The time period for the rectification of violations may be set at a period not shorter than 15 days and no longer than three months; and
- 2) repeatedly performs a violation within a year after the receipt of a warning, especially in the public activities thereof.

(3) A court may prohibit an association from performing public activities or other activities until the adoption of a final adjudication in the matter. A decision may be appealed in accordance with the procedures set out in the Civil Procedure Law.

(4) A decision regarding the prohibition of public activities or another activity of an association shall be sent to the Register authority for the making an entry into the Register.

(5) A court, taking into account the severity and consequences of the violation committed by an association, as well as in evaluating the goal and the activities as a whole of the association, may limit itself to a warning to the association without terminating the activities thereof.

## **Section 58. Liquidation of an Association**

(1) In the case of the termination of the activities of an association, liquidation thereof shall be carried out if it is not otherwise provided for in law.

(2) The word “likvidējamā” [to be liquidated] shall be added to the name of the association.

## **Section 59. Liquidators of an Association**

(1) Liquidation is performed by the members of the executive board, unless otherwise specified in the articles of association, in a decision of a meeting of members or in the adjudication of a court.

(2) If the liquidator is appointed by a meeting of members it shall set the amount of his or her remuneration and the procedures for disbursement.



(3) If the activity of an association is terminated on the basis of an adjudication of a court, the liquidator shall be appointed and the amount of his or her remuneration shall be determined by the court.

(4) Any natural person of legal capacity with a place of residence in Latvia may be a liquidator.

#### **Section 60. Application Regarding Termination of Activities of an Association and Liquidation Thereof**

(1) If the activities of an association are terminated due to the circumstances referred to in Paragraph 53, Clauses 1, 3 and 4 of this Law, the executive board shall submit to the Register authority an application for the termination of the activities of the association. The following shall be appended to the application:

1) an extract from the minutes of the meeting of members with the decision regarding the termination of activities of the association if the activity of the association has terminated by decision of a meeting of members; and

2) the given name, surname and personal identity number of the liquidator.

(2) If the activities of an association are terminated on the basis of the adjudication of a court, the court shall send the respective adjudication for the making of an entry into the Register. Within three days' time following the entering into effect of the adjudication, the liquidator shall submit to the Register authority the information referred to in Paragraph one, Clause 2 of this Section.

(3) If liquidation is being performed by the members of the executive board, this fact shall be indicated in the application or in the adjudication of the court and the information referred to in Paragraph two, Clause 2 of this Section need not be appended thereto.

#### **Section 61. Dismissal of a Liquidator**

(1) A liquidator may be dismissed by a decision of a meeting of members, simultaneously appointing another liquidator.

(2) A liquidator may be dismissed by an adjudication of a court on the basis of a member's or another interested person's application if there is good cause therefor.

(3) A liquidator appointed by a court may be dismissed only by an adjudication of a court on the basis of a member's or another interested person's application if there is good cause therefor, simultaneously appointing another liquidator..

(4) The new liquidator shall submit to the Register authority the decision regarding the dismissal of the liquidator within three days of the taking of the decision.

#### **Section 62. Rights and Duties of a Liquidator**

(1) A liquidator has all the rights and duties of the executive board and other bodies provided for in the articles of association (except for a meeting of members), which are not in contradiction with the goal of the liquidation.

(2) A liquidator shall recover debts, sell off the property of the association, satisfy claims of creditors and divide the remaining property of the association among the persons who have rights to this property after the covering of liquidation costs and the satisfaction of creditors' claims.

(3) A liquidator may only enter into those transactions, which are necessary for the liquidation of the association.

### **Section 63. Liquidator's Right of Representation**

(1) If the liquidation of an association is being carried out by several liquidators they only have the right to jointly represent the association, unless it is otherwise prescribed in the articles of association, the decision of a meeting of members or the adjudication of a court. A provision regarding separate representation is in effect only in respect of third persons if it is so entered in the Register.

(2) Liquidators may authorise one or several persons from among their midst for the performance of certain legal activities.

### **Section 64. Submission of an Insolvency Petition**

If during the course of liquidation it is revealed that the property of an association to be liquidated is insufficient in order to satisfy all of the justified claims of creditors, the duty of a liquidator is to submit an insolvency petition in accordance with the procedures specified by law.

### **Section 65. Provision of Information to Creditors and the Submission of Claims**

(1) A liquidator shall publish a notification regarding the termination of activities of an association and the liquidation thereof in the newspaper *Latvijas Vēstnesis* within 15 days' time after the coming into effect of the relevant adjudication.

(2) A liquidator shall send a notification regarding the commencement of liquidation to all known creditors of the association.

(3) The creditors of an association shall be invited in the notification referred to in Paragraphs one and two of this Section to submit their claims within three months of the day of publication of the notification, unless a longer period of time for the submission of creditors' claims is prescribed in a decision of a meeting of members or in the adjudication of a court regarding the termination of activities of the association.

(4) Creditors shall submit their claims against an association to the liquidator within the specified period of time. The content, substantiation and extent of a claim shall be indicated in the claim, and documents substantiating the claim shall be appended thereto.

### **Section 66. Financial Report for the Beginning of Liquidation**

After the end of the time period for the submission of creditors' claims the liquidator shall prepare a financial report for the beginning of liquidation.

### **Section 67. Protection of Creditors**

(1) If a known creditor does not submit his or her claim, accept a settlement or if an obligation is not yet executable, the amounts, which are due to the creditor, shall be deposited in a court.

(2) If a disputed claim of a creditor exists, the property of the association may be divided only if collateral has been provided for the relevant creditor.

### **Section 68. Financial Report and the Division of Property for the Closing of an Association**

(1) After the satisfaction of the claims of creditors or the depositing of the money intended therefor and the covering of liquidation costs, the liquidator shall prepare a financial report for

the closing of the association in accordance with regulatory enactments and shall divide the rest of the association's property amongst the persons who have the right to such property in accordance with the articles of association or law.

(2) It may be prescribed in the articles of association that a meeting of members determines the persons who shall have the right to such property before the division of the property of the association, unless it is otherwise prescribed by law. Such rights may not be specified for the founders of the association, members of the executive board or other administrative bodies, as well as for other persons with similar economic interests, especially for spouses, relatives and brothers-in-law, sisters-in-law, counting kinship up to the second degree and affinity up to the first degree.

(3) If the articles of association or the decisions of the meeting of members do not provide for persons who shall have rights to any remaining property, it shall be divided into equal parts amongst the persons who were members of the association at the time of the termination of activities, unless it is otherwise prescribed by law.

(4) If the property of the association is not possible to divide in accordance with the procedures specified in Paragraphs one, two and three of this Section, the property of the association falls within the jurisdiction of the State.

(5) If the activities of the association have been terminated in accordance with the provisions of Section 57, Paragraph one, Clauses 1 and 2 of this Law, the association's remaining property falls within the jurisdiction of the State after the covering of liquidation expenses and the satisfaction of the claims of creditors.

(6) The property of an association may be divided not earlier than six months following the day of publication of the notification regarding the termination of activities of the association. A court may allow the remaining property of the association to be divided before the specified time period if losses to creditors are not caused thereby.

#### **Section 69. Keeping of an Association's Documents**

The liquidator shall perform the necessary activities for the bringing to order and the transfer of an association's documents to the State Archives. Expenses connected with the bringing to order and the transfer of documents to the Archives shall be covered from the property of the association to be liquidated.

#### **Section 70. Continuation of Activities of an Association**

(1) If the termination of activities of an association is provided for in the articles of association or if a decision regarding the termination of activities of an association is taken by a meeting of members, the members may take a decision regarding the continuation or reorganisation of the activities of the association until the commencement of the division of property. The decision is considered to be taken if more than two-thirds of the members present vote in favour thereof.

(2) In taking a decision regarding the continuation of the activities of an association, an executive board and other bodies provided for in the articles of association shall be established.

(3) The liquidator shall submit to the Register authority an application for the continuation of the activities of the association. A decision regarding the continuation of the activities of the association shall enter into effect upon entering it into the Register.

### **Section 71. Deletion from the Register**

(1) After the division of the remaining property of an association, the liquidator shall submit to the Register authority an application for the completion of the liquidation. The financial report for the closing of the association shall be appended to the application.

(2) The liquidator shall certify in the application that:

1) the financial report for the closing of the association has not been contested in a court or that the relevant claim has been refused;

2) all of the claims of creditors have been satisfied or the money intended therefor has been deposited; and

3) the documents of the association have been transferred for keeping to the State Archives.

### **Section 72. Liability of Liquidators**

(1) A liquidator is liable for losses caused due to his or her own fault.

(2) If there are several liquidators they shall be jointly liable for losses caused due to their own fault.

## **Chapter VII Reorganisation of Associations**

### **Section 73. Reorganisation**

(1) An association may be reorganised by way of a merger or a division.

(2) Only associations may participate in the process of reorganisation, unless it is otherwise prescribed by law.

(3) It may be provided for in the articles of association that reorganisation is or is not allowed under certain preconditions.

### **Section 74. Merger**

(1) An association may be merged with another association through the course of incorporation or merger.

(2) An incorporation is a process by which an association (the association to be incorporated) transfers all of its property to another association (the acquiring association).

(3) A merger is a process by which two or more associations (the associations to be incorporated) transfer all of their property to an newly established association (the acquiring association).

(4) In the case of a merger the association to be incorporated ceases to exist without undergoing liquidation proceedings.

(5) In the case of a merger the rights and obligations of the association to be incorporated transfer to the acquiring association. Members of the association to be incorporated become members of the acquiring association.

(6) In respect of the newly established association the provisions of this Law regarding the founding of an association are applicable in so far as it is not otherwise provided for in this Chapter. The associations to be incorporated shall be considered as the founders of the association.

## **Section 75. Division**

- (1) Division is a process by which an association (the association to be divided) transfers its property to one or several other associations (the acquiring associations) through the course of a splitting or a separation.
- (2) In the case of a splitting the association to be divided transfers all its property (rights and obligations) to two or more acquiring associations and ceases to exist without undergoing liquidation proceedings.
- (3) In the case of a splitting the members of the association to be divided become members of the acquiring associations in accordance with the reorganisation agreement or the decision regarding the reorganisation.
- (4) In the case of a separation the association to be divided transfers a part of its property (rights and obligations) to one of the acquiring associations or to several such associations. In the case of a separation the association to be divided continues to exist.
- (5) In the case of a separation the members of the association to be divided become members of the acquiring associations in accordance with the decision regarding the reorganisation or the reorganisation agreement.
- (6) An acquiring association may be an already existing association or a newly established association. In respect of a newly established association the provisions regarding the founding of the association are applicable in so far as it is not otherwise provided for in this Chapter.

## **Section 76. Reorganisation Agreement**

- (1) If two or more already existing associations participate in a process of reorganisation, they shall enter into a reorganisation agreement. The agreement shall be entered into in writing.
- (2) The following shall be set out in the agreement:
  - 1) the name, the registration number and the legal address of the associations involved in the reorganisation;
  - 2) the rights which the acquiring association grants to members of the association to be incorporated or the association to be divided;
  - 3) the consequences of the reorganisation in respect of employees of the associations involved in the reorganisation process;
  - 4) in the case of a splitting – the economic and non-financial rights and obligations to be transferred to each acquiring association; and
  - 5) in the case of a merger – the further utilisation of the non-financial rights of each association.
- (3) In the case of a merger of associations the name and legal address of the acquiring (newly established) association shall be specified in the reorganisation agreement in addition to the information referred to in Paragraph two of this Section.
- (4) If another already existing association is not involved in the process of division, the association to be divided shall take a decision regarding the division, which replaces the agreement referred to in this Section. The name, legal address of the acquiring association and information regarding the division of property of the association to be divided shall be indicated in a decision regarding division in addition to the information referred to in Paragraph two of this Section. A deed regarding division of property may appended to a decision as a separate document.

## **Section 77. Decision regarding Reorganisation**

- (1) The draft reorganisation agreement shall be examined and a decision regarding reorganisation taken by a meeting of members of each association involved in the reorganisation process.
- (2) Not later than one month before the day when the meeting of members regarding the approval of the agreement is scheduled, the opportunity to become acquainted with the draft agreement at the associations according to the legal addresses thereof shall be provided for all of the members of the association.
- (3) A decision regarding reorganisation shall be considered to be taken if more than two-thirds of the members present vote in favour thereof and if a greater majority of votes is not prescribed in the articles of association.
- (4) A decision regarding reorganisation shall be prepared in the form of a separate document.
- (5) If the acquiring association is a newly established association, the draft articles of association of the newly established association shall be examined at a meeting of members in each of the associations involved in the reorganisation process. The articles of association of the newly established association are approved simultaneously with the taking of the decision regarding reorganisation.
- (6) The respective associations shall enter into an agreement on the basis of the decision regarding reorganisation.

## **Section 78. Protection of the Interests of Creditors**

- (1) Within fifteen days of the taking of a decision regarding reorganisation each association involved in the reorganisation process shall notify in writing all known creditors who had a right of claim against the association until the taking of the decision regarding reorganisation.
- (2) Each association involved in the reorganisation process has a duty to publish in the newspaper *Latvijas Vēstnesis* a notification that a decision regarding reorganisation has been taken. The notification shall indicate:
  - 1) the name, the registration number and the legal address of the association;
  - 2) the name, the registration number and the legal address of the other associations involved in the reorganisation;
  - 3) the fact that a decision regarding reorganisation has been taken, indicating the type thereof;
  - 4) the place and time period for the submission of creditors' claims, which may not be shorter than one month from the day of publication of the notification;
- (3) An association to be incorporated or divided shall ensure a creditor's claim if he or she so requests and if it has been submitted within the time period specified in the notification referred to in Paragraph two of this Section. A creditor of the acquiring association may request the securing of a claim only if it is proven that the merger endangers the satisfaction of his or her claim.
- (4) A secured creditor may request collateral only in the amount of the unsecured part of the debt.

## **Section 79. Dispute of a Decision on Reorganisation**

- (1) On the basis of the claim of a member of the association involved in a reorganisation or a member of the executive board, a decision regarding reorganisation may be declared invalid by a court if it has been taken in violation of law or the articles of association and it is not

possible to rectify these violations or they are not rectified within the period of time specified by the court.

(2) The time period for the bringing of an action is three months after the day of the publication of the announcement referred to in Section 78 of this Law.

(3) An association the decision of a meeting of members of which has been declared invalid has a duty to publish a notification thereof in the newspaper *Latvijas Vēstnesis* within 15 days from the day of coming into effect of the court adjudication.

(4) If a decision regarding reorganisation is declared invalid it shall not affect obligations which an association has undertaken during the reorganisation process .

### **Section 80. Application to the Register Authority**

(1) Each association involved in a reorganisation process shall submit an application for the making of an entry regarding reorganisation to the Register authority not later than three months from the day of the publication of the notification. The following shall be appended to the application:

- 1) the reorganisation agreement or a correspondingly certified copy thereof ;
- 2) an extract of the minutes and the decision regarding reorganisation;
- 3) the articles of association of the acquiring association (if as a result of reorganisation a new association is being established); and
- 4) the list of the executive board members of the acquiring association (if as a result of reorganisation a new association is being established).

(2) An association shall certify in the application that the claims of creditors who have submitted their claims within the specified term have been secured or satisfied and that the decision regarding reorganisation is not contested in court or that the respective claim has not been satisfied.

(3) In the case of a merger of associations, the associations to be incorporated shall submit to the Register authority a joint application regarding the entering into the Register of the newly established association.

### **Section 81. Name of an Acquiring Association**

An acquiring association may continue its activities using the name of the incorporated association.

### **Section 82. Entry Regarding Reorganisation to be Made in the Register**

(1) An entry shall be made in the Register regarding the association to be incorporated after the making of the entries regarding all of the acquiring associations.

(2) The file of the association to be incorporated shall be attached to the file of an acquiring association after the making the entry on the incorporation of this association into the Register, and the incorporated association is excluded from the Register.

(3) After the making of the entry on reorganisation into the Register of the association to be divided the respective extracts from the file of the association to be divided shall be attached to the files of the acquiring associations and, in cases if a division is being carried out through splitting, the association to be divided shall be excluded from the Register.

### **Section 83. Legal Significance of the Entry regarding Reorganisation Made in the Register**

(1) A reorganisation shall be considered as entered into effect at the moment when the entries for all of the associations involved in the reorganisation have been made into the Register, including the newly established associations.

(2) From the moment of entering into force of the reorganisation:

1) the property of the association to be incorporated is considered as transferred into the property of the acquiring association; and

2) the property of the association to be divided is considered as transferred into the property of the acquiring associations in accordance with the agreement.

(3) Upon exclusion of the association from the Register this association is considered to be liquidated.

### **Section 84. Liability of Associations Involved in the Reorganisation Process**

(1) An acquiring association shall be liable for all of the obligations of the association to be incorporated.

(2) All of the associations involved in a division, including newly-established associations, shall be jointly liable for the obligations of the association to be divided which have arisen until the entering into effect of the reorganisation. In the mutual relations of joint debtors only such persons are considered to be an affiliated entity the obligations of which have been provided for in the agreement.

(3) If any obligations of an association involved in a division have not been specified in the agreement, it shall be jointly liable with the other associations involved in the division regarding the obligations of the association to be divided that have arisen until the entering into effect of the reorganisation and the time period for the performance of which is due within five years of the entering into effect of the reorganisation.

### **Section 85. Liability of Members of the Executive Board**

(1) The board members of the associations involved in a reorganisation shall be jointly liable for losses, which have been caused to the association due to their fault during the course of reorganisation

(2) The claim referred to in Paragraph one of this Section is subject to a limitation period of five years from the time of the entering into effect of the reorganisation.

## **Division C Foundations**

### **Chapter VIII Founding of Foundations**

#### **Section 86. Founders**

(1) A foundation may be established by one or several persons.

(2) If a foundation has several founders, they shall implement their founders' rights only jointly.



(3) Persons who have granted property to a foundation after the making of the entry thereof into the Register shall not be considered to be founders.

(4) The status of a founder is not inheritable and it cannot be transferred to third persons. The provisions of Section 27 of this Law shall be applied if a founder has undertaken obligations before the making of an entry into the Register.

### **Section 87. Basis for Founding**

A foundation shall be established on the basis of a person's decision regarding the founding of the foundation or a last will and testament.

### **Section 88. Decision Regarding the Founding of a Foundation**

The provisions of Section 24 shall apply to the decision regarding the founding of a foundation.

### **Section 89. Founding of a Testamentary Foundation**

(1) In establishing a foundation for the purposes of general good and charity on the basis of a will (testamentary foundation), the provisions of the Civil Law are applicable, insofar as this Law does not specify otherwise .

(2) If a will does not contain the information referred to in Section 24 of this Law, the articles of association of the foundation have not been drawn up or the members of the executive board have not been appointed, the executor of the will, an heir or a trustee (Section 469 of the Civil Law) shall perform the respective activities (the drawing up of the articles of association, the appointment of members of the executive board). In carrying out the activities referred to in this Section, the executor, heir or trustee of the will must comply with the will of the testator to the extent possible.

(3) The executor, heir or trustee of a will shall exercise the rights of a founder, manage the property transferred to the foundation to be established, as well as perform other activities specified in law until the appointment of the members of the executive board.

(4) The full powers of the executor, heir or trustee of a will specified in this Section shall terminate from the day when the foundation is entered into the Register.

### **Section 90. Articles of Association of a Foundation**

(1) The articles of association of a foundation shall specify:

- 1) the name of the foundation;
- 2) the goal of the foundation;
- 3) the procedures by which property is transferable to a foundation;
- 4) the procedures for the use of the resources of the foundation;
- 5) the period of activity of the foundation (if a foundation is being established for a specified period of time);
- 6) the procedures for distribution of the property of the foundation in case of liquidation of the foundation;
- 7) the procedures for the appointment and dismissal of members of the executive board and the term of office thereof;
- 8) the procedures for the appointment and dismissal of members of other administrative bodies (if such are provided for) and the term of office thereof;

9) the structure, procedures for election, competence, procedures for the taking of decisions and terms of office of the economic and financial activities audit institution, or the procedures for the appointment and terms of office of a sworn auditor; and

10) procedures for the making of amendments to the articles of association.

(2) Other provisions may be provided for in the articles of association which are not in contradiction with law. If the articles of association are in contradiction with law, the provisions of law are applicable.

### **Section 91. Beneficiaries and Limitations to the Activities of a Foundation**

(1) The range of beneficiaries may be prescribed in the articles of association. In case of doubt a person to whom monies from the property of a foundation may be disbursed in accordance with the articles of association of the foundation is considered as a beneficiary.

(2) A foundation may not grant monies, provide guarantees, issue promissory notes to or otherwise finance founders, members of the executive board and other administrative bodies (if such have been established), as well as other persons who have a similar economic interest, especially spouses, relatives and brothers-in-law, sisters-in-law, counting kinship up to the second degree and affinity up to the first degree.

### **Section 92. Application for the Entering of a Foundation into the Register**

(1) Founders shall submit to the Register authority an application regarding the entering of the foundation into the Register. The information referred to in Section 15, Clauses 1-6 of this Law shall be indicated on the application.

(2) An application shall be signed by a founder, but upon establishing a testamentary foundation – the executor, heir or trustee of the will.

(3) The following shall be appended to an application:

1) the decision regarding the founding;

2) the articles of association; and

3) the written consent of each member of the executive board to serve as a member of the executive board.

(4) In establishing a testamentary foundation, instead of a decision regarding the founding the extract of the accordingly certified will shall be appended, as well as documents certifying the authorisation of the trustee (Section 496 of the Civil Law) and the entering into effect of the will.

## **Chapter IX Organisational Structure of a Foundation**

### **Section 93. Administrative Bodies of a Foundation**

(1) The administrative body of a foundation is the executive board.

(2) The formation of other administrative bodies may be provided for in the articles of association, prescribing the procedures for the establishment and the competence thereof, as well as the granting of management competence to other entities or bodies thereof (hereinafter – other administrative bodies).

#### **Section 94. The Executive Board**

(1) The provision of Sections 42-45 and Section 49 of this Law are applicable in respect of the executive boards of foundations, unless it is otherwise prescribed in this Chapter.

(2) Limitations in respect of members of the executive board may be prescribed in the articles of association. The persons referred to in Section 89, Paragraph two of this Law may not be members of the executive board, unless it is otherwise specified in a will.

(3) The executive board shall consist of at least three executive board members. If in accordance with the articles of association of a foundation another administrative body has been established and is acting, which consists of at least three members and the tasks of which include the supervision of the activities of the executive board, a single member may be in the composition of the executive board.

(4) The executive board shall observe in its activities the goal of the foundation, the will of the testator specified in the decision of the founder or in the articles of association, the instructions of other administrative bodies (if the provision of such instructions has been prescribed in the articles of association), as well as the competence specified in law and the articles of association.

*[23 September 2004]*

#### **Section 95. Appointment, Recall and the Right to Leave Office of Members of the Executive Board**

(1) If a foundation is being established during the lifetime of a founder, the members of the executive board shall be appointed by the founder. If a testamentary foundation is being established – the members of the executive board shall be appointed by the persons referred to in Section 89, Paragraph two, except for the case if the members are appointed by a will.

(2) A decision regarding further amendments in the composition of the executive board, as well as recall of the executive board members shall be taken in accordance with the procedures specified in the articles of association.

(3) A member of the executive board may at any time submit to the foundation a notification regarding the leaving of the office of executive board member.

(4) Appointment of a member of the executive board or the termination of his or her authority shall be submitted for entering into the Register. If in accordance with the articles of association a decision regarding the appointment of a member of the executive board or the termination of the authorisation thereof is taken by another administrative body, the decision of the respective body, as well as the consent in writing to be an executive board member of the executive board member shall be appended to the application. If a member of the executive board leaves office in accordance with Paragraph three of this Section, a notification by the respective executive board member shall be appended to the application.

#### **Section 96. Remuneration and the Covering of Expenses**

(1) An executive board member shall perform his or her duties without remuneration, unless it is prescribed otherwise in the articles of association.

(2) If an executive board member's right to receive remuneration is provided for in the articles of association, the amount and the procedures for disbursement thereof shall be determined by the person or body having the right to appoint members of the executive board in accordance with the articles of association.

(3) An executive board member may request the covering of such expenses, which have arisen in the course of the execution of his or her duties, unless it is otherwise prescribed in the articles of association.

### **Section 97. Taking of Decisions of the Executive Board**

(1) The executive board shall have a quorum if more than one-half of the executive board members are present at a meeting thereof.

(2) The executive board shall take its decisions by a simple majority of the executive board members present, unless it is otherwise specified in the articles of association.

(3) Minutes shall be taken at meetings of the executive board. The following shall be indicated in the minutes:

1) the name of the foundation;

2) the venue and time of the executive board meeting;

3) the participants at the meeting;

4) the agenda;

5) the procedure and course of discussion of the agenda;

6) the results of voting, indicating the vote of each executive board member separately for each decision with an entry "for" or "against"; and

7) the decisions taken.

(4) If an executive board member does not agree with a decision of the executive board and votes in opposition against it, the dissenting opinion of the executive board member shall be written into the minutes of the executive board meeting upon his or her request.

(5) The minutes of an executive board meeting shall be signed by the members of the executive board present at the meeting.

### **Section 98. Other Administrative Bodies**

(1) If the formation of other administrative bodies or the granting of administrative competence to another entity or a body thereof is provided for in the articles of association, then such entity or body may take decisions only in matters which are not included within the competence of the executive board in accordance with law or the articles of association.

(2) In respect of a collegial administrative body the provisions of Section 97 of this Law are applicable.

### **Section 99. Limitations on Members of the Executive Board and Members of Other Administrative Bodies**

(1) If the interests of a foundation conflict with the interests of any executive board member or member of other administrative body, a spouse, a relative or brother-in-law, sister-in-law thereof, counting kinship up to the second degree and affinity up to the first degree, the matter shall be decided at the meeting of the body in which the member of the interested administrative body does not have the right to participate in a discussion of the matters, as well as he or she does not have a right to vote, and it shall be written into the minutes of the meeting of the administrative body. The member of the administrative body has a duty to notify regarding these interests before the meeting begins. The member of the administrative body has a duty to notify the administrative body regarding these interests also after the meeting of the body.

(2) A member of the administrative body who has violated the provisions specified in Paragraph one of this Section has a duty to reimburse the losses incurred to the foundation.

## **Chapter X**

### **Annulment and Amending of the Decision regarding Founding and of the Articles of Association**

#### **Section 100. Annulment and Amending of the Decision regarding Founding and the Articles of Association before the Entering of a Foundation into the Register**

(1) A founder may annul or amend a decision regarding founding or the articles of association.

(2) In case of the death of a founder – natural person or in case of the termination of a founder – legal person, the remaining founders do not have the right to annul a decision regarding founding, unless it is otherwise provided for in the decision regarding founding or another agreement of the founders.

#### **Section 101. Amending of the Articles of Association after the Entering of a Foundation into the Register**

(1) Only the executive board may make amendments to the articles of association after the entering of a foundation into the Register. The executive board may make amendments to the articles of association only in the cases specified in the articles of association or if the need for the amendments is justified in that the conditions from which the goals of the foundation arose have changed.

(2) It may be provided for in the articles of association that the making of amendments to the articles of association requires the consent of another administrative body.

(3) Amendments to the articles of association shall come into effect at the time of the taking thereof, unless it is otherwise specified in a decision, but in respect of third persons – only after the registration of the amendments to the articles of association in the Register.

(4) In notifying the Register authority of the amendments to the articles of association, the minutes of the executive board meeting with the decision regarding the making of the amendments to the articles of association, a document certifying the consent of another administrative body for the making of the amendments (if such is provided for in the articles of association) and the full text of the articles of association in the new wording shall be appended.

## **Chapter XI**

### **Annual Accounts and Control of a Foundation**

#### **Section 102. Annual Accounts of a Foundation**

The executive board shall prepare and submit the annual accounts of a foundation after the end of the accounting year in accordance with the provisions of Section 52 of this Law.

#### **Section 103. Control Rights of Donors**

Persons, which make donations to a foundation, may at any time verify the activities of the foundation, as well as become acquainted with all documents, except for accounting records and information regarding other persons which have donated to the foundation.

## **Chapter XII**

### **Termination of Activities, Liquidation and Reorganisation of a Foundation**

#### **Section 104. Basis for the Termination of Activities of a Foundation**

The activities of a foundation shall be terminated:

- 1) by the adjudication of a court;
- 2) upon expiry of the time period (if a foundation has been established for a specified period of time);
- 3) upon commencing bankruptcy procedures of the foundation; or
- 4) on another basis specified in law or the articles of association.

#### **Section 105. Termination of Activities of a Foundation by Adjudication of a Court**

(1) The activities of a foundation may be terminated on the basis of an adjudication of a court:

- 1) if the goal of the foundation has been achieved or the achievement thereof has become impossible and the right to amend the goals of the foundation has not been granted to the executive board in the articles of association or if the executive board does not receive the consent from the other administrative bodies for the amendment of the goals (unless it is otherwise provided for in the articles of association);
- 2) if the activities of the foundation are in contradiction with the Constitution, laws or other regulatory enactments;
- 3) if the activities of the foundation do not correspond with the goals laid down in the articles of association;
- 4) if economic activity of a profit-making nature has become the basic activity of the foundation; and
- 5) in other cases prescribed by law.

(2) An application regarding the termination of activities of a foundation shall be submitted by the executive board in the case referred to in Paragraph one, Clause 1 of this Section.

(3) An application to a court shall be submitted by the prosecutor or by the territorial office of the State Revenue Service in the cases referred to in Paragraph one, Clauses 2-5 of this Section if a foundation:

1) has not upon the receipt of a written warning rectified violations within the time period specified in the warning. The time period for the rectification of violations shall be determined as not shorter than 15 days and not longer than three months; or

2) repeatedly commits a violation within a year after the receipt of a warning, especially in the public activities thereof.

(4) A court may prohibit a foundation to perform public activities or other activities until the adoption of a final adjudication in the matter. A decision may be appealed in accordance with the procedures set out in the Civil Procedure Law.

(5) A decision regarding the prohibition of public activities or another activity of a foundation shall be sent to the Register authority for the making of an entry into the Register.

(6) A court, taking into account the severity and consequences of the violations committed by a foundation, as well as in evaluating the goals of the association and the activities as a whole, may limit itself to a warning to the foundation without terminating the activities thereof.

## **Section 106. Termination of Activities of a Foundation upon Commencing Bankruptcy Proceedings**

The procedures by which the activities of a foundation are terminated in case of bankruptcy are regulated by a separate law.

## **Section 107. Liquidation of a Foundation**

(1) The provisions of Chapter VI of this Law regarding the liquidation of an association are applicable correspondingly to foundations, unless it is otherwise prescribed in this Section.

(2) Liquidation shall be performed by the members of the executive board, unless it is specified otherwise in the articles of association. If a liquidation is being carried out by other persons who are not members of the executive board, the procedures for the appointing of these liquidators shall be laid down in the articles of association.

(3) If the activity of a foundation terminates due to the circumstances referred to in Paragraph 104, Clauses 2 and 4 of this Law the executive board shall submit to the Register authority an application regarding termination of activities of the foundation. Information regarding the given name, surname and the personal identity number of the liquidator shall be attached to the application.

(4) If the activities of a foundation is terminated on the basis of a court adjudication, the court shall send the relevant adjudication for the making of an entry into the Register. The liquidator shall submit to the Register authority the information referred to in the second sentence of Paragraph three of this Section.

(5) If a liquidation is being performed by members of the executive board, this fact shall be indicated in the application or in the adjudication of a court and the information referred to in the second sentence of Paragraph three of this Section need not be appended.

(6) A liquidator may be removed only by the adjudication of a court on the basis of an application by an interested person if there is good cause, appointing another liquidator simultaneously.

(7) A decision regarding the continuation of activities of a foundation shall be taken by the executive board or by other administrative bodies provided for in the articles of association.

## **Section 108. Financial Report and Division of Property for the Closing of a Foundation**

(1) After the satisfaction of the claims of creditors or the depositing of the money intended therefor and the covering of liquidation costs, the liquidator shall prepare a financial report for the closing of a foundation in accordance with regulatory enactments and shall divide the remainder of the property of the foundation amongst the persons who have the right to said property in accordance with the articles of association, unless it is otherwise prescribed in law. The property shall be divided into equal parts amongst these persons, unless it is otherwise prescribed in the articles of association.

(2) If the activities of the foundation have been terminated in accordance with the provisions of Section 105, Paragraph one, Clauses 2-5 of this Law, then the remaining property of the foundation, after the covering of liquidation expenses and the satisfaction of the claims of creditors falls within the jurisdiction of the State – for utilisation for similar purposes, except for cases where a donor has specified other procedures for the utilisation of the property in the case of the liquidation of a foundation.

(3) The property of a foundation may not be divided amongst the founders, the members of the executive board or other administrative bodies, nor amongst other persons with similar

economic interests, especially spouses, relatives and brothers-in-law, sisters-in-law, counting kinship up to the second degree and affinity up to the first degree.

### **Section 109. Reorganisation of a Foundation**

(1) The provisions of this Law regarding the reorganisation of an association are applicable correspondingly to foundations, unless it is otherwise prescribed in this Section.

(2) Reorganisation may be carried out only in the cases specified in the articles of association. The reorganisation of a testamentary foundation is not permitted.

(3) A decision regarding reorganisation shall be taken by the executive board of each foundation involved in the reorganisation process. It may be provided for in the articles of association that a decision regarding reorganisation requires the consent of another administrative body. A decision regarding reorganisation shall be considered to be taken if more than two-thirds of the executive board members vote in favour thereof and if a greater majority of votes has not been prescribed in the articles of association. The decision shall be prepared as a separate document.

(4) The following shall be included in a reorganisation agreement:

1) the name, the registration number and the legal address of the foundations involved in the reorganisation;

2) the consequences of the reorganisation in respect of employees of the foundations involved in the reorganisation process; and

3) in the case of a division – the property to be transferred to each foundation.

(5) If in the process of a division no other already existing foundation is involved, the foundation to be split shall take a decision regarding division, which shall replace the agreement referred to in this Section. The name, legal address of the acquiring foundation and information regarding the division of property of the foundation to be divided shall be indicated in the decision regarding division in addition to the information referred to in Paragraph three of this Section. A deed regarding the division of the property may be appended to the decision as a separate document.

(6) A document, which certifies consent for the reorganisation of the other administrative body, shall be appended additionally to an application regarding the making of an entry regarding reorganisation (if the provision of such consent is provided for in the articles of association).

### **Transitional Provisions**

1. The procedures for the coming into force of this Law shall be prescribed by a special law.

2. Section 15, Clause 9; Section 19, Clause 2; Section 53, Clause 2; Sections 55 and 64; Section 104, Clause 3 and Section 106 of the Law shall come into force simultaneously with the law which regulates the insolvency of associations and foundations.

### **Informative Reference to European Union Directives**

In this Law have been included the legal norms arising from:

1) Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin; and

2) Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation.

[2 November 2006]



This Law shall enter into force on 1 April 2004.

This Law has been adopted by the *Saeima* on 30 October 2003.

President

V. Vīķe-Freiberga

Rīga, 14 November 2003