

# ACT V OF 2013 ON THE CIVIL CODE<sup>1</sup>

[...]

## PART TWO - ASSOCIATIONS

### TITLE VII DEFINITION, FOUNDATION AND MEMBERSHIP OF ASSOCIATIONS

#### Section 3:63 [Definition of associations]

- (1) Associations are legal persons with registered members, created for the purposes defined in their statutes in order to achieve their common objectives on a continuous basis.
- (2) Associations may not be formed with the objective of performing economic activities.
- (3) Associations are authorized to perform economic activities only if they are directly related to the achievement of the association's goals.
- (4) Associations shall use their assets in accordance with their objective, they shall not be allowed to distribute their assets among their members, and may not pay dividends to their members.
- (5)<sup>2</sup> Legal personality may be conferred by the statutes upon a department of the association.

#### Section 3:64 [Establishment]

An association shall be considered established upon the adoption of its statutes, for which the unanimous declaration of intent of at least ten person is required.

#### Section 3:65 [Legal status of association members]

- (1) The members of an association shall be entitled to partake in the association's activities.
- (2) Association members shall have equal rights and obligations, except where the statutes provide for membership of special legal status.
- (3) Members shall exercise their membership rights in person. Members may exercise their membership rights by way of proxy if so permitted by the statutes. Membership rights are nontradable, and can not be inherited.
- (4)<sup>3</sup> The members, apart from the payment of membership dues, shall not be responsible for the liabilities of the association with their own assets.

#### Section 3:66 [Obligations of members]

- (1) Members of the association shall fulfill the obligations prescribed for members in the statutes.
- (2) Members of the association shall not jeopardize the objectives of the association and the activities of the association.

#### Section 3:67 [Commencement of membership]

- (1) Membership in the association shall commence at the time of foundation upon the registration of the association, after the application for admission are accepted by the general meeting.
- (2) The personal data of members are not considered public information.

#### Section 3:68 [Termination of membership]

- (1) Membership shall terminate: a) upon the member's withdrawal; b) if membership is cancelled by the association; c) upon the member's exclusion; d) upon death or dissolution of the member without succession.

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<sup>1</sup> Promulgated on 26 February 2013.

<sup>2</sup> Enters into force as under Subsection (1) of Section 185 of Act CCLII of 2013.

<sup>3</sup> Enters into force as under Subsection (2) of Section 185 of Act CCLII of 2013.

(2) Members shall be able to terminate their membership at any time, by means of written notice addressed to the association's representative, without giving any reason.

Section 3:69 [Cancellation of membership]

(1) If membership is rendered subject to certain conditions set out in the statutes, and the member fails to meet such conditions, the association shall have the right to cancel the membership in writing subject to a thirty-day notice period.

(2) Cancellation of membership shall be decided by the association's general meeting.

Section 3:70 [Exclusion of members]

(1) If a member has seriously or repeatedly infringed the law, the statutes of the association or any resolution of the general meeting, the general meeting shall - when so requested by any member or body of the association - have authority to open procedures for the member's exclusion, inasmuch as the statutes provides guarantees for the conduct of a fair hearing.

(2) The resolution for the exclusion of the member shall be fixed in writing, and the statement of reasons shall indicate the facts and evidence underlying the exclusion decision, as well as information on access to review procedures. The resolution of exclusion shall be delivered to the member concerned.

(3) The statutes may provide for access to appeal against the resolution of exclusion, in which case the statutes shall also provide for the appeal procedure and shall specify the association body to hear the appeal.

**TITLE VIII STATUTES AND BODIES OF THE ASSOCIATION**

Section 3:71 [Layout of the statutes, interpretation]

(1) In addition to the standard contents of the mandatory layout of the instrument of constitution of a legal person, the statutes of an association shall specify: a) the rights and obligations of its members; b) the bodies of the association and their competence, and the grounds for exclusion of members, executive officers and supervisory board members, and any reason giving cause to conflict of interest; c) the sanctions to be invoked in the event of any infringement of the law, the statutes or any resolution of the association, and any conduct in gross violation of the association's objectives, including the rules of procedure and the cases where such sanctions and rules do not apply; d) the rules for convening and conducting the general meeting, for setting the venue of the general meeting, the rules governing the contents of the invitation and the agenda, the rules for the appointment of the officers and the chairperson presiding over the general meeting, the rules for the election of vote counters, the rules on quorum and voting, keeping the minutes, and the delivery of resolutions; and e) the conditions for exercising voting rights.

(2) The statutes shall be interpreted taking into account the association's goals.

Section 3:72 [General meeting, college of delegates]

(1) The association's decision-making body is the general meeting.

(2) Members shall be entitled to attend the general meeting and exercise their voting rights.

Moreover, they shall be entitled to speak and ask questions according to the rules of the general meeting, to make recommendations and to submit its comments.

(3) If the statutes provide for a college of delegates, it shall also specify the procedure for the election of delegates. The provisions on general meetings shall apply to the college of delegates *mutatis mutandis*.

Section 3:73 [Sessions of the general meeting]

(1) The general meeting shall convene at least once a year. Any clause of the instrument of constitution providing for less frequent meetings shall be null and void.

(2) The general meeting shall not be open to the public; it may be attended - apart from the members and management - by persons duly invited by the person entitled to convene the general

meeting, and by the persons attending in an advisory capacity under the statutes or upon the decision of the general meeting.

#### Section 3:74 [Competence of the general meeting]

The following shall fall within the competence of the general meeting:

- a) amendment of the statutes;
- b) decision on the termination, merger or division of the association;
- c) appointment and dismissal of the executive officer and establishing his remuneration;
- d) adopting the annual budget;
- e) adopting the annual account, covering also the report of the management body on the association's financial position;
- f) exercising employer's rights over the executive officer, if the executive officer has a contract of employment with the association;
- g) approval to conclude contracts between the association and one of its members, its executive officer, supervisory board member or their close relatives;
- h) decision on the enforcement of claims for compensation from present or previous members, executive officers and supervisory board members, or from the members of any other bodies of the association;
- i) election and dismissal of supervisory board members and establishing their remuneration;
- j) election and dismissal of the auditor and establishing his remuneration;
- k) appointment of a receiver.

#### Section 3:75 [Additions to the agenda]

(1) Within the time limit provided for in the statutes, calculated from the delivery or public disclosure of the invitation to the general meeting, members and the bodies of the association may request additions to the agenda from the body or person convening the general meeting, with the reasons indicated.

(2) The decision for additions to the agenda lies with the body or person convening the general meeting. If the body or person convening the general meeting has decided to make additions to the agenda, or refused the request therefor, the general meeting shall decide before adopting a resolution on the agenda whether or not to make any additions to the agenda.

#### Section 3:76 [Passing resolutions]

(1) A resolution passed by a three-quarters majority of the votes of the members present shall be required for the amendment of the statutes of the association.

(2) A resolution passed by a three-quarters majority of the members with voting rights shall be required for the amendment of the objectives of the association and for a decision on the dissolution of the association.

#### Section 3:77 [Management]

Associations are managed by the managing director or by the presidency. The association's executive officers are the managing director or members of the presidency.

#### Section 3:78 [Presidency]

(1) The presidency is comprised of three members. The presidency shall elect its chairman from among its members.

(2) Members of the presidency are required to attend the general meeting, answer questions in the general meeting related to the association, and give account of the activities and financial position of the association.

(3) The presidency shall adopt its resolutions by a simple majority of the votes of the members present. Any clause of the statutes providing for a lower voting ratio shall be null and void.

Section 3:79 [Mandate of executive officers]

- (1) If the members do not provide for the term of an executive officer in the statutes upon his election, the executive officers shall be considered elected for two years.
- (2) If the mandate of an executive officer is set for more than five years, the part exceeding the five-year period shall be null and void.
- (3) Executive officers shall be elected from among the members of the association, by authorization of the statutes not more than one-third of the executive officers may be elected from among non-members.

Section 3:80 [Management functions]

The responsibilities of management shall include:

- a) performing daily administrative tasks, taking decisions within the competence of management;
- b) preparing reports and accounts and submitting them to the general meeting;
- c) preparing the annual budget and submitting it to the general meeting;
- d) managing the association's assets, and taking decisions relating to the allocation and investment of assets, for which the general meeting has no responsibility, and the implementation of such decisions;
- e) making preparations for setting up bodies provided for by law and by the association's statutes, and for the election of officers for these bodies;
- f) convening the general meeting, notifying members and the bodies of the association;
- g) setting the agenda for the general meeting convened by the managing body;
- h) attending the general meeting and providing answers to questions concerning the association;
- i) keeping records on members;
- j) keeping record of the association's resolutions, organizational documents and other books;
- k) safeguarding documents pertaining to the association's operations;
- l) monitoring the existence of any other cause for winding up the association, and taking measures as provided for in this Act if such cause has occurred; and
- m) taking decision under the statutes concerning the admission of new members.

Section 3:81 [Convocation of the general meeting]

- (1) The managing body shall call the general meeting in order to provide for the necessary measures if:
  - a) the association's assets are insufficient to cover its outstanding debts;
  - b) it is presumed that the association will not be able to meet its liabilities when due; or
  - c) achieving the association's goals no longer appears feasible.
- (2) If the general meeting is convened as under Subsection (1) the members are required to take measures for eliminating the cause on account of which the meeting was called, or shall decide on the dissolution of the association.

Section 3:82 [Cases where a supervisory board must be established]

- (1) A supervisory board must be established if more than half of all members are not natural persons, or if there are more than one hundred members.
- (2) The supervisory board is responsible for supervising the association's bodies, upholding the law and monitoring the implementation of the statutes and the resolutions of the association.

## TITLE IX DISSOLUTION OF ASSOCIATIONS

Section 3:83<sup>4</sup> [Termination with succession] An association may not be transformed to another type of legal person, it may merge only with another association or may be divided into associations only.

Section 3:84 [Reasons for dissolution without succession] Apart from the general cases of dissolution of a legal person without succession, an association shall be dissolved without succession if:

- a) the association has fulfilled its purpose, or if achieving the association's objective is no longer possible, and a new objective has not been determined; or
- b) the number of members of the association remains below ten for six consecutive months.

Section 3:85 [Distribution of the remaining assets]

(1)<sup>5</sup> In the event of the association's dissolution without succession, assets remaining after settlement of all debts shall be transferred to a public-benefit organization established for a purpose that is identical or similar to the association's objective laid down in the statutes. The court of registry shall assign the assets to an organization designated by law, if the statutes does not provide for the assets of the dissolved association, or if the public-benefit organization designated in the statutes refuses to accept it, or cannot acquire it.

(2) The court of registry shall provide for the distribution of the association's remaining assets in its decision on dissolution, and - if necessary - shall appoint a guardian ad litem for overseeing the transfer of assets. The right of disposition over the assets shall pass to the new beneficiary upon the de-registration of the association.

Section 3:86 [Liability of executive officers in the event of dissolution without succession]

(1) Following dissolution of the association without succession, claims for damages may be brought against the executive officers within a period of one year following the time of deregistration of the association by the court of registry, for losses resulting from their activities performed in that capacity by the members with membership at the time of de-registration, or any person to whom the association's assets remaining at the time of dissolution had to be transferred, or should have been transferred had there been any assets remaining.

(2)<sup>6</sup> In the event of an association's dissolution without succession, creditors may bring action for damages up to their claims outstanding against the association's executive officers on the grounds of non-contractual liability, should the executive officer affected fail to take the creditors' interests into account in the event of an imminent threat to the association's solvency. This provision is not applicable in the case where the association is wound up without going into liquidation.

Section 3:87 [Arbitration] In accordance with the statutes of the association or under an agreement between the parties concerned, any dispute arising out of or in connection with membership or from the relations of the bodies and members of the association shall be settled by way of permanent or ad hoc arbitration.

## PART THREE - BUSINESS ASSOCIATIONS

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## PART SIX FOUNDATIONS

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<sup>4</sup> Enters into force as under Subsection (3) of Section 185 of Act CCLII of 2013.

<sup>5</sup> Enters into force as under Subsection (4) of Section 185 of Act CCLII of 2013.

<sup>6</sup> Enters into force as under Subsection (5) of Section 185 of Act CCLII of 2013.

## TITLE XXII DEFINITION OF FOUNDATIONS, SETTING UP FOUNDATIONS, ASSETS OF FOUNDATIONS

### Section 3:378 [Definition of foundations]

Foundations (alapítvány) are legal persons set up to pursue the long-term objective defined in the charter document. The founder shall define in the charter document the funds made available to the foundation and the organizational structure of the foundation.

### Section 3:379 [Limitations on the activities of foundations]

- (1) A foundation may not be formed with the objective of performing economic activities.
- (2) Foundations are authorized to perform economic activities only if they are directly connected to the achievement of the foundation's goals.
- (3) A foundation may not be a partner with unlimited liability in another legal entity, may not set up another foundation, and may not join another foundation.
- (4) Unless otherwise provided for in this Act, a foundation may not be established in the interest of its founder, any member current or future, any officer of the foundation, any member of a foundation organ, or the family members of these persons. This provision shall be without prejudice to the contractual remuneration of the foundation's officers.

### Section 3:380 [Setting up a foundation by more than one founders]

- (1) A foundation may be set up by several persons jointly.
- (2) Where a foundation is established by several persons, founder's rights shall be exercised by these persons jointly.

Section 3:381 [Withdrawal of legal statement for setting up a foundation] Before the time of registration the founder shall be entitled to withdraw his legal statement for setting up a foundation.

### Section 3:382 [Provision of funds]

- (1) The founder shall provide the funds required for the foundation's purpose as provided for in the charter document.
- (2) The founder shall place at the foundation's disposal funds to cover at least the expenses for taking up operations at the latest by the time of submission of the application for registration.
- (3) The founder shall place at the foundation's disposal the whole of the committed assets within one year after the time of registration of the foundation.
- (4) If the founder fails to place the whole of the committed assets at the foundation's disposal by the deadline specified in the charter document, the board of trustees shall call upon the founder to comply within the prescribed time limit. In the event of non-compliance within the prescribed time limit, the court of registry - acting upon notice received from the board of trustees - shall suspend the exercise of founder's rights. During the period of suspension the court of registry shall exercise founder's rights.
- (5) The suspension of founder's rights shall not relieve the founder of his obligation undertaken in the charter document.

### Section 3:383 [Joining a foundation]

- (1) A foundation may accept new members upon the contribution of funds, subject to the conditions set out in the charter document.
- (2) If the new member is granted entitlement to exercise founder's rights under the charter document, such rights may be exercised after the accession in conjunction with other persons having the same entitlement.

### Section 3:384 [Management and protection of the foundation's assets]

(1) Foundations shall manage and use their assets in accordance with their purpose, as provided for in the charter document.

(2) The founder and new members may not appropriate the foundation's assets for other purposes and may not demand to recover such assets; any provision of the charter document to the contrary shall be null and void. This provision shall also apply to the founder's and any new member's successor as well.

#### Section 3:385 [Beneficiaries]

Financial benefits may be provided from the foundation's assets, consistent with the foundation's objectives, to persons designated as beneficiaries in the charter document, or in the absence of such instruction, by the appropriate foundation organ.

#### Section 3:386 [Founder and his family member named as beneficiary]

(1) The founder and any new member can be named as beneficiary if the foundation is established for the purpose of caring for the founder's scientific, literary and artistic works.

(2) The family members of the founder and any new member can be named as beneficiary if the foundation is established for the purpose of caring for the family member's scientific, literary and artistic works, or the caring, nursing or maintenance of the family member, covering the family member's medical expenses, and supporting his education by way of scholarship or otherwise.

#### Section 3:387 [Claims which may be lodged by the beneficiary against the foundation]

The designated beneficiary may not make any claims against the foundation, except if: a) the charter document properly specifies the person of the beneficiary, the benefits due to such person, and the date when the benefits are due; or b) the board of trustees has adopted a decision for providing benefits to the beneficiary and delivered this decision to the beneficiary, and the beneficiary accepted the applicable conditions.

### TITLE XXIII SETTING UP A FOUNDATION BY WAY OF TESTAMENTARY DISPOSITION

#### Section 3:388 [Setting up a foundation by way of testamentary disposition]

(1) A foundation may be set up by means of a holographic will or an agreement as to succession. In these cases the testamentary disposition is to contain the content elements of the charter document.

(2) In the case of a foundation set up by means of a holographic will or an agreement as to succession, the application for the foundation's registration shall be handled by a person designated to sit on the board of trustees. If neither of the persons designated to sit on the board of trustees provides for the registration of the foundation, it will be handled by the guardian ad litem appointed by the court of registry.

(3) A foundation set up by means of a holographic will or an agreement as to succession shall enter into existence with retroactive effect from the date of registration.

(4) The person dealing with the registration of the foundation shall be entitled to take action in connection with the foundation's assets and shall provide for the protection of such assets.

#### Section 3:389 [Setting up a foundation by way of enjoinder]

(1) Setting up a foundation may be ordered by the testator by means of enjoinder. The enjoinder shall specify the purpose of the foundation to be established and the funds of the foundation, as well as a person vested with the right to demand that the foundation be established.

(2) If the person who is the subject of the enjoinder fails to comply, the person entitled to demand the starting of the foundation may bring court action to demand to have the foundation's charter document drafted by court verdict and to order the heir or the legatee to provide funds for starting

the foundation. The person entitled to demand the starting of the foundation may request the court of registry to register the foundation based on the said court ruling.

Section 3:390 [Failure to start a foundation by way of testamentary disposition]

(1) If the foundation is not started in the public interest as provided for in a will or an agreement as to succession, the testator's grant shall be treated as a public interest enjoinder, and the assets designated for the foundation shall be handled in the interest of implementing the purpose of the foundation.

(2) If the private foundation provided for in a will or an agreement as to succession is not started, the assets thus affected shall form part of the estate.

#### TITLE XXIV CHARTER DOCUMENT

Section 3:391 [Mandatory layout of the charter document]

(1) In addition to the standard contents of the mandatory layout of the instrument of constitution of a legal person, the charter document of a foundation shall specify: a) if it was established for a fixed or unfixed duration, and the fixed-term of the foundation if applicable; b) the rules for the management and appropriation of the foundation's assets; c) the rules for the commencement and termination of membership in the board of trustees, if such mandate is awarded for a fixed or unfixed duration, the fixed-term of membership in the board of trustees if applicable, and the grounds for exclusion of members of the board of trustees, and the reasons giving cause to conflict of interest; d) the rules for determining the remuneration of members of the board of trustees.

(2) The charter document shall - if necessary - provide for: a) the rules for delegating founder's rights upon a specific foundation organ; b) the rules for the transfer of founder's rights; c) granting permission for joining the foundation in exchange for the contribution of funds, the conditions thereof, and the founder's and other rights of the new member; d) the pursuit of economic activities, and the framework thereof; e) the powers of foundation organs, including their rules of procedure; f) the convocation of founders' meetings, including the operational arrangements for such meetings; g) the formation of foundation organs not provided for in this Act, laying down their rules of procedure, and for the appointment, recall and remuneration of members of such organs; h) the detailed rules for representing the foundation, including the designation of a party entitled to exercise employer's rights in connection with the foundation's employees; i) the range of beneficiaries, or naming specific persons as beneficiaries, and for the services and rights which are due to the beneficiaries; j) naming the person to whom the foundation's remaining assets will be transferred in the event of the foundation's dissolution without succession.

(3)<sup>7</sup> The founder shall, in the charter, be entitled to confer legal personality upon an organizational unit of the foundation.

Section 3:392 [Interpretation of the charter document]

The charter document shall be interpreted in accordance with the entire understanding of the founder, with a view to achieving the foundation's objective. Section 3:393 [Amendment of the charter document] (1) Any amendment of the charter document aiming to alter the foundation's purpose shall be considered annulled, except if the foundation has fulfilled its purpose, or if achieving the foundation's objective is no longer possible and the foundation has enough funds for its new objective. (2) Any amendment of the charter document aiming to diminish the foundation's assets, or to change the person designated as the beneficiary for the eventuality of dissolution without succession - if a new member joined the foundation - shall be considered null and void.

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<sup>7</sup> Enters into force as under Subsection (27) of Section 185 of Act CCLII of 2013.



## TITLE XXV THE EXERCISING OF FOUNDER'S RIGHTS

### Section 3:394 [Exercising founder's rights in the founder's absence]

(1) In the event of the founder's death or dissolution without succession, or if permanently unable to exercise founder's rights, founder's rights shall be exercised by a person or foundation organ designated in the charter document, or failing this, by the board of trustees.

(2) If founder's rights are exercised by a person other than the founder, the provisions of this Act pertaining to the founder shall apply to the person or organ effectively exercising founder's rights.

(3) Where a specific foundation organ has authority to exercise founder's rights, such foundation organ shall not be able to exercise founder's rights in dealings with its own members and director, including other persons with authority to supervise the organ in question.

(4) If the right to exercise founder's rights has not been delegated upon any person or organ as provided for in Subsections (1)-(3), founder's rights shall be exercised by the court of registry.

### Section 3:395 [Founders' meetings]

(1) If a foundation is started by several persons, where founder's rights are exercised collectively in the form of a body, in matters not regulated by the charter document the provisions on the general meeting of associations shall apply to the founders' meeting.

(2) In exercising founder's rights by way of the founders meeting, any founder who cannot be located and who fails to exercise his founder's rights despite of being so advised by means of public notice shall be disregarded.

(3) The provisions contained in Subsection (2) shall also apply if a designated organ of the foundation exercises founder's rights in the form of a body.

Section 3:396 [Assignment of the rights and obligations of founders] The founder shall be entitled to assign founder's rights and obligations upon having provided the capital contribution in accordance with the charter document.

## TITLE XXVI FOUNDATION ORGANS

### Section 3:397 [Board of trustees]

(1) The board of trustees functions as the foundation's managing body. Members of the board of trustees are the executive officers of the foundation.

(2) The board is comprised of three natural persons, at least two of which shall be residents of Hungary.

(3) No beneficiary of the foundation or his close relative may hold a seat on the board. Any provision of the charter document to the contrary shall be null and void.

(4) The founder and his close relatives may not have majority in the board of trustees. Any provision of the charter document to the contrary shall be null and void.

(5) The founder may appoint a trustee to function as a single-member managing body of the foundation. The provisions pertaining to the board of trustees shall also apply to the trustee.

### Section 3:398 [Provisions relating to membership in the board of trustees]

(1) Members of the board are elected for a specified or unspecified duration.

(2) The person exercising founders' rights shall have authority to recall any member of the board of trustees before the expiry of his mandate, if he considers that the foundation's purpose is in imminent jeopardy.

### Section 3:399 [Board of trustees operating procedures]

(1) If the founder did not reserve the right to delegate the chairman of the board of trustees and did not transfer this right to another officer of the foundation or to another foundation organ, members of the board of trustees shall elect a chairman from among themselves.

(2) The board of trustees shall convene at least once a year, called by the chairman. Any clause of the charter document providing for less frequent meetings shall be null and void.

(3) The board of trustees shall be convened at the request of either of its members, with the purpose and the reason indicated. If so requested, the chairman of the board of trustees shall take measures within eight days from the date of receipt of the request for calling the meeting. If the chairman of the board of trustees fails to comply with the request, the requesting member shall have authority to convene the meeting.

#### Section 3:400 [Supervisory body]

(1) If the foundation has a supervisory body, it shall carry out its activities on the founder's behalf, and shall once a year give account of its activities to the person exercising founder's rights.

(2) The grounds for exclusion of members of the board of trustees, and the reasons giving cause to any conflict of interest shall also apply to members of the supervisory body.

Section 3:401 [Other foundation organs] Other foundation organs should not undermine the rights of the board of trustees, the supervisory body or the auditor.

## TITLE XXVII TRANSFORMATION AND DISSOLUTION OF FOUNDATIONS

#### Section 3:402 [Transformation of foundations]

(1)<sup>8</sup> A foundation may not be transformed to another type of legal person. A foundation may merge only with another foundation or may be divided into foundations only.

(2) The founder may decide to merge the foundation with another foundation, or to divide the foundation, upon having provided the capital contribution specified in the charter document.

(3) Merger or division must not be allowed to impair the foundation's assets, and may not jeopardize the foundation's purpose.

#### Section 3:403 [Dissolution of foundations]

(1) A foundation shall cease to exist if: a) the foundation has fulfilled its purpose, and a new objective has not been determined; b) fulfillment of the foundation's purpose is no longer possible, and revisiting the objective or merging with another foundation cannot be done; or c) the foundation is not pursuing any activity with a view to fulfilling its goal for a period of three years.

(2) The founder shall not have the right to dissolve the foundation.

(3) Upon the occurrence of any reason for termination, the board shall notify the person or organ exercising founder's rights to take the necessary measures and shall relate said reason for termination to the supervisory body and the auditor as well.

(4) If the person or organ exercising founder's rights fails to take proper action based on the reason for termination within thirty days, the board shall then report the reason for termination to the court of registry. Members of the board of trustees shall bear joint and several liability towards third parties for damages arising from non-compliance with the obligation of notification in due time.

(5) In the event of the foundation's dissolution without succession, the assets of the foundation remaining after all creditors' claims are satisfied shall be provided for in the certificate of dissolution.

#### Section 3:404 [Assets of the foundation after dissolution without succession]

(1) In the event of the foundation's dissolution without succession, the assets of the foundation remaining after all creditors' claims are satisfied shall be given to the person so designated in the

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<sup>8</sup> Enters into force as under Subsection (28) of Section 185 of Act CCLII of 2013.

charter document, with the proviso that the assets due to the founder, any new member, other benefactor, or their family members may not exceed the funds that the founder, new member, other benefactor, or their family members have provided to the foundation.

(2) Upon the foundation's dissolution without succession, the founder may dispose of the assets he has provided for the benefit of another foundation or an association having the same or similar objective, if the charter document fails to provide for the appropriation of the assets in such cases, or if such provision cannot be executed.

(3)<sup>9</sup> The court of registry shall assign the assets to an organization designated by law, if the charter document or the founder does not provide for the assets of the dissolved foundation, or if the person designated in the charter document, or the foundation, association the founder has designated refuses to accept it, or cannot acquire it.

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<sup>9</sup> Enters into force as under Subsection (29) of Section 185 of Act CCLII of 2013.