Act IV of 2006

on Business Associations

The purpose of this Act is to lay down an appropriate legal framework to facilitate the consolidation and further growth of the market economy in Hungary, to enhance the productivity of the national economy and the proficiency of enterprises. Furthermore, to promote fair competition among business associations without creating any dominant position and to operate in harmony with the equitable interests of creditors and with public interests.

In order to achieve the aforementioned objectives - with a view to approximation with the company law of the European Union, in consideration of the common characteristics of the development of national company laws of Member States, building on the precedent cases in the Hungarian legal system in business law and relying on the legal perception of key players in the business community - Parliament has adopted the following Act:

Part I

COMMON PROVISIONS RELATING TO BUSINESS ASSOCIATIONS

Chapter I

GENERAL PROVISIONS

Section 1.

(1) This Act shall regulate the foundation, organization and operation of business associations with a registered office in Hungary, the rights, obligations and responsibility of the founders and members (shareholders) of business associations, as well as the transformation, merger and demerger of business associations and the winding up of such associations without legal succession.

(2) This Act shall apply to cooperative societies vested with legal personality, such as groupings (Chapter XI); furthermore, this Act shall regulate the foundation and operation of recognized groups of companies (Chapter V).

Section 2.

(1) Business associations may only be founded in the forms regulated in this Act.

(2) Associations lacking the legal status of a legal person are general partnerships (kkt.) and limited partnerships (bt.). Business associations with legal personality are private limited-liability companies (kft.) and public and private limited companies (rt.).

(3) Each business association shall have a corporate name. Business associations lacking the legal status of a legal person also have legal capacity under their corporate names, they may obtain rights and undertake commitments, such as acquire property, conclude contracts, and may sue and be sued.

(4) Certain specific economic activities may be restricted by law to be pursued only in specific company forms.

Section 3.

(1) Business associations may be founded by non-resident and resident natural persons, legal persons and business associations lacking the legal status of a legal person to jointly engage in business operations, and such persons may join these business associations as a member, or acquire participation (shares) therein.

(2) With the exception of private limited-liability companies and public or private limited companies, at least two members are required for the foundation of a business association.

(3) Business associations may also be created by way of transformation (converting from one company form to another, merger and demerger - Chapter VI).

(4) International treaties may contain regulations in derogation from the provisions of this Act in respect of the participation of non-residents in business associations.

Section 4.

(1) Business associations may be established to engage in joint business operations for objectives other than for making profit (nonprofit business association). Nonprofit business associations may be established and operated in any corporate form. The corporate name of such business association shall contain the designation “nonprofit” with the corporate form.

(2) A nonprofit business association may be established also by decision of the supreme body of an existing business association to continue operating in the form of a nonprofit business association.

(3) Nonprofit business associations may engage in business operations only in the form of ancillary activities; the profit from these operations may not be distributed among the members (shareholders) since it shall be retained by the company.

(4) A nonprofit business association may be transformed into another corporate form if it remains to operate as a nonprofit organization, or it may merge with a nonprofit business association, or it may split up to form several nonprofit business associations.

(5) The conditions for a nonprofit business association to gain the status of a public benefit organization are laid down in specific other legislation, along with the requirements to be satisfied. The activities for the benefit of the public shall be laid down in the memorandum of association (articles of association, charter document). The designation public benefit organization shall be granted upon request - upon foundation or subsequently - by the county (Budapest) court that maintains the register of companies (hereinafter referred to as “court of registry”). Nonprofit business associations shall indicate their public benefit status in their corporate name.

(6) Where a nonprofit business association of the status of a public benefit organization is terminated without succession, the assets remaining after settlement of all debts from the company’s own funds available at the time of termination may be distributed among the members (shareholders), not to exceed the value of the share of members (shareholders) in the company’s capital at the time they were provided. Assets in excess of this value shall be allocated by the court to objectives of public interest according to the provisions set out in the memorandum of association (articles of association, charter document). In the absence of such provisions, the court of registry shall allocate the remaining assets to objectives of public benefit within the same or similar framework for which the defunct nonprofit business association was originally established.

Section 5.

(1) A natural person may be a member with unlimited liability in only one business association at any given point in time.

(2) A minor may not be a member with unlimited liability in a business association.

(3) A general partnership or limited partnership may not be a member with unlimited liability in a business association.

(4) Unless otherwise provided by law, a single-member business association may establish another single-member company, and may be the sole member (shareholder) of a business association.

Section 6.

(1) The formation of a business association may be rendered by law subject to authorization (hereinafter referred to as "foundation permit").

(2) Where authorization by the competent authority is prescribed mandatory by law, not including local government resolutions, to engage in a certain economic activity (activity-specific authorization), the business association may only begin and pursue the activity in question when in possession of such authorization.

(3) Unless an exemption is provided by legal regulations, not including local government resolutions, activities subject to qualification may be pursued by business associations only if there is at least one person among its participating members, employees, or among the persons working to the benefit of the company under a long-term civil relationship concluded with the business association, who satisfies the qualification requirements set out in legal regulations.

Section 7.

(1) Legal declarations and resolutions prescribed by this Act shall be communicated to the persons to whom it may be of concern in writing - including electronic documents executed by means of at least an advanced electronic signature - or in some other verifiable manner. If this Act does not establish a time limit for a declaration or the performance of an act, such declaration or act shall be performed without delay, or shall be communicated to the recipient without delay.

(2) Where a document has been sent by way of postal service, it shall be considered received - if sent to a resident recipient - at the point in time indicated on the notice of receipt, and for registered mail on the fifth working day following dispatch, unless there is evidence to the contrary.

(3) The members (shareholders) may install provisions in the memorandum of association (articles of association, charter document) concerning the manner and conditions for exercising membership rights by way of electronic means of communication. These means, however, may not be used in a manner where it would make it more difficult or impossible for some members (shareholders) to exercise their rights.

Section 8.

(1) The provisions of the Labor Code shall be applied in respect of the rights and obligations of employees employed at a business association, as well as to labor relations.

(2) The employees of a business association in management positions shall give priority to the interests of the business association in carrying out their duties.

(3) Participation of a business association's employees in the control of its operations is regulated under Sections 38-39.

Section 9.

(1) Within the framework of this Act and other legal regulations, members (shareholders) may freely establish the contents of the memorandum of association (articles of association, charter document); however, they may depart from the provisions of this Act only if so provided for by law. The fixing of any additional provisions into the memorandum of association (articles of association, charter document) shall not be treated as deviation from the provisions of this Act, if it is not regulated in this Act, and if it is not in contradiction with the general purpose of company law or with the objective of the regulations pertaining to the company form in question, and if it is in harmony with the principle of good faith.

(2) The provisions of the Civil Code of the Republic of Hungary (hereinafter referred to as "Civil Code") shall be applied in respect of the financial and personal relations of business associations and their members (shareholders) not regulated by this Act.

Section 10.

(1) 'Corporate dispute' shall mean:

a) all legal disputes arising out of or in connection with the corporate relationship between the business association and its members (shareholders), including former members excluded from or otherwise withdrawing from the business association;

b) legal disputes among the members (shareholders) in connection with the memorandum of association (articles of association, charter document), or as pertaining to the operation of the company;

c) the legal dispute referred to in Subsection (2) of Section 45; and

d) the legal dispute referred to in Section 64.

(2) Members (shareholders) may install provisions in the memorandum of association (articles of association, charter document) to settle the disputes specified in Paragraphs a) and c) by way of permanent or ad hoc arbitration, and the parties may bring the corporate disputes specified in Paragraphs b) and d) of Subsection (1) before a permanent or ad hoc arbitration tribunal as specified under agreement.

(3) Unless otherwise provided in this Act, arbitration procedures shall be governed by the provisions of Act LXXI of 1994 on Arbitration.

Chapter II

FOUNDATION OF BUSINESS ASSOCIATIONS. AMENDMENT OF THE MEMORANDUM OF ASSOCIATION

Title 1

Memorandum of Association (Charter Document, Articles of Association)

Section 11.

(1) A business association may be established subject to the conclusion of a memorandum of association; for (public or private) limited companies articles of association must be adopted, and for single-member business associations a charter document has to be adopted. Any reference made in Part I and in Chapter XII of Part IV of this Act to a memorandum of association shall be construed to mean - unless otherwise prescribed - articles of association and charter document also.

(2) The memorandum of association shall be signed by all members (founders). The memorandum of association may be signed on behalf of a member by his representative holding an authorization fixed in an authentic instrument or in a private document representing conclusive evidence. The articles of association of a public limited company shall be adopted by the general meeting.

(3) The memorandum of association shall be drawn up in an authentic instrument prepared by a notary public, or in a private document countersigned by a lawyer or the legal counsel of the founder.

(4) General partnerships and limited partnerships, and private limited-liability companies may use the standard form of which a model is contained in the Schedule to Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings (hereinafter referred to as "CRA") to draw up their memorandum of association. In this case, the memorandum of association may contain only what is contained in the standard form. Subsection (3) shall also apply for any memorandum of association drawn up in the standard form.

(5) If the memorandum of association does not provide for the duration of the business association, such business association shall be considered to have been established for an indeterminate duration.

Section 12.

(1) The following shall be defined in the memorandum of association:

a) the corporate name and registered office of the business association;

b) members of the business association, indicating - unless otherwise provided by law - their name (corporate name) and address (registered office), for natural persons their mother's name, and for legal persons and business associations lacking the legal status of a legal person their (company) registration number;

c) the business association's main business activity and all other activities which the company intends to indicate in the register of companies;

d) the subscribed capital of the business association, the financial contribution of each member as well as how and when the subscribed capital is made available;

e) the mode of representation and the method of signing for the company;

f) the name and address (registered office) of the first executive officers appointed by the members (shareholders), and of the first appointed supervisory board members and auditor where applicable, and for natural persons their mother's name, and for legal persons and business associations lacking the legal status of a legal person their (company) registration number;

g) the duration of the business association, if established for a limited period of time; and

h) any other information required by this Act for the various forms of business associations.

(2) A business association may pursue any economic activity that is not prohibited or restricted by law.

(3) For the period of time until the company is registered by final decision of the court of registry the provisions of the Civil Code shall apply as to the nullity of the memorandum of association. Once the company is registered the memorandum of association may not be contested, and it may be declared annulled only in a lawsuit filed under the CRA, for the reasons specified in Subsection (4).

(4) After registration nullity of a company's memorandum of association may be ordered only on the following grounds:

a) the memorandum of association had not been countersigned by a lawyer or by the founder's legal counsel, or it was not drawn up in a notarial document;

b) the memorandum of association fails to state the company's corporate name, main business activity, subscribed capital, and/or the amount of the individual subscriptions of capital of members (shareholders);

c) the company's scope of activities is unlawful;

d) the incapacity of all the founder members (shareholders), or failure to comply with the statutory provisions concerning the requirement of minimum number of members participating in the foundation of the company;

e) failure to comply with the provisions concerning the minimum amount of capital to be paid up for private limited-liability companies and (public or private) limited companies.

(5) Where a court of law has declared the nullity of the memorandum of association under Subsection (4), the court shall advise the company's members - if possible - to eliminate the reasons for nullity. If this is not possible, the court shall declare the memorandum of association valid for the period indicated in its decision, and shall order the court of registry if necessary to open judicial oversight proceedings. The detailed regulations for such court proceedings are laid down in the CRA.

(6) Where nullity of the memorandum of association is pronounced after the company's registration, it shall not effect the commitments undertaken to the benefit or detriment of the company before the pronouncement of nullity.

Title 2

Contribution of Members (Shareholders)

Section 13.

(1) Each member (shareholder) is required to provide capital contribution for the foundation of a business association. The capital contribution of the members (shareholders) shall consist of contributions in cash and contributions in kind which the members (shareholders) agreed to provide to the benefit of the business association.

(2) A contribution in kind may be any marketable thing of value or intellectual work, any intangible property, or any claim that is recognized by the debtor or that has been granted by a final and definitive court decision. Nevertheless, commitments of founders or shareholders for performing work or for any other personal involvement or service shall not be treated as in-kind contributions.

(3) The ratio of cash and in-kind capital contributions may be defined by law, as well as the minimum amount of the initial capital or share capital of companies functioning under the limited liability of its members (shareholders). As for the companies where the liability of members (shareholders) is limited, additional regulations may be laid down by law concerning the provision of in- kind contributions.

(4) Any member (shareholder) providing a contribution in kind shall accept responsibility towards the business association for a period of five years from the provision of the contribution in kind, to the effect that the value indicated in the memorandum of association does not exceed the value of the contribution in kind as effective at the time of its provision. Any members who were knowledgeable about and consented to, an in-kind contribution a

member has provided at a value higher than what it was worth at the time when provided shall, together with the person providing it, be subject to joint and several liability toward the company for any resulting damages.

Section 14.

(1) If a member (shareholder) fails to provide his contribution committed in the memorandum of association by the time set forth therein, the management of the business association shall order such member (shareholder) to provide the contribution within a period of thirty days. Such order shall contain an indication that failure to perform will result in the termination of membership.

(2) In the event of non-compliance within the thirty-day time limit, membership shall be terminated on the day following the expiration of such time limit. The management of the business association shall inform the member (shareholder) affected in writing.

(3) A member (shareholder) whose membership has been terminated in accordance with the provisions of Subsection (2) shall be held liable in accordance with the general rules of civil law for damages caused to the business association by virtue of his failure to provide the contribution.

Title 3

Pre-Company

Section 15.

(1) As of the date when the memorandum of association is countersigned or executed in an authentic instrument, the business association may operate as the pre-company of the business association.

(2) The executive officers of the business association to be established, as appointed in the memorandum of association, shall act in the name and on behalf of the business association to be established until the date of registration. However, during the period of registration, the disposition of the pre-company shall be indicated with the appendage "bejegyzés alatt" ("registration in progress") ("b.a.") on the business association's documents and in the course of its legal transactions. In the event of failure to install the above-specified indication all transactions and commitments concluded shall be treated is if they were concluded by the founders jointly, if the court of registry refuses to register the company.

(3) A pre-company may commence to engage in business operations only after having submitted the application for the registration of the business association, with the exception of any activity that is subject to prior official authorization.

Section 16.

(1) The business association under registration shall be considered to have legal capacity in the phase of existence as a pre-company. The regulations applicable for the business association to be established shall also apply to the pre-company with the following exceptions:

a) no changes are allowed in the persons of the members of the pre-company, with the exceptions laid down in the Act;

b) the memorandum of association may not be altered, other than providing any missing information as requested by the court of registry;

c) legal proceedings for the exclusion of a member may not be initiated;

d) the pre-company may not engage in any activity that is subject to prior official authorization;

e) no resolution may be adopted for termination without succession, for transformation into another company form, merger and demerger;

f) the pre-company may not establish a business association, nor may it join one as a member.

(2) Upon registration by final decision of the court of registry the business association shall cease to function as a pre-company, and all transactions concluded in that phase will be treated as if they were concluded by the business association.

(3) If registration of the business association is refused by final decision of the court of registry, the pre-company may not obtain any further rights or undertake any further commitments upon receiving notice of such refusal, and must terminate all operations effective immediately. In the event of non-compliance with this requirement the pre-company's executive officers shall be subject to unlimited and joint and several liability for any resulting damages. The members (shareholders) shall be held liable for any debts originating from commitments entered into up to the time of termination of operations in accordance with the regulations pertaining to the winding-up proceedings. This provision shall also apply to settlement of accounts of the members (shareholders) inter se.

(4) If the liability of the members (shareholders) of the business association to be established for the obligations of the business association is limited, and any outstanding claims remain despite the members (shareholders) honoring their respective liability, the executive officers of the business association to be established shall bear unlimited, joint and several liability vis-Ä-vis third parties.

Title 4

Registration of the Foundation of Business Associations

Section 17.

(1) Unless otherwise provided by the CRA, the foundation of a business association shall be notified to the competent court of registry for registration and publication within thirty days after conclusion of the memorandum of association. If a foundation permit is required for the establishment of the business association, such notification to the court of registry shall be made within fifteen days upon receipt of the permit. The business association shall be considered established when admitted into the register of companies, effective as on the day of admission.

(2) The business association shall fall within the judicial supervisory competence of the court of registry of jurisdiction by reference to the business association's registered office in accordance with the provisions of the CRA.

(3) The rights, facts and data constituting a part of the register which relate to business associations, and the members, executive officers and supervisory board members thereof are considered public information.

Title 5

Amendment of the Memorandum of Association

Section 18.

(1) If the supreme body of a business association has adopted a decision to amend the memorandum of association the signature of the members is not required, unless this Act provides otherwise. The memorandum of association as amended by resolution of the supreme body shall be contained in a separate document or - unless otherwise provided by law - in the minutes of the meeting of the supreme body. The amendment of the memorandum of association may be countersigned by the legal counsel of the business association.

(2) The supreme body may change the business association's corporate name, registered office, places of business and branches, and the activities of the business association by simple majority, unless the members have provided otherwise in the memorandum of association.

(3) The memorandum of association may authorize the management of the business association to adopt the decisions referred to in Subsection (2) - exclusive of amending the main business activity - and to amend the memorandum of association accordingly.

(4) Any amendment to the memorandum of association shall be notified to the competent court of registry within thirty days from the effective date of the change, unless otherwise provided in the CRA.

Chapter III

COMMON PROVISIONS CONCERNING THE BODIES AND EXECUTIVE OFFICERS OF BUSINESS ASSOCIATIONS

Title 1

Supreme Body of Business Associations

Section 19.

(1) The business association's supreme body for general partnerships and limited partnerships is the meeting of members, for private limited-liability companies it is the members' meeting, and for (public or private) limited companies it is the general meeting. The supreme body of a grouping is the members' meeting.

(2) Meetings of the supreme body may be attended by the members (shareholders) of the business association, and - without voting rights - any person invited according to legal regulation or the memorandum of association. All members (shareholders) of the business association shall have the right to partake in the activities of the supreme body.

(3) The principal duty of the supreme body of a business association is to adopt decisions on fundamental and strategic issues. The matters rendered under the exclusive competence of the supreme body are defined by the provisions pertaining to the specific company forms.

(4) Upon the foundation of the business association, the executive officers and the supervisory board members, as well as the auditor shall be appointed by the founders (members, shareholders) in the memorandum of association. Henceforward, the executive officers, supervisory board members and the auditor shall be elected by the supreme body unless any exemption is allowed under this Act, and the names of these persons are not required to be indicated in the memorandum of association.

(5) For single-member private limited-liability companies and (public or private) limited companies no members' meeting (general meeting) is required, and the sole member (shareholder) shall adopt decisions in writing in the matters conferred under the competence of the business association's supreme body in this Act or in the memorandum of association.

(6) The supreme body of the business association, or the company's management body it has authorized, may contract the services of organizations other than the company organs specified in this Act (e.g. committees, advisory boards) in connection with the preparation of decisions. The activities of these bodies shall have no relevance concerning the powers and competencies of the company organs specified in this Act.

Section 20.

(1) The supreme body shall adopt its decisions - unless otherwise prescribed by law or by the memorandum of association by statutory authorization - at its meetings. The memorandum of association may allow members (shareholders) or their proxies to exercise their membership rights by means of electronic communications instead of attending the sessions of the supreme body in person.

(2) The memorandum of association may define the matters - exclusive of adopting the annual report prescribed in the Accounting Act - which may be resolved without having to hold a meeting, where the decision of the members is fixed in writing or any other means containing authentic proof about the statements made in the decision-making process. In this case the memorandum of association shall specify the particular decision-making procedure. Unless this Act provides otherwise, the meeting of the supreme body shall convene at the request of any member.

(3) A meeting of the supreme body may be held in the absence of a standard call, and resolutions may be adopted in such meetings if attended by all members and if they granted consent to hold the meeting. The memorandum of association and the articles of association of private limited companies may provide facilities for the members (shareholders) to declare any resolution that was adopted in a meeting convened and held by means other than the standard procedure as valid by unanimous decision adopted within thirty days of the day on which the meeting was held.

(4) The supreme body may discuss any issues that were not included in the invitation (public notice) only if all members (shareholders) are present at the meeting and if they unanimously agree to discuss such issues on the agenda.

(5) If, by law or pursuant to the provisions of the memorandum of association, a member (shareholder) may not vote on a particular subject, the member concerned shall be disregarded for the purposes of determining whether there is a quorum for passing a resolution on the subject in question. In the process of adopting a resolution, any member (shareholder) for whom the resolution contains an exemption from any obligation or responsibility, or any advantage to be provided by the business association, as well as any member (shareholder) with whom an agreement is to be concluded, or against whom legal proceedings are to be initiated according to the resolution, may not cast a vote, nor any member (shareholder) to whom the resolution may concern in terms of the establishment, the content or termination of his relationship with the company.

(6) Unless otherwise prescribed by law or the memorandum of association, the supreme body shall adopt its decisions if supported by a simple majority of the members (shareholders) present.

(7) Those members (shareholders) who have supported a resolution, in respect of which they knew, or should have known given reasonable care that such resolution was clearly contrary to the significant interests of the business association, shall bear unlimited and joint and several liability toward the business association for resulting damages, unless otherwise prescribed by law.

Title 2

Management of Business Associations

Section 21.

(1) The executive officers or a board made up of executive officers shall conduct the management of the business association pursuant to the provisions governing the specific forms of business associations. For the purposes of this Act, 'management' shall mean the passing of decisions other than those conferred by the memorandum of association under the competence of the supreme body or other company organ, and which are necessary in connection with the company's operations.

(2) The management of general partnerships and limited partnerships shall be handled by the member or members entitled thereunto in the capacity of executive officers.

(3) The management of private limited-liability companies shall be conducted by one or more managing directors.

(4) The management of (public or private) limited companies shall be conducted by the management board, except where the powers of the management board are conferred under articles of association of private limited companies upon a single executive officer (general director - Section 247). The articles of association of public limited companies may also contain provisions to tender management and supervisory functions upon the board of directors (public or private limited companies operated by the one-tier system). Such a (public or private) limited company shall have no supervisory board, and the members of the board of directors shall be treated as executive officers.

(5) The management of a grouping shall be conducted - according to the provisions laid down in the memorandum of association - by the director as an executive officer or by the management board functioning as a body.

Section 22.

(1) Executive officers - with the exception of general partnerships and limited partnerships - must be natural persons. Executive officers must discharge their duties relating to the company's internal affairs and its bodies and other officers in person; no representation is allowed.

(2) The provisions of this Act relating to company law shall apply in connection with the rights and obligations of executive officers in this capacity, whereas any matter not regulated as per the above shall be governed by the provisions of the Civil Code relating to personal service contracts. Executive officers may not serve in this position under contract of employment.

(3) Executive officers shall discharge their duties independently and are superseded only by legal regulations, the memorandum of association, and the resolution of the company's supreme body and, subject to the exception set out in Subsection (4), may not be instructed by the members (shareholders) of the business association.

(4) As regards single-member business associations, the sole member (shareholder) may instruct the executive officer in writing, which the executive officer is required to carry out; however, in this case he shall be exempt from the liability specified in Section 30.

(5) The company's supreme body shall be allowed to reduce the powers of executive officers or the management body in relation to the management of the company where so authorized by law or under the memorandum of association.

Section 23.

(1) A person who has been sentenced to imprisonment by final verdict for the commission of a crime may not be an executive officer of a business association until relieved from the detrimental legal consequences related to his criminal record.

(2) Any person who has been banned by a standing court verdict from accepting an executive office may not serve as an executive officer under the duration of such ban. Any person who has been banned by a standing court verdict from any profession may not serve as an executive officer in a business association whose main business activity covers such profession.

(3) For a period of two years after cancellation of a business association from the register of companies based on winding-up proceedings, a person who, during the calendar year preceding such cancellation served as an executive officer of the terminated business association, may not be an executive officer of another business association.

Section 24.

(1) Unless otherwise prescribed in the memorandum of association, executive officers shall be elected for a fixed term of maximum five years, or designated in the memorandum of association. If the members (shareholders) did not install any provisions in the memorandum of association concerning the term of executive officers, the executive officers shall be considered elected for five years, with the exception if the business association is established for a shorter period.

(2) The mandate of an executive officer shall take effect by its acceptance by the person concerned. Executive officers may be re-elected, and may be freely removed by the business association's supreme body at any time.

(3) Within fifteen days of accepting a new executive office, the executive officer shall notify in writing any other company in which he already serves as an executive officer or a supervisory board member.

Section 25.

(1) An executive officer may not acquire any share - other than shares in public limited companies - in any economic operator [Paragraph c) of Section 685 of the Civil Code] whose main business activity is similar to that of the business association, and may not accept an executive office in a business association or cooperative whose main business activity is similar to that of the business association, with the exception if so permitted by the memorandum of association of the business association affected or if the supreme body of the business association has granted consent.

(2) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] or domestic partner may not conclude any transactions falling within the scope of the main activities of the business association in his own name and on his own account, unless specifically permitted in the memorandum of association.

(3) The memorandum of association may specify that the restriction specified in Subsections (1)-(2) applies with respect to any economic operator [Paragraph c) of Section 685 of the Civil Code] whose main business activity is similar to that of the business association or to transactions falling within the scope of activities of the business association.

(4) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] or domestic partner may not be elected as a member of the supervisory board at the same business association.

(5) Claims for damages caused to the business association by any infringement of the regulations set out in Subsections (1)-(4) may be enforced for a period of one year from the occurrence of such damage.

Section 26.

(1) The executive officers shall be responsible for notifying the court of registry concerning the foundation of the business association, any amendment of the memorandum of association, the rights, facts and data contained in the register of companies and changes therein, as well as any other data required by law.

(2) Executive officers shall bear joint and several liability toward the business association for any damage resulting from the incorrectness of the data, rights or facts notified, or from any delay in filing or failure to file the notification.

Section 27.

(1) Executive officers must treat all business secrets (Section 81 of the Civil Code) of the business association as strictly confidential.

(2) Unless otherwise provided by law, upon request by the members (shareholders), executive officers shall provide information concerning the affairs of the business association, and allow inspection of its books and documents. In the event of any executive officer's failure to comply with such request, upon request of the member concerned, the court of registry may instruct the business association affected to provide the information in question and/or to provide for inspection.

(3) Exercise of the right pursuant to Subsection (2) by the members (shareholders) may not infringe upon the business interests or business secrets of the business association.

Section 28.

(1) Unless otherwise provided by the memorandum of association, executive officers shall exercise employer's rights over the employees of the business association. If the company has a management body, the various functions for exercising employer's rights shall be distributed among the members of this body as instructed in the memorandum of association or in the management body's rules of procedure, if the memorandum of association contains no such provisions.

(2) The memorandum of association or a resolution by the business association's supreme body may, if there are several executive officers, assign the exercise of employer's rights to a single executive officer, or to another person employed by the business association.

Section 29.

(1) Business associations are represented by their executive officers - as their legal representatives - vis-Ä-vis third parties and before the court and other authorities. The statutory right of representation of executive officers may be restricted in the memorandum of association, or may be distributed among several executive officers. Any restriction or division of the right of representation shall be null and void vis-Ä-vis third parties.

(2) In respect of specific types of issues, executive officers may confer the right of representation upon employees of the business association.

(3) Business associations are represented by their executive officers and managers (Section 32) in writing. Unless otherwise prescribed by law or in the memorandum of association, the right of the executive officers and directors of the business association, including disposal over the bank account, shall be exclusive, whereas the joint signature of two persons having the right of representation shall be required for the validity of other representatives signing for the company. The memorandum of association may tender exclusive right of representative upon an employee filling a specific position, or upon an executive officer or a company manager to sign jointly with an employee entitled to representation.

Section 30.

(1) The business association shall be liable for damages caused to third parties by its executive officer when acting in an official capacity.

(2) Executive officers shall conduct the management of the business association with due care and diligence as generally expected from persons in such positions and - unless otherwise provided in this Act - give priority to the interests of the business association. Executive officers shall be liable to the business association in accordance with

the general rules of civil law for damages caused by any infringement of the law or any breach of the memorandum of association, the resolutions of the business association's supreme body, or their management obligations.

(3) In the event of any imminent threat for the business association's insolvency, the executive officers shall conduct the management of the business association giving priority to the company's creditors. In the event that non-compliance with this obligation is verified and if the business association is deemed to be insolvent, the executive officers affected may be subject to financial liability under specific other legislation toward the company's creditors.

(4) Where executive officers are vested with joint right of representation or where the company is managed by a body, the liability of executive officers for damages to the business association shall be joint and several according to the provisions of the Civil Code pertaining to joint negligence. If the damage results from a decision of the management body, any member who did not take part in the decision-making process or voted against it shall be exempt from liability.

(5) The memorandum of association may contain provisions for the company's supreme body to evaluate on an annual basis the work of the executive officers in the previous financial year, and to decide concerning the granting of any discharge of liability to certain executive officers. Granting a discharge of liability constitutes the supreme body's verification that the executive officers in question have performed their work during the period under review by giving priority to the interests of the business association. The discharge of liability shall be abolished in the event of a subsequent court ruling declaring the information based on which the discharge of liability was granted false or insufficient.

(6) Following termination of the business association without succession, claims for damages may be brought against the executive officers by the members (shareholders) with membership at the time of the cancellation of the business association by the court of registry, within a period of one year following such cancellation by a final ruling. If, during the existence of the business association, the liability of the member (shareholder) for the obligations of the business association was limited, the member (shareholder) may enforce such claim up to rightful share due to him from the assets distributed upon termination of the business association.

Section 31.

(1) The contract of an executive officer shall terminate:

a) upon expiration of the term of appointment;

b) upon removal of the executive officer;

c) upon occurrence of any statutory grounds for disqualification;

d) upon resignation;

e) upon the executive officer's death;

f) in other cases specified in another act.

(2) Executive officers may resign their office at any time. However, if so required by any vital interest of the business association, such resignation shall only take effect on the sixtieth day after the announcement thereof, unless the business association's supreme body has already provided or could have provided for the election of a new executive officer beforehand. Until the resignation takes effect, the executive officer shall participate in making any urgent decisions and taking any urgent measures.

Section 32.

(1) If permitted by the memorandum of association, the company's supreme body may decide to appoint one or more managers to assist the executive officers in their work. Managers work under the executive officers in directing the company's operations according to their instructions. Managers shall give priority to the interests of the business association in carrying out their duties. The activities of company managers shall have no relevance concerning the liability of executive officers vis-Ä-vis the company according to Section 30.

(2) Where a business association is engaged in any activities in any places of business or branches outside its principal place of business, apart from the managers vested with overall competence, managers may also be appointed for such places of business and branches as well.

(3) The provisions of Section 23, Section 25 and Section 27 shall also apply to company managers as well.

(4) The company's supreme body may tender general power of representation and individual power of representation upon a company manager, and may confer upon him the duties specified in Section 26. Managers and other employees entitled to representation may not assign their right of representation to others.

Title 3

Supervision of the Operations of Business Associations by the Owners and in the Public Interest

The Supervisory Board

Section 33.

(1) For the purpose of supervision of the business association's management, the members (shareholders) shall have the option - or the obligation in the cases specified under Subsection (2) - to prescribe in the memorandum of association the creation of a supervisory board.

(2) Establishment of a supervisory board shall be mandatory:

a) for public limited companies, except for any public or private limited company that is controlled by the one-tier system;

b) for private limited companies if requested by the founders or members (shareholders) controlling at least five per cent of the total number of votes;

c) irrespective of the form and operational structure of the company, where prescribed by law with a view to the protection of public assets or to the activities in which the company is engaged;

d) where so prescribed in this Act with a view to the exercise of the control rights of employees (Section 38).

Section 34.

(1) The supervisory board shall consist of minimum three and maximum fifteen members.

(2) The supervisory board shall act as an independent body. Unless otherwise prescribed by law or the memorandum of association, the supervisory board shall elect a chairman and, if necessary, a deputy chairman from among its members. The supervisory board shall have a quorum if two-thirds of its members, but at least three members, are present. The supervisory board shall pass resolutions with a simple majority.

(3) The members of the supervisory board shall act in person; representation on the supervisory board is not allowed. A member of the supervisory board may not be instructed in this capacity by the business association's members (shareholders), or by the employer. Members of the supervisory board may attend sessions of the supreme body in an advisory capacity.

(4) The supervisory board shall establish its own rules of procedure, subject to approval by the business association's supreme body. The rules of procedure of the supervisory board may contain facilities to allow its members to participate by means of electronic communications instead of attending in person. In this case the detailed regulations for holding such meetings shall be laid down in the rules of procedure.

(5) If the number of supervisory board members falls below the number set forth in the memorandum of association, or there is no person to convene the meeting of the supervisory board, the management of the business association shall convene the business association's supreme body in the interest of restoring proper operation of the supervisory board.

Section 35.

(1) The supervisory board may entrust any of its members to fulfill certain supervisory tasks, or may divide supervisory duties among its members on a permanent basis.

(2) The supervisory board may request information from the executive officers and from the executive employees of the business association, and it shall be provided in the manner and within the time limit specified in the memorandum of association. The supervisory board may inspect the books and documents of the business association with the help of experts when deemed necessary.

(3) The supreme body of any business association that is supervised by a supervisory board may adopt a decision concerning the annual report prescribed in the Accounting Act only if in possession of the written report of the supervisory board.

(4) If, in the judgment of the supervisory board, the activity of the management is contrary to the law, to the memorandum of association or to the resolutions of the business association's supreme body, or otherwise infringes upon the interests of the business association or its members (shareholders), the supervisory board shall call an extraordinary meeting of the business association's supreme body and shall propose its agenda.

Section 36.

(1) The term for which members of the supervisory board are appointed may differ from the period for which the supreme body of the business association has appointed the executive officers. If in accordance with the memorandum of association the company's supreme body has appointed the executive officers for an indeterminate duration, the members of the supervisory board may also be elected for an indeterminate duration.

(2) With the exception of employee representation governed under Section 38, employees of a business association may not be appointed to the supervisory board.

(3) In other respects, Section 23, Section 24 and Section 31 of this Act shall apply - unless otherwise prescribed by law - for the commencement and termination of supervisory board membership, and Section 25 and Subsection (1) of Section 27 shall apply with regard to the contents of the legal relationship.

(4) Supervisory board members shall bear unlimited, joint and several liability according to the provisions of the Civil Code pertaining to joint negligence for damages caused to the business association through the violation of their supervisory obligation.

Section 37.

(1) The articles of association of private limited companies or the memorandum of association of private limited-liability companies may contain provisions to assign the right for the appointment and removal of management board members and managing directors, and for establishing their remuneration upon the supervisory board, and to render the passing of certain peremptory resolutions subject to the prior consent of the supervisory board (peremptory supervisory board). In this case members of the supervisory board shall also be treated as executive officers as regards the functions of management.

(2) If the supervisory board, acting on the powers referred to in Subsection (1), refused to grant prior consent for a resolution, the management board or executive officer of the business association shall be entitled to convene the company's supreme body. In this case the supreme body shall have the right to overturn the supervisory board's decision.

(3) Executive officers and supervisory board members shall bear unlimited, joint and several liability according to the provisions of the Civil Code pertaining to joint negligence for damages caused to the business association by adopting the peremptory resolutions referred to in Subsection (1).

Section 38.

(1) If the annual average of the number of full-time employees employed by the business association exceeds two hundred, the employees shall have the right to partake in the supervision of the company, unless there is an agreement between the works council and the management of the business association to the contrary. In this case the representatives of the employees shall comprise one-third of the members of the supervisory board. If one-third of the number of members is a fraction, the number of supervisory board members shall be determined in favor of the employees.

(2) In the case of public limited companies controlled by the one-tier system, the procedures for exercising the right of employees - according to the articles of association - in supervising the company's management shall be laid down in agreement between the board of directors and the works council.

(3) Where a business association is created by way of transformation from an organization where the employees had no seat on a supervisory board, however, the criteria set out in Subsection (1) is met, the memorandum of association shall be amended to contain facilities for the employees to participate in the work of the supervisory board.

(4) The employees' representatives taking part in the supervisory board shall, with the exception of business secrets, inform the company's employees by way of the works council concerning the activities of the supervisory board.

Section 39.

(1) Upon hearing the opinion of the trade unions operating at the business association, the employees' representatives on the supervisory board shall be nominated by the works council from among the employees.

(2) Persons nominated by the works council shall be elected as members of the supervisory board by the business association's supreme body at its first meeting following such nomination, unless statutory grounds for disqualification exist in respect of the nominees. In this case, a new nomination shall be requested.

(3) On the supervisory board, employees' representatives shall have the same rights and same obligations as all other members. If the opinion of the employees' representatives unanimously differs from the majority standpoint of the supervisory board, the minority standpoint of the employees shall be stated at the meeting of the business association's supreme body.

(4) Employees' representatives shall be entitled to the same protection as members of the works council in accordance with the Labor Code.

(5) In the event of the termination of employment of an employees' representative, this shall also bring about the termination of his membership on the supervisory board.

(6) The supreme body of the business association may remove an employees' representative only if recommended by the works council, with the exception if the works council failed to comply with the obligation to recall a representative subject to statutory grounds for disqualification within the time limit specified in the memorandum of association, or to nominate a new representative.

The Auditor

Section 40.

(1) The auditor appointed by the supreme body of the business association shall be responsible for carrying out the audits of accounting documents as specified in the Accounting Act, including - first and foremost - to determine as to whether the annual report that the business association has filed as prescribed in the Accounting Act is in conformity with legal requirements, and whether it provides a true and fair view of the company's assets and liabilities, financial position and profit or loss.

(2) The auditor may not provide any service to a business association that may imperil his ability to carry out the duties referred to in Subsection (1) in the protection of public interest objectively and independently. The scope of ancillary activities in which an auditor may engage, and the conditions and restrictions for providing such services shall be defined in another act.

Section 41.

(1) If a business association is required by the Accounting Act to employ a statutory auditor, or if it so prescribed in the business association's memorandum of association, the supreme body of the business association shall elect an auditor for the company and shall define the contents of the essential elements of the contract to be concluded with the auditor.

(2) In addition to what is contained in Subsection (1), public or private limited companies are required to appoint a statutory auditor if so prescribed by law with a view to the protection of public assets.

(3) Persons included in the register of auditors in accordance with the relevant legal regulations may be elected as an auditor. Further requirements for auditors in terms of qualifications and conduct, and conflict of interest shall be laid down in specific other legislation.

(4) Where the supreme body of a company selected a legal person to audit the company's accounting documents, this legal person shall be required to designate the person, whether a member, executive officers or employee, who will be personally responsible for carrying out the audits. In the event of any extended absence of the designated auditor, a substitute auditor may be appointed.

(5) A founder or member (shareholder) of the business association may not be an auditor. Executive officers, supervisory board members, their close relatives [Paragraph b) of Section 685 of the Civil Code] or domestic spouses, or employees of the business association during the life of their relationship and for a period of three years thereafter, may not be elected as auditors.

Section 42.

(1) The supreme body of the company shall appoint the auditor for a fixed term of maximum five years. The term for which the auditor is appointed may not be less than the period commencing at the time of the members' meeting (general meeting) when the auditor is appointed and ending at the time of the members' meeting (general meeting) for adopting the annual report for the financial year as prescribed in the Accounting Act, for which period the accounting records are to be audited. The company's auditor may not be removed based on his findings contained in the independent auditor's report or the refusal to grant an audit certificate for the company's annual report prescribed in the Accounting Act.

(2) Renewal of the appointment of a company's auditor may be precluded in another act.

(3) An auditor's appointment shall be considered accepted upon the auditor's signature of a personal service contract with the company's management within ninety days of the date of appointment. Failure to sign the contract within the above time limit shall terminate the auditor's appointment, following which the supreme body is required to appoint another auditor.

Section 43.

(1) With a view to carrying out his duties the auditor may inspect the books of the business association, may request information from the executive officers, supervisory board members and employees, and may examine the bank accounts, client accounts, the accounting system, and the contracts of the business association.

(2) The supervisory board of a business association, where applicable, may request the company's auditor to attend its meeting for the purpose of a hearing. The auditor may also request the supervisory board to put any item of his suggestion on the agenda, or may request to attend a meeting of the supervisory board in an advisory capacity.

(3) The auditor of a business association, in the course of the proceedings referred to in Subsections (1)-(2), may not engage in any professional collaboration with the company's management that may impair his ability to carry out the statutory audits of the company's accounts in an impartial and unbiased way.

(4) The auditor shall treat all business secrets related to the operation of the business association strictly confidential.

Section 44.

(1) The auditor of the business association shall be invited to the sessions of the company's supreme body when discussing the company's annual report prescribed in the Accounting Act. The auditor must attend these meetings.

(2) If the auditor ascertains or otherwise learns that a considerable decrease in assets of the business association is probable, or perceives any other issue which entails the liability of the executive officers or the supervisory board members as set forth in this Act, he shall request that the business association's supreme body be convened. If the business association's supreme body is not convened, or the supreme body fails to adopt the decisions required by legal regulations, the auditor shall inform the competent court of registry vested with judicial supervisory competence.

Chapter IV

JUDICIAL REVIEW OF RESOLUTIONS OF BUSINESS ASSOCIATIONS. PROTECTION OF MINORITY RIGHTS. PROTECTION OF CREDITORS

Title 1

Judicial Review of Resolutions of Business Associations, Expulsion

Section 45.

(1) Any member (shareholder) of a business association may request the judicial review of resolutions adopted by the organs of the business association on the grounds that such resolution violates the provisions of this Act, other legal regulations, or the memorandum of association.

(2) With reference to the infringement referred to in Subsection (1), any executive officer or supervisory board member may also file for the judicial review of a resolution adopted by the business association's supreme body.

(3) The suit for the judicial review of an unlawful resolution of the business association shall be lodged against the business association within thirty days after such resolution has been learned of. Following expiration of a ninety-day non-appealable deadline from the date of passing the resolution, the resolution may not be contested even if it has not been communicated to the person entitled to lodge a claim or he has not learned thereof.

(4) The right to lodge claims may not be validly excluded, but shall not be granted to persons who contributed with their votes to have the resolution adopted, except for cases of mistake, misrepresentation or duress.

(5) Lodging a claim shall have no suspensory effect on the enforcement of the resolution; however, the carrying out of the enforcement may be suspended by the court. This ruling may not be appealed; however, the court shall have powers to overrule the decision upon request. Court injunctions may not be issued in lawsuits for the judicial review of a company resolution.

Section 46.

(1) If a review is initiated by an executive officer of the business association, and the business association remains without an executive officer who can represent the business association, a supervisory board member appointed by the supervisory board shall represent the business association in the proceedings. If the business association does not have a supervisory board, or all the supervisory board members are involved in the proceedings as plaintiffs, the court shall order a curator ad litem to represent the business association.

(2) Resolutions in violation of the law shall be abolished by the court.

(3) The court decision adopted in the course of the review of an unlawful resolution of the business association shall also apply to those members (shareholders) who were not involved in the proceedings.

Section 47.

(1) A member of a business association shall be expelled from the business association by the court based on a claim launched by the business association against such member, if the continued membership of the person in question would gravely endanger the achievement of the business association's purpose.

(2) No claims may be lodged for the expulsion of shareholders. A member may not be expelled from a business association, if the business association has only two members. A member holding three-quarters or more of the votes may not be expelled.

(3) The supreme body of a business association shall pass a resolution to lodge a claim, for which a majority of three-quarters of the votes shall be required. Such resolution shall be made out in writing. The member affected may not vote on the issue of lodging the claim. The claim may be submitted within a fifteen-day non-appealable deadline from the date of passing the resolution.

(4) A separate claim may not be lodged for judicial review of the business association's resolution on lodging a claim, however, the defendant may refer to the illegality thereof in the expulsion proceedings.

Section 48.

(1) The hearing for the expulsion of a member shall be set for no later than the fifteenth day after receipt of the claim by the court, or for arbitration proceedings, after formation of the council, provided that no other action is required.

(2) Claims for the expulsion of a member may not be joined with any other claim, the claim may not be altered and no counterclaim is admissible. As compared to the originally submitted statement of facts, the plaintiff may not turn to other factual arguments in expulsion proceedings.

(3) During expulsion proceedings, stay or suspension is not admissible, and court injunctions may not be issued. The plaintiff may withdraw his claim at any stage of the proceedings without the consent of the defendant.

(4) Upon request, the court may suspend the defendant from exercising his membership rights until the conclusion of the proceedings by a final judgment. Such suspension shall not affect the right of the member to receive his due share from after-tax profits. A member whose membership rights had been suspended shall not be subject to unlimited liability for debts incurred during the period of suspension. The ruling ordering suspension may not be appealed, however, the court shall have powers to overrule the decision upon request.

(5) Unless otherwise prescribed by law, during the period of suspension of membership rights, the business association may not amend the memorandum of association, may not initiate the expulsion of another member, may not resolve the transformation of the business association, and may not resolve termination without a legal successor.

(6) Judicial review and re-opening of the proceedings may not be requested against a final judgment.

Title 2

Minority Rights

Section 49.

(1) Those members (shareholders) controlling at least five per cent of the voting rights may, at any time, request that the business association's supreme body be convened, indicating the reason and the purpose thereof. The memorandum of association may also grant this right to members (shareholders) controlling a lesser percentage of the votes. If the management fails to comply with such request within thirty days, upon the request of the members making the proposal, the court of registry shall convene the meeting of the business association's supreme body within thirty days after the submission of a request to this effect, or shall empower the requesting members to convene the meeting. The ruling of the court of registry in favor of the request may not be appealed.

(2) The court of registry shall be obliged to convene the business association's supreme body pursuant to Subsection (1) only if the members (shareholders) lodging the request advance the necessary costs, and provide for all other conditions for the meeting to be held. The business association's supreme body shall decide whether the costs incurred by convening the business association's supreme body be borne by the business association or the persons convening such meeting.

(3) If the business association's supreme body has refused a proposal that the last annual report prepared pursuant to the Accounting Act, or any event which has occurred in the management during the last two years - including the policy dictated by a person having obtained a qualifying holding (Section 52) and having a history of making unfavorable business decisions - be examined by an auditor, or, if the decision on a regularly announced proposal to this effect has been ignored by the supreme body, such examination shall be ordered by the court of registry upon a request by members (shareholders) controlling at least five per cent of the votes.

(4) Under penalty of forfeiture of rights, the request specified in Subsection (3) shall be submitted within a period of thirty days after the date of the meeting of the business association's supreme body. In the event of a judgment in favor of the request, an auditor shall be appointed by the court of registry, and the costs thereof shall be advanced by the business association. The business association's supreme body shall decide whether the costs incurred in connection with the activity of the auditor be borne by the business association or the persons requesting the examination.

(5) If the supreme body of a business association has refused the request to enforce a claim against the members, executive officers, supervisory board members or against the auditor of the business association, or, if the business association's supreme body failed to adopt a decision regarding a proposal that has been properly presented, a group of members (shareholders) controlling at least five per cent of the votes may, under penalty of forfeiture of rights, enforce the claim themselves on behalf of the business association in court proceedings within a period of thirty days after the meeting of the business association's supreme body.

Title 3

Protection of Creditors

Section 50.

(1) In the event of the termination of a private limited-liability company or a public or private limited company without a legal successor, any member (shareholder) who has abused his limited liability may not rely on his limited liability. Any members (shareholders) of private limited-liability companies and public or private limited companies, who has abused their limited liability or the company's legal personality to the detriment of creditors, shall bear unlimited and joint and several liability for the unsatisfied obligations of the defunct business association.

(2) The liability of the members (shareholders) as specified in Subsection (1) shall apply in particular if such members disposed over the assets of the business association as if they had been their own, or if they reduced the assets of the business association for the benefit of others or their own such that they knew or should have known with due care that the business association would not be able to satisfy its obligations towards third parties as a result thereof, and also in the case referred to in Subsection (4) of Section 13.

(3) The provisions of Subsections (1)-(2) shall also apply to the limited partners of limited partnerships.

Section 51.

(1) If, according to the annual report prepared pursuant to the Accounting Act, a business association does not have sufficient own funds to cover the subscribed capital prescribed for its form of business association over two consecutive financial years, and the members (shareholders) of the business association fail to provide for the necessary own funds within a period of three months after approval of the annual report prepared pursuant to the Accounting Act for the second year, the business association shall be required to adopt a decision within sixty days of this deadline for transformation into a different business association, or for its termination without succession.

(2) In the course of transformation, a form of business association shall be chosen for which no minimum requirement of subscribed capital is prescribed by law, or for which the subscribed capital can be satisfied by the business association upon transformation.

(3) Concerning the legal consequences of the reduction of the initial capital of private limited-liability companies or the share capital of public or private limited companies due to losses, this may be sanctioned otherwise in other laws.

Chapter V

ACQUISITION OF A QUALIFYING HOLDING. RECOGNIZED GROUPS OF COMPANIES

Title 1

Provisions Relating to the Acquisition of a qualifying holding

Section 52.

(1) Where any member (shareholder) of a private limited-liability company or a private limited company (hereinafter referred to as "controlled company") acquires a qualifying holding within the meaning of Subsection (2)

in that company subsequent to its foundation, the person acquiring such holding (hereinafter referred to as "owner of a qualifying holding") shall notify the competent court of registry within fifteen days after the holding is in fact acquired. In the event of any failure to comply with the obligation of notification in due time the court of registry shall have powers to impose the judicial supervisory sanctions specified in the CRA upon the owner of a qualifying holding or its executive officer.

(2) In the application of this Title 'qualifying holding' shall mean when the owner of a qualifying holding holds, directly or indirectly, seventy-five per cent or more of the voting rights in the controlled company. As to whether indirect control applies shall be determined according to Subsection (3) of Section 685/B of the Civil Code.

Section 53.

(1) Within a sixty-day forfeit deadline reckoned from the date of notification of the acquisition of a qualifying holding, any member (shareholder) of the controlled company may request that his shares (securities) be purchased by the owner of a qualifying holding. The owner of a qualifying holding must purchase such shares (securities) at the market value prevailing at the time when the request was submitted, which value may not be lower than the value the shares (securities) represent in the business association's own capital.

(2) The provisions contained in Subsection (1) shall not apply if the members (shareholders) precluded it in the memorandum of association. Such provision of the memorandum of association may be adopted by unanimous decision of the members (shareholders).

Section 54.

(1) If the owner of a qualifying holding makes a series of poor business decisions on behalf of the controlled company, hence imposing substantial strain on the controlled company in meeting its liabilities, the competent court of registry may - at the request of any creditor of the controlled company - instruct the owner of a qualifying holding to provide collateral security, or may impose the judicial supervisory sanctions specified in the CRA upon him.

(2) If the controlled company is going into liquidation, the owner of a qualifying holding shall bear unlimited liability for all liabilities of the company for which the debtor controlled company is lacking sufficient cover in the process of liquidation proceedings, if the court has declared - in an action filed by the creditors during the liquidation proceedings - the unlimited and full liability of the owner of a qualifying holding responsible due to its history of making unfavorable business decisions in the debtor company.

Title 2

Recognized Groups of Companies

Section 55.

(1) Any business association that is required to draw up consolidated annual reports according to the Accounting Act (dominant member) and any public or private limited company, or private limited-liability company over which the dominant member effectively exercises a dominant influence according to the Accounting Act (controlled company) may decide to enter into a control contract to join forces in pursuing their common business interests and continue operating in the form of a recognized group.

(2) The autonomy of the controlled companies of the recognized group may be restricted in the manner and to the extent specified in this Act and in the control contract, as it may be necessary with a view to the interest of the group as a whole. The control contract shall contain provisions for the protection of the rights of the members (shareholders) of controlled companies, and for the protection of creditors' interests.

(3) Having a recognized group of companies registered in the register of companies shall not result in creating a separate legal entity from the business associations belonging to the group.

Section 56.

(1) A decision for the preparation of the formation of a recognized group of companies and for the contents of the draft version of the control contract shall be adopted by simple majority of the votes of the supreme bodies of the business association involved, unless their memorandum of association provides otherwise.

(2) The dominant member and the controlled companies may install provisions in their memorandum of association to authorize their management to adopt decisions in the issues specified in Subsection (1).

(3) The control contract shall inter alia contain the following:

a) the corporate names, registered offices and registration number of the business associations belonging to the group, indicting the company designated as the dominant member and the ones designated as the controlled companies of the group;

b) the type of cooperation proposed for the business associations belonging to the group with a view to their common business strategy, and its essential elements, such as in particular the rights conferred upon the dominant member in adopting decisions at the group level and for the implementation of such decisions, and the related rights and obligations of the supreme body and management of the controlled company (companies);

c) provisions to ensure the predictability and balanced allocation of the advantages and disadvantages stemming from operating in the form of a group, which are necessary for the protection of the rights of members (shareholders) of the controlled company (companies) and their creditors, such as the dominant member's commitment to cover any potential losses of a controlled company, to supplement the dividends of members (shareholders) or for the exchange of their shares (securities) or a commitment for the eventuality of insolvency of a controlled company on the part of the dominant member to participate in the reorganization of the controlled company;

d) an indication as to whether the recognized group of companies is established for a limited period of time or for an indeterminate duration;

e) the legal consequences for any breach of contract.

(4) The dominant member may supplement the dividends of members (shareholders) of the controlled company from its own taxed profits, or from the taxed profit supplemented with available profit reserves at the time when paying dividends to the members (shareholders) of the dominant member, provided that the dominant member is able to satisfy the statutory conditions for the payment of dividends.

(5) The duration of the control contract shall be determined in consideration of what is contained in Subsection (3). Unless otherwise prescribed in this Act, the control contract shall be governed by the relevant provisions of the Civil Code.

Section 57.

(1) The dominant member shall publish a notice in two consecutive volumes of the Cégközlöny (Company Gazette) within eight days following the relevant decision of the business association participating in setting up the recognized group.

(2) The above-specified public notice shall contain:

a) the corporate names, registered offices and registration number of the business associations participating in the recognized group;

b) the draft of the control contract;

c) a notice to the creditors according to Subsection (4).

(3) The business associations participating in setting up the recognized group shall inform the employees' interest representation organs operating at the business association concerning their decision, and shall arrange for consultation with them.

(4) The creditors whose outstanding claims against any business association participating in the setting up of a recognized group originates from a period prior to the first publication of the decision to join the group, may demand collateral security up to the amount of their claims within a thirty-day forfeit deadline following the second publication of the decision. Any creditor whose claim is already secured pursuant to legal regulation or contract shall not be entitled to demand such security, nor if it is not justified in light of the business association's assets and liabilities, financial position and profit or loss.

(5) The members (shareholders) of a controlled private limited-liability company or private limited company that participates in setting up the recognized group may request within a thirty-day forfeit deadline following publication of the decision that his shares (securities) be purchased by the dominant member at the market value prevailing at the time when the request was submitted, which value may not be lower than the value the shares (securities) represent in the controlled company's own capital.

Section 58.

(1) The draft version of the control contract shall be approved by the supreme bodies of the business associations participating in setting up the recognized group subject to a three-quarters majority of the votes.

(2) The dominant member of the recognized groups of companies shall send the control contract to the competent court of registry within fifteen days of approval for reasons of registration and publication in the Cégközlöny (Company Gazette). The court of registry shall register the recognized group by way of an entry in the records of the business associations involved, if the control contract and the proceedings for its approval are found to be in compliance with the provisions of this Act. The provisions of this Act pertaining to recognized groups of companies shall apply as of the date of registration in the register of companies. From the same time until the occurrence of the condition specified in Section 63 the provisions contained in Sections 52-54 shall not apply to the group of companies in question.

Section 59.

(1) If the dominant member is the sole member (shareholder) of the controlled company, the provisions of Sections 56-58 shall apply subject to the exceptions set out in Subsection (2) of this Section.

(2) The requirements set out in Subsection (3) of Section 56 shall be satisfied - in lieu of a control contract - in the memorandum of association of the dominant member and the controlled company, whereas a resolution adopted by the supreme body of the dominant member is required for setting up the recognized group.

Section 60.

(1) The dominant member of the recognized group, or its management, may instruct the management of the controlled company according to the provisions laid down in the control contract, or in the memorandum of association within the meaning of Section 59 (hereinafter referred to collectively as "control contract"), and may adopt resolutions binding upon the operation of the controlled company. In this case, the provisions of this Act on the exclusive competence of members' meetings (general meetings) shall not apply concerning the powers and operation of the supreme body of the controlled company, and the dominant member may not be declared liable under Subsection (7) of Section 20 if having acted in accordance with the provisions of the control contract.

(2) Where so prescribed in the control contract of the recognized group, from the powers conferred upon the business association's supreme body - in addition to what is contained in Subsection (1) - the dominant member of the recognized group shall have powers to exercise the right for the appointment and removal of the executive officers and supervisory board members of the controlled company, and for establishing their remuneration. The control contract may also provide facilities to permit the appointment of an employee of the dominant member as director of the controlled company, in which case the appointment shall be fixed in a resolution adopted by the supreme body of the dominant member.

(3) An executive officer and/or supervisory board member of the dominant member of a recognized group may also be elected to the same position at a controlled company, whereupon the consent referred to in Subsection (1) of Section 25 shall be considered granted upon the registration of the recognized group in question.

(4) The executive officer of the controlled company shall conduct - in accordance with the control contract - the management of the business association by giving priority to the interests of the recognized group as a whole. The executive officer shall be exempt from the provisions contained in Section 30 if his conduct is found to be in compliance with the relevant provisions set out in legal regulation and in the control contract.

Section 61.

(1) The management of the controlled company shall give account concerning the fulfillment of the provisions of the control contract at the meetings of the business association's supreme body once a year, unless the memorandum of association contains provisions for informing the members (shareholders) more frequently.

(2) A group of members (shareholders) controlling at least five per cent of the voting rights in the controlled company, and the creditors whose outstanding claims against the controlled company amount to ten per cent or more of the subscribed capital may request the management of the dominant member to inform them concerning the implementation of the control contract.

(3) The memorandum of association of the dominant member may contain provisions instructing the company's management to give account to the supreme body concerning the fulfillment of the control contract at intervals laid down in the memorandum of association.

Section 62.

(1) The members (shareholders) of a controlled company belonging to a recognized group of companies shall be entitled to the rights and benefits afforded under the control contract.

(2) A group of members (shareholders) controlling at least five per cent of the voting rights in the controlled company, and the executive officers of the controlled company may request that the supreme body of the dominant member be convened if they notice any substantive or repeated breach of the control contract. If the management of the dominant member fails to comply with such request within fifteen days, upon the request of the members making the proposal, the court of registry shall convene the meeting of the supreme body of the dominant member within eight days after the submission of a request to this effect, or shall empower the requesting members to convene the meeting. The costs of the meeting shall be advanced by the dominant member.

(3) A group of members (shareholders) controlling the percentage of the voting rights referred to in Subsection (2) in the controlled company, and the creditors whose outstanding claims against the controlled company amount to ten per cent or more of the subscribed capital may request the competent court of registry to appoint an expert to determine whether the dominant member is infringing the law or is in breach of the control contract.

(4) In the event of any breach of the control contract, the court of registry - at the request of the members (shareholders), executive officers, and creditors of the controlled company - shall:

a) order the dominant member of the recognized group to honor the commitments fixed in the control contract;

b) impose the judicial supervisory sanctions specified in the CRA;

c) ban the group from further functioning as a recognized group.

Section 63.

(1) A group of companies shall cease to operate in the form of a recognized group if:

a) the duration fixed in the control contract has expired, or the condition defined therein has occurred;

b) so decided by the supreme bodies of all business associations belonging to the group by at least a three-quarter majority of the votes;

c) so instructed by the competent court of registry in conclusion of the judicial oversight proceedings conducted under Paragraph c) of Subsection (4) of Section 62;

d) if the dominant member of the group is no longer required to prepare a consolidated annual report under the Accounting Act.

(2) Where a recognized group of companies is terminated according to Paragraphs a)-b) and d) of Subsection (1), the dominant member of the group shall notify the competent court of registry within thirty days following the date of termination. The notification shall contain the public notice on the termination of the group. In the case of Paragraph c) of Subsection (1), registration and publication shall be provided for by the court of registry ex officio.

(3) The dominant member shall remain liable to honor the commitments undertaken during the life of the recognized group of companies also after the group ceases to exist.

Title 3

De facto Groups of Companies

Section 64.

(1) The provisions of Section 60 may be applied in the absence of a control contract and registration as a recognized group, if the business associations belonging to the group are engaged in operations under a common business strategy for at least three consecutive years based on collaboration between the dominant member and the

controlled company (companies), and they demonstrate the kind of conduct to ensure the predictability and balanced allocation of the advantages and disadvantages stemming from operating in the form of a group.

(2) In the event of doubt, the burden of proof lies with the dominant member to demonstrate that the criteria set out in Subsection (1) are satisfied as regards the business associations belonging to the group, and that the provisions contained in Subsection (1) are applied legitimately in the collaboration between the dominant member and the controlled company (companies). The dominant member of the group shall be held liable for any unlawful application of the provisions of Subsection (1) according to the regulations governing the making of unfavorable business decisions (Section 54).

(3) At the request of the dominant member and any other person who is able to verify his lawful interest, the court may declare the genuine collaboration between the dominant member and the controlled company (companies) to be in compliance with the requirements set out in Subsection (1). Such court ruling precludes the establishment of unlimited liability of the dominant member - on the grounds of its history of the making of unfavorable business decisions - for the outstanding debts of the controlled company in the event of the controlled company's insolvency stemming from reasons that may have occurred during the period to which the said court ruling pertains, or in the course of such period.

(4) If, within ninety days of the operative date of the court ruling referred to in Subsection (3), the dominant member and the controlled company (companies) enter into a control contract drafted in compliance with the court ruling, the court of registry shall register the recognized group in the register of companies. In this process the provisions of Sections 57-58 shall not apply.

Chapter VI

TERMINATION OF BUSINESS ASSOCIATIONS

Title 1

Termination

Section 65.

Business associations shall be deemed terminated upon cancellation from the register of companies.

Section 66.

A business association shall terminate without succession if:

a) the period of time specified in the memorandum of association expires or any other condition of termination is realized;

b) the company's supreme body has adopted a decision for the company's termination without succession;

c) if the number of its members is reduced to one person, unless otherwise provided in this Act;

d) declared terminated by the court of registry on the grounds set out in the CRA;

e) so prescribed by legal regulation.

Section 67.

(1) A business association shall terminate with succession in the case of conversion, merger and demerger (hereinafter referred to as "transformation").

(2) 'Conversion' shall mean when a business association adopts a new form of business association subject to absolute succession.

(3) 'Merger' shall mean the operation whereby two or more business associations are wound up without going into liquidation and the companies combine as one legal entity. A merger may take place by way of the formation of a new company or by acquisition.

(4) 'Demerger' of a business association shall mean when the business association is split into two or more business associations with its members (shareholders) and segments of the company's assets participating. Demerger may take place by way of division or separation.

(5)

(6) For the purposes of the application of the rules on transformation, groupings (Chapter XI) are also regarded as business associations.

(7) In connection with mergers and demergers a different company form may also be selected.

Title 2

Termination without Succession

Section 68.

(1) In the event of termination of a business association without succession, claims that remained on the basis of obligations of the business association that will cease to exist may be enforced within a five-year forfeit period vis-Ä-vis the former members (shareholders) of the business association.

(2) If the liability of a member for the obligations of the business association was unlimited, joint and several during the existence of the business association, his guarantee commitment shall also be unlimited and joint and several for the liabilities of the terminated business association. Any debt arising in connection with the guarantee commitment shall be covered by and among the members consistent with their share in the assets of the business association, unless the memorandum of association provides otherwise.

(3) If the liability of a member for the obligations of the business association was limited during the existence of the business association, the liability of the member (shareholder) for the obligations of the terminated business association shall be limited to that share of the assets distributed upon the termination of the business association which is due to such member (shareholder).

(4) With the exception of liquidation proceedings and the case referred to in Subsection (2) of Section 92 of the CRA, upon the termination of a business association without succession, voluntary dissolution is admissible.

Title 3

Common Provisions of Transformation

Section 69.

(1) Unless otherwise prescribed by law, with respect to the transformation of a business association into another form of business association, the provisions on the formation of business associations shall apply. In the process of transformation the provisions of this Act pertaining to the various corporate forms with respect to transformation shall also be applied.

(2) Business associations undergoing liquidation or voluntary dissolution may not be transformed into another form of business association.

(3) Business associations may resolve transformation into a different form of business association only if the members (shareholders) thereof have fully paid up their financial contributions as specified in the memorandum of association.

(4) The business associations established by way of transformation may not operate as a pre-company. Before registration of the successor business association, or before the date of transformation which the business association

has notified [Subsection (2) of Section 57 of the CRA], the business association shall continue to operate in its registered corporate form.

(5) In the course of transformation, a corporate form shall be selected where the business association is able to comply upon transformation with the minimum subscribed capital prescribed by law, or in the absence of such statutory provision, with the minimum requirement of subscribed capital prescribed by the business association itself.

Section 70.

(1) The business association established by way of transformation is the universal successor of the business association transformed. The rights of the predecessor business association shall be transferred upon the successor business association, as well as the obligations, including the commitments contained in the collective agreement concluded with the employees.

(2) Where a procedure is pending for official authorization opened upon the business association's request, the applicant business association shall forthwith notify the competent authority of its decision to go into transformation.

(3) In connection with transformation the liability of the members (shareholders) of the predecessor business association may be established only if the successor business association failed to fulfill its guarantee commitment.

(4) If a member with unlimited liability - who retains his membership - obtains, upon transformation, the status of a member (shareholder) with limited liability, he shall be subject to unlimited and joint and several liability for a period of five years from the date this change for any liability of the company incurred before the termination of his unlimited liability, and which the company's assets are insufficient to cover.

(5) The members (shareholders) with limited liability, who decided to withdraw from the company upon transformation, shall be liable for a period of five years following the time of their withdrawal for any liability of the predecessor incurred before the said date of withdrawal, which are not covered by the successor, up to the amount of the emolument they have received according to Subsections (2)-(3) of Section 74.

(6) Members with unlimited liability who decided to withdraw from the company upon transformation shall be subject to unlimited liability for a period of five years following the time of their withdrawal for any liability of the predecessor incurred before the said date of withdrawal, which are not covered by the successor.

Section 71.

(1) The business association's supreme body shall adopt two resolutions in connection with the transformation, unless the memorandum of association provides otherwise. The members may install provisions in the memorandum of association to permit the supreme body to adopt a final decision on the transformation proposal if the executive officers prepare the documents necessary for the transformation. In the latter case, draft statements of assets and liabilities and draft inventories of holdings pertaining to the reference date specified by the executive officers within the preceding six months, and approved by the auditor, shall be presented for the meeting.

(2) If two resolutions of the supreme body is required for transformation, on the first occasion, based on the proposal of the executive officers that is opined on by the supervisory board where applicable, the business association's supreme body shall establish whether the members (shareholders) of the business association agree on the intent to go into transformation, pass a decision as to the corporate form to be adopted, and shall assess which of the members (shareholders) of the business association intend to become a member (shareholder) of the successor business association.

(3) If the members (shareholders) consented to the transformation proposal by the percentage of votes prescribed for the business association in question, the supreme body shall specify the reference date for the draft statements of assets and liabilities, select an auditor, and shall instruct the company's executive officers to prepare the draft statements of assets and liabilities and the supporting draft inventories of holdings, along with all other documents which are necessary to pass the decision for transformation, whether prescribed by legal regulation or by the supreme body.

(4) The executive officers shall prepare the draft statement of assets and liabilities and draft inventory of holdings for the predecessor business association, and the (opening) draft statement of assets and liabilities and draft inventory of holdings for the successor business association, the draft memorandum of association of the successor business association, and a proposal for settlement with the members (shareholders) who do not wish to transfer into the successor business association.

(5) The draft statement of assets and liabilities of the business association established by way of transformation may differ from the draft statement of assets and liabilities of the business association undergoing transformation.

Section 72.

(1) Where Subsection (5) of Section 71 applies, a transformation strategy is required.

(2) A transformation strategy is required if the difference stems from the following reasons:

a) the financial contributions of new members (shareholders) joining the business association simultaneously upon transformation;

b) the additional contribution of existing members (shareholders) to be provided subsequently, imposed as a condition of transformation;

c) the proportion of the assets due to members (shareholders) not wishing to take part in the business association established by way of transformation.

(3) A transformation strategy is required also if the business association undergoing transformation revalues its assets and liabilities shown in the annual report prepared pursuant to the Accounting Act.

(4) The transformation strategy shall indicate the reasons for the rearrangement of the capital structure and the ways proposed to accomplish it.

(5) The transformation strategy shall be provided attached with the draft statement of assets and liabilities.

(6) Outside of statutory requirement, a transformation strategy may be prepared also if deemed necessary by the executive officers with a view to facilitate the decision of transformation, and for better preparation of the meeting of the supreme body. The transformation strategy shall be signed by the executive officer of the company undergoing transformation.

Section 73.

(1) The draft statement of assets and liabilities shall be prepared using the procedures prescribed for the balance sheet of the annual report prepared pursuant to the Accounting Act, in the breakdown prescribed by the Accounting Act. The business association undergoing transformation may, however, revalue its assets and liabilities shown in the balance sheet of the annual report prepared pursuant to the Accounting Act.

(2) The business association undergoing transformation shall be allowed to present its balance sheet of the annual report prepared pursuant to the Accounting Act in lieu of the draft statement of assets and liabilities if the balance sheet is dated not more than six months prior to the date when the final decision for transformation was adopted, and the company did not revalue its assets and liabilities.

(3) The detailed regulations for preparing draft statements of assets and liabilities, draft inventories of assets and those of the revaluation, as well as the provisions on the establishment of the planned equity and subscribed capital of the business association established by way of transformation are contained in the Accounting Act.

(4) The draft statements of assets and liabilities and the draft inventories of holdings shall be examined by an auditor and by the supervisory board, where applicable. The auditor of the business association is not entitled to conduct this examination, nor any auditor who has audited the company's books or examined the value of an in-kind contribution within two financial years preceding the reference date of the draft statement of assets and liabilities prepared for the transformation. The auditor who examined the draft statement of assets and liabilities of the transformation may not be appointed as the auditor of the successor business association for a period of three financial years after registration of the business association.

(5) The value of the assets of the business association and the amount of its own funds may not be established at a value which is higher than the value approved by the auditor.

Section 74.

(1) The supreme body shall adopt a decision concerning the approval of the draft statement of assets and liabilities and its appendices during the meeting called to make a final decision concerning the company's transformation. The reference date of the draft statement of assets and liabilities may not precede the date of the decision by more than three months, with the exceptions set out in Subsection (1) of Section 71 and Subsection (2) of Section 73. The reference date may precede the date of the meeting adopting such decision.

(2) The share of the members (shareholders) of the successor business association from the planned subscribed capital shall be determined based on the draft statement of assets and liabilities upon the proposal of executive officers, as shall the share of the assets due to the members (shareholders) who did not wish transfer to the successor business association, and the procedure for settlement therefor.

(3) In the process of settlement the sums payable to members withdrawing from the company shall be calculated to keep it consistent with the percentage of financial contribution the member has provided for the capital of the

predecessor business association, unless another method of settlement is prescribed in the memorandum of association for the eventuality of termination of membership. The same percentage applies for the member's share from the predecessor's own funds (adjusted by the revaluation difference if necessary). If the sum payable to the member is to be established at market value, the company's assets must be revalued in due observation of the relevant provisions of the Accounting Act. No share may be paid to member if the predecessor's own funds are zero or negative.

(4) If the equity capital of the business association established by way of transformation shown in the draft statement of assets and liabilities remains below the minimum capital requirement prescribed by law, or the amount of subscribed capital specified in the successor's draft memorandum of association, after having isolated the share of members (shareholders) who did not wish to transfer to the successor business association, or for other reasons, the transformation shall be abolished, unless the members (shareholders) of the successor business association - with a view to accomplish the transformation - make the difference available to the business association themselves or by way of third parties prior to the application for registration, and shall amend the draft transformation documents accordingly. Instead of a capital supplement, it will suffice to have the draft transformation documents reworked if the own funds available is enough to cover the statutory subscribed capital requirement of the successor.

(5) The share of assets due to members (shareholders) not wishing to take part in the successor business association shall be disbursed within a period of thirty days after the registration of the successor business association, unless an agreement with the persons concerned specifies a later time.

(6) The supreme body may specify at the meeting called to make a final decision concerning the business association's transformation the date and time - in accordance with Subsection (2) of Section 57 of the CRA - when the legal aspects of transformation shall take effect.

Section 75.

(1) The employees' interest representation organs of the business association shall be informed of the decision on transformation.

(2) The business association shall publish a notice concerning the signature of its memorandum of association in two consecutive volumes of the Cégközlöny (Company Gazette) within eight days of the date of signature.

(3) The above-specified public notice shall contain:

a) the corporate name, registered office and registration number of the business association undergoing transformation;

b) the corporate form, name and registered office of the business association established;

c) the date of signature of the memorandum of association of the business association established;

d) the key components of the draft statement of assets and liabilities of the predecessor and the successor business association, such as in particular the amount of own funds and subscribed capital, and the balance sheet total;

e) the primary activity of the business association established;

f) the name and domicile of the executive officers of the business association established;

g)

h) a notice to the creditors [Subsection (2) of Section 76].

Section 76.

(1) Transformation shall not result in the expiration of claims outstanding against the business association undergoing transformation.

(2) Any creditors, whose unexpired outstanding claims against the business association undergoing transformation originated prior to the first publication of the resolution on transformation, may demand collateral security up to the amount of their claims from the business association undergoing transformation within a thirty day forfeit deadline following the second publication of the said resolution.

(3) If the liability of a member (shareholder) for the liabilities of the business association undergoing transformation is limited during the existence of the business association, the provision included in Subsection (2) shall be applied only if the equity capital of the business association established by way of transformation is lower than that of the predecessor business association as at the time of making a decision on transformation.

Title 4

Special Provisions Relating to the Merger of Business Associations

Section 77.

(1) In the course of mergers, the provisions of the Act on the Prohibition of Unfair Trading Practices and Unfair Competition relating to the control of concentrations between companies shall also be applied.

(2) If any of the business associations are not entitled to certain rights (e.g. the right to issue shares) from among the merging business associations, only those business associations which possessed such rights may be considered as legal predecessor with respect to the exercise of such rights.

Section 78.

(1) The supreme bodies of the merging business associations shall adopt two resolutions in connection with the merger, unless the memorandum of association provides otherwise. The provisions of Subsection (1) of Section 71 shall also be observed. The merging business associations may hold all or any of the meetings together, however, the decisions of the merging companies shall be adopted separately nonetheless.

(2) On the first occasion, based on the proposal of the executive officers that is opined on by the supervisory board, where applicable, and prepared following consultation with the executive officers of the other business associations concerned and upon the detailed information provided on the other business association or associations involved in the merger, the supreme bodies of the merging business associations shall establish whether the members (shareholders) of the business association agree on the intent to go into merger and on the proposed method, pass a decision as to the corporate form to be adopted, and shall assess which of the members (shareholders) of the business association intend to become a member (shareholder) of the successor business association.

(3) If the members (shareholders) consented to the merger proposal, provided that the supreme bodies of the other business association or associations involved in the merger reached the same conclusion, the supreme body shall specify the reference date for the draft statements of assets and liabilities, select an auditor, and shall instruct the company's executive officers to prepare - working together with the executive officers of the other business association or associations involved in the proposed merger - the draft statements of assets and liabilities and the supporting draft inventories of holdings, along with all other documents which are necessary to pass the decision for transformation, whether prescribed by legal regulation or by the supreme body, and the merger agreement.

(4) With respect to mergers the provisions of Subsections (4)-(5) of Section 71 and Sections 72-74 shall also apply, with the exception that no transformation strategy is required for mergers; nevertheless, the requirements set out in Subsections (4)-(5) of Section 71 and in Section 72 shall be fixed in the merger agreement.

(5) A draft statement of assets and liabilities supported by draft inventories of holdings shall be prepared for each of the business associations participating in the proposed merger, and also for the new company. The provisions of Section 73 shall also apply to mergers of business associations, with the exception that the same auditor may be hired by all of the merging business associations to examine their draft statement of assets and liabilities.

(6) Upon reaching consensus for the merger in principle, the executive officers of the business associations involved in the merger shall provide all information to the members (shareholders) of such business associations regarding the affairs of the business associations related to the merger.

Section 79.

(1) The executive officers of the merging business associations - if the supreme bodies of all business associations consented to proceed with the merger - shall collaborate in line with the decisions of the supreme bodies to draw up the draft version of the merger agreement - that is to contain, in addition to the requirements set out in Subsection (4) of Section 78, the following:

a) the corporate name, registered office and registration number of the merging business associations, the corporate form, name and registered office of the new business association;

b) the type of merger (merger by the formation of a new company or merger by acquisition);

c) in respect of merger by acquisition, the necessary amendment in the memorandum of association of the acquiring business association;

d) in respect of merger by the formation of a new company, the draft of the memorandum of association of the new business association.

e) any other information required by this Act for the various forms of business associations, and that is deemed necessary by the supreme bodies of the merging companies.

(2) The supreme bodies of the merging business associations shall adopt a decision concerning the approval of the draft statement of assets and liabilities and its appendices. The provisions of Subsections (1)-(3) of Section 70, Section 74 and Section 76 shall also apply to mergers.

(3) The merger agreement shall be signed by the executive officers of the merging business associations under authorization by the supreme bodies approving it.

(4) The employees' interest representation organs of the business associations involved shall be informed concerning the merger within fifteen days of the approval of the merger agreement.

(5) The business associations involved in the merger shall publish a notice when a final decision on the merger has been adopted by all companies concerned in two consecutive volumes of the Cégközlöny (Company Gazette) within eight days of the date when the decision was made. The above-specified public notice shall specify the type of merger in addition to the requirements set out in Subsection (3) of Section 75. The notice shall be published by the business association designated collectively by the merging business associations from among themselves.

Section 80.

(1) In respect of merger by the formation of a new company the merging business associations shall cease to exist and shall transfer all their assets and liabilities to the new business association that they set up.

(2) In respect of merger by the formation of a new company, the value of own capital contributions and the face value of shares of the business associations, as well as the value of their mutual participation shall be disregarded when establishing the subscribed capital of the successor business association.

Section 81.

(1) In respect of merger by acquisition, the business association being acquired shall cease to exist and all its assets and liabilities shall be transferred to the acquiring business association, whose corporate form shall remain unchanged.

(2) In respect of merger by acquisition, the face value of the shares of the business association being acquired in the acquiring business association shall be disregarded when establishing the subscribed capital of the successor business association.

(3) In respect of merger by acquisition, the initial capital (share capital) of an acquiring private limited-liability company or public or private limited company may not be increased by the value of own capital contributions or the face value of shares owned by the business association being acquired.

(4) In respect of merger by acquisition, the initial capital or share capital of the acquiring private limited-liability company or public or private limited company may not be increased by the value of those capital contributions or the face value of shares of the business association being acquired which are owned by the acquiring business association.

(5) The value of the participation indicated under Subsections (2)-(4), or the value of the capital contributions or the face value of shares may no longer be included in the draft statement of assets and liabilities of the business association being established.

Title 5

Special Provisions Relating to the Demerger of Business Associations

Section 82.

(1) A single-member business association may also split into two or more business associations. In these cases in lieu of a demerger agreement a demerger instrument shall be prepared.

(2) In the demerger of a business association, a member of the predecessor company may also acquire membership in all successor companies.

Section 83.

(1) The supreme body of the demerging business association shall adopt two resolutions in connection with the demerger, unless the memorandum of association provides otherwise. The provisions of Subsection (1) of Section 71 shall also be observed.

(2) On the first occasion the supreme body of the demerging company shall resolve the issues referred to in Subsections (2)-(3) of Section 71, decide on the corporate forms for the successor companies, and shall conduct a survey among the members (shareholders) of the business association to establish which successor business association they intend to join, if any.

(3) The executive officers shall prepare the draft statements of assets and liabilities and draft inventories of holdings for the demerging company and for all successors remaining after the demerger. These drafts and other duties of the executive officers related to peremptory resolutions shall be governed by Subsections (4)-(5) of Section 71.

(4) The provisions of Subsections (4)-(5) of Section 71 and Sections 72-74 shall duly apply to demerger, with the exception that no transformation strategy is required for demergers; nevertheless, the requirements set out in Subsections (4)-(5) of Section 71 and in Section 72 shall be fixed in the demerger agreement.

(5) The draft version of the demerger agreement shall be prepared by the executive officers in observance of the provisions adopted during the meeting of the supreme body for adopting a decision in principle concerning the demerger. Apart from what is contained in Subsection (4), the draft shall indicate:

a) the form, corporate name, registered office and registration number of the demerging business association, and the form, corporate name and registered office of the business associations being established;

b) the type of demerger (division, separation);

c) the proposal for the distribution of assets, that is, the distribution of the assets of the business association among the members (shareholders) of the demerging business association, as well as the proposal on the division of the rights and obligations of the demerging business association; furthermore, the proposed ratio of distribution of the assets of the predecessor among the successors;

d) the name of the successor in connection with certain entitlements and commitments, pending lawsuits and non-judicial proceedings and other official actions;

e) in the case of separation, the draft of the amendments deemed necessary in the memorandum of association of the remaining business association, and the draft memorandum of association for the successor companies;

f) in the case of division, the draft memorandum of association for the new companies created;

g) any other information required by this Act for the various forms of business associations in connection with demergers, and that is deemed necessary by the supreme bodies of the demerging companies.

Section 84.

(1) The supreme body of the demerging company shall adopt a decision concerning the approval of the drafts and documents referred to in Section 83, and shall instruct the company's executive officers to rework the demerger agreement and the memorandum of association of the successors (amendments of the memorandum of association) to the extent necessary.

(2) The employees' interest representation organs of the demerging business association shall be informed concerning the signature of the demerger agreement within fifteen days of the date of signature.

(3) The demerger agreement shall be signed by the members of the demerging company and by the members (future members) of the successors. The memorandum of association of the successor shall be signed only by the future members of the successor company.

(4) A The demerging company shall publish a notice concerning the signature of the demerger agreement and the memorandum of association of the successor companies in two consecutive volumes of the Cégközlöny (Company Gazette) within eight days of the date of signature.

(5) In addition to what is contained in Subsection (3) of Section 75, the notice of demerger shall contain the following:

a) the type of demerger (division, separation);

b) the key provisions of the agreement concerning the division of the rights and obligations of the demerging business association, in particular, the ratio of the distribution of assets;

c) a notice to creditors, and information as to the availability of provisions relating to the distribution of assets for the creditors in connection with their claims during the time limit posted in the notice.

Section 85.

(1) The provisions of Subsections (1)-(3) of Section 70 shall also apply to demergers. The successors of the demerging business association - including the business association that was split up - shall be liable for the obligations of the demerging company originating prior to demerger according to the provisions contained in the demerger agreement, unless otherwise provided in this Act. The rights of the demerging company obtained prior to the distribution of assets may be enforced subsequent to the demerger by the successor upon whom the demerger agreement has installed the right in question.

(2) If any assets or claims have not been provided for in the demerger agreement, or it becomes known subsequently, such assets or claims, or the value (enforcement right) thereof shall be due to all successor business associations in proportion to the distribution of assets.

(3) Where any liability is not provided for in the demerger agreement, or it becomes known subsequently, the liability of the successor business associations (including the one that remains after the demerger) shall be joint and several.

(4) Any liability expressly specified in the demerger agreement shall be claimed - first and foremost - from the successor upon whom the demerger agreement has installed the liability in question by way of the distribution of assets. If the successor fails to satisfy this claim, all successors shall be subject to joint and several liability. Settlement among the successors shall be based on the asset distribution provision contained in the demerger agreement, or failing this, the ratio of the distribution of assets.

(5) The liability of the members (former members) of the demerging business association for the liabilities of the demerging company shall be governed under Subsections (3)-(6) of Section 70.

Section 86.

(1) In respect of separations, the business association from which separation is effected shall continue to operate in its previous form following the proper amendment of its memorandum of association, while a new business association is established with the participation of the separating members (shareholders) and use of a part of the assets of the business association.

(2) Separation may also be effected by the separating members to transfer a certain amount of the company's assets to an existing company, i.e. the receiving company. In these cases the receiving company shall also be a party to the demerger agreement. The provisions on merger by acquisition shall apply to these procedures as well.

(3) In respect of divisions, the business association being divided shall cease to exist and its assets shall be transferred to the business associations being established as successors through transformation.

Title 6

Duties Following the Registration of Transformation

Section 87.

(1) Upon registration of the successor business association with the predecessor indicated, with the exception of the predecessor business association in the case of separation, and the acquiring business association in the case of an acquisition merger, the predecessor business association shall be cancelled from the register of companies with the predecessor indicated.

(2) Within a period of ninety days after registration of the business association established by way of transformation, a final statement of assets and liabilities shall be prepared as at the date of registration or the date of transformation the company has indicated [Subsection (2) of Section 57 of the CRA], both for the predecessor business association and the successor business association. A positive difference between the equity capital shown in this statement of assets and liabilities and in the draft statement of assets and liabilities drawn up for the transformation shall be accounted as assets over the subscribed capital, whereas in the case of a negative difference, unless the assets over the subscribed capital provide cover for such and the members failed to provide cover within the ninety-day deadline specified in the prior, the subscribed capital shall be reduced. The detailed regulations on the final statement of assets and liabilities are contained in the Accounting Act.

(3) If the court of registry refuses to register the transformation, the business association intending to transform shall continue to operate in its previous form.

Part II

REGULATIONS PERTAINING TO SPECIFIC FORMS OF BUSINESS ASSOCIATIONS

Chapter VII

GENERAL PARTNERSHIPS

Section 88.

(1) By virtue of the memorandum of association for the establishment of a general partnership (hereinafter referred to in this Chapter as "partnership"), the members of the partnership shall undertake to jointly engage in business operations with unlimited and joint and several liability, and to make available to the partnership the capital contribution necessary for such activities.

(2) The designation "közkereseti társaság" (general partnership), or its abbreviation "kkt.", shall be indicated in the corporate name of the partnership.

Title 1

Internal Relations of Partnerships

Section 89.

(1) No member shall be required to increase his capital contribution in excess of the amount set forth in the memorandum of association, or to supplement such contribution in the event of loss.

(2) No member may reclaim his capital contribution or the value thereof during the existence of the partnership or his membership therein.

Section 90.

(1) Unless otherwise provided by the memorandum of association, profits and losses shall be distributed among the members in proportion to their capital contributions. An agreement for the exclusion of any member from the profits or from the bearing of losses shall be null and void.

(2) The decision for the approval of the annual report prepared pursuant to the Accounting Act lies with the meeting of members.

Section 91.

(1) Any member of the partnership may participate personally in the activity of the partnership pursuant to the memorandum of association or under a separate agreement with the other members.

(2) The provision of management and representation duties shall not be treated as personal participation, nor shall the performance of work under contract of employment or under any civil contractual relationship.

(3) Members may be entitled to remuneration for their personal participation pursuant to the memorandum of association or under a separate agreement with the other members.

Title 2

Meeting of Members

Section 92.

(1) The supreme body of a general partnership is the meeting of members, in the activity of which all members shall take part in person.

(2) The members may install detailed provisions in the memorandum of association for calling meetings of members and for the procedure of passing resolutions.

Section 93.

(1) The meeting of members shall have powers to resolve all matters which the law or the memorandum of association confers under the competence of the partnership's supreme body. Members may tender the decision of any matter under the competence of the meeting of members by a three-quarters majority of the votes.

(2) In the matters conferred under the competence of the meeting of members - exclusive of adopting the annual report prepared pursuant to the Accounting Act - members may adopt a decision without having to hold a meeting, by way of fixing their votes in writing or in some other verifiable manner, except if any member requests a meeting. The memorandum of association may contain provisions to preclude the option for adopting resolutions without a meeting in connection with other issues as well.

(3) In the process of adopting resolutions, each member shall have an equal vote. The memorandum of association may contain provisions to the contrary; however, each member shall have at least one vote.

(4) The meeting of members shall adopt its resolutions by simple majority of the votes calculated in comparison to the number of all eligible votes. Any provision of the memorandum of association to the contrary shall be null and void. In general, resolutions shall be adopted by simple majority of the votes, except for the issues where a three-quarters majority of the votes or a unanimous vote is required by law or by the memorandum of association.

(5) A resolution adopted by a three-quarters majority of the votes is required for the withdrawal of the rights of management and representation. With the exceptions set out in Subsections (2)-(3) of Section 18, a resolution adopted by the unanimous vote of all members shall be required for any amendment of the memorandum of association, and for the transformation or termination without succession of the partnership.

(6) With the exceptions set out in Subsections (2)-(3) of Section 18, amendments of the memorandum of association shall be signed by all members.

Title 3

Management, Representation

Section 94.

(1) Unless otherwise provided in the memorandum of association, all members shall be entitled to the management of the partnership without any time limitation.

(2) In the memorandum of association, the members may entrust one member or several members with the management, in which case the other members shall not be entitled to exercise management.

(3) The member of the partnership with legal personality shall appoint a natural person to exercise management on its behalf. In these cases the personal provisions relating to executive officers shall apply to the said representative of the legal person.

Section 95.

(1) All matters which are not decided by the meeting of members shall be resolved by the management.

(2) Each member entitled to management may act independently. Members entitled to management may raise an objection against the planned actions of another member who is also entitled to management. In such cases, the meeting of members shall have powers to override the action in question. With the exception of urgent measures, the measure concerned may not be taken until a resolution is adopted by the meeting of members.

(3) The memorandum of association may provide that several members entitled to management may only act collectively. If the members fail to agree, any one of them shall be entitled to request a decision on the issue by the meeting of members. However, urgent measures may also be taken independently by the members entitled to management. All other members entitled to management shall be informed of such measures without delay.

Section 96.

The members entitled to management shall act as the legal representatives of the partnership and shall exercise their right to sign for the partnership in accordance with the contents of the memorandum of association.

Title 4

Legal Relations of Partnerships with Third Parties

Section 97.

(1) A partnership shall be primarily liable for its obligations with its assets. If the assets of the partnership do not cover an obligation, the members shall bear unlimited and joint and several liability with their private assets for the obligations of the partnership.

(2) Without prejudice to their subsidiary liability, members may also be sued together with the partnership. Decisions in favor of the plaintiff may be passed and enforcement may be carried out in connection with the assets of the partnership without the members being involved in the proceedings, however, such decision may be passed concerning the private assets of members only with their involvement in the proceedings.

(3) Unless otherwise provided in the memorandum of association, the liability of a new member for the obligations originating prior to his admission to the partnership shall be identical to that of all other members.

Section 98.

For the purposes of security or satisfaction, creditors of members may not make use of any assets or rights of title which have been transferred to the partnership by a member. Cover for creditors' claims against members shall be limited to the partner's share from the partnership's assets, which is due upon the termination of the partnership or his membership. If a creditor files to have this share attached, he shall be entitled to exercise the right of cancellation that is customarily due the member, but he shall not be entitled to demand that the member's share be delivered in kind.

Title 5

Termination of Membership

Section 99.

Membership shall terminate:

a) if the member failed to provide his capital contribution specified in the memorandum of association despite an order to this effect;

b) upon mutual agreement of the members;

c) upon expulsion of the member;

d) by ordinary notice;

e) upon termination with immediate effect;

f) upon transfer of partnership share;

g) upon death or termination of the member;

h) if continued existence is deemed unlawful.

Section 100.

(1) Members may terminate their membership in writing with a notice period of three months in a partnership founded for an indefinite period of time (ordinary notice). Any exclusion or restriction of this right shall be null and void. If the expiration of the notice period falls at an unsuitable point in time, the other members may extend the notice period by an additional three months maximum.

(2) Members may terminate their membership in writing with immediate effect, indicating the reason, if any other member of the partnership is engaged in a grave breach of the memorandum of association or in any conduct which seriously endangers cooperation with such member or the achievement of the purpose of the partnership.

(3) The partnership may file a lawsuit to declare any termination of membership, whether by ordinary notice or with immediate effect, within a fifteen-day forfeit deadline upon being notified.

Section 101.

(1) Any member of a partnership may assign his participation (rights and obligations) in the partnership, either to another member or to a third party by way of a contract fixed in writing. The assignment shall take effect upon the amendment of the memorandum of association.

(2) The amendment of the memorandum of association is required for the spouse of a member to gain admission into the partnership on the grounds of division of community or marital property, whether on the strength of a judgment or an agreement with the other spouse.

Section 102.

(1) Accounts shall be rendered with members withdrawing from the partnership, not including the assignment of a member's participation, according to the situation existing at the time of termination of membership.

(2) A member withdrawing from the partnership shall be entitled for a share from the partnership's capital consistent with his original contribution to the partnership's subscribed capital, unless there is an agreement between the member and the partnership to the contrary.

(3) The share payable to a member withdrawing from the partnership's own capital shall be calculated based on the market value, unless there is an agreement to the contrary.

(4) The market value referred to in Subsection (3) may be determined based on the adjusted own capital. In determining the adjusted amount of own funds the partnership may revalue its assets and liability shown in the books (including technical reserves and accruals and deferred items), and may take into consideration the assets and liabilities, which are in compliance with the criteria set out in Section 23 of the Accounting Act, whose value is not shown in the books.

(5) Unless the partnership and the member agree otherwise, the claim of a member withdrawing from the partnership shall be satisfied in cash within a period of three months after termination of membership.

Section 103.

Based on an agreement with the members of the partnership, the heir of a member who has died, or the successor of a member that has ceased to exist, may join the partnership as a member. In the absence of such agreement, the provisions of Section 102 shall be applied for the settlement of accounts with the heir or the defunct member.

Section 104.

(1) Any member withdrawing from the partnership - including the member who has assigned his participation in the partnership - shall remain to be liable for the partnership's liabilities vis-Ä-vis third parties originating from prior to the termination of his membership within a forfeit deadline of five years, in the same way as before the termination of his membership. This provision applies to the successor of such defunct member irrespective of whether or not the successor joins the partnership.

(2) The heir of a member who has died shall, if he does not join the partnership, be liable for the liabilities of the partnership originating prior to the predecessor's death in accordance with the rules of liability for the testator's liability for a forfeit period of five years.

Title 6

Termination of Partnerships

Section 105.

(1) If, as a result of termination of membership, the number of the members of the partnership declines to one, the partnership shall cease to exist only in the event that no new members are reported to the court of registry within a six-month forfeit deadline.

(2) Until the new member is admitted, or until a receiver is appointed by the court of registry the sole remaining member shall be considered to be entitled to manage and represent the partnership, even if did not have this entitlement previously.

Section 106.

In the event of termination of a partnership without succession, unless otherwise provided by the memorandum of association, assets remaining after settlement of all debts shall be distributed among the members in proportion to their capital contribution.

Section 107.

(1) The conversion of any general partnership into a limited partnership or any limited partnership into a general partnership is subject to the amendment of the memorandum of association. Such conversions shall not be subject to the provisions of Chapter VI.

(2) Settlement with the members who do not wish to participate in the partnership in its new form shall be governed by the provisions contained in Section 102.

(3) If, in connection with the conversion of a general partnership into a limited partnership, the liability of a member whose liability was previously unlimited is changed to limited liability; however, this member shall remain to have unlimited liability for the partnership's liabilities vis-Ä-vis third parties originating from prior to the change in his liability within a forfeit deadline of five years.

Chapter VIII

LIMITED PARTNERSHIPS

Section 108.

(1) By virtue of the memorandum of association for the establishment of a limited partnership (hereinafter referred to in this Chapter as "partnership"), the members of the partnership shall undertake to jointly engage in business operations, where the liability of at least one member (general partner) for the obligations not covered by the assets of the partnership is unlimited, and is joint and several with all other general partners, while at least one other member (limited partner) is only obliged to provide the capital contribution undertaken in the memorandum of association, and, with the exceptions set out in this Act, is not liable for the obligations of the partnership.

(2) The designation "betéti társaság" (limited partnership), or its abbreviation "bt.", shall be indicated in the corporate name of the partnership.

(3) Unless otherwise provided in this Chapter, the regulations on general partnerships shall also apply to limited partnerships.

Section 109.

(1) With the exception set out in Subsection (2) of Section 110 or unless otherwise provided in the memorandum of association, limited partners are not entitled to exercise management of the partnership. However, limited partners shall also take part in the meetings of members.

(2) Limited partners shall not be entitled to represent or sign on behalf of the partnership, with the exception set out in Subsection (2) of Section 110 or unless the memorandum of association provides otherwise. Authorization to represent the partnership may be granted by the legitimate representative, or by the meeting of members, to the limited partner as well.

(3) Where a limited partnership has only one member who can lawfully exercise management and representation, this member shall be vested with such entitlement without any time limitation, unless the memorandum of association provides otherwise.

(4) Any limited partner, who formerly functioned as the partnership's general partner, shall remain to be liable for the partnership's liabilities vis-Ä-vis third parties originating from prior to the change in his liability within a forfeit deadline of five years following termination of his status of general partner.

Section 110.

(1) If all general partners or all limited partners withdraw from the partnership, the partnership shall cease to exist within a six-month forfeit deadline from the date of withdrawal of the last general partner or last limited partner, unless the partnership amends its memorandum of association in conformity with the statutory requirements to continue operating in the form of a limited partnership or general partnership within the said deadline, and if it notifies the court of registry accordingly.

(2) If the partnership has no member remaining with proper entitlement to exercise management and representation, until the notification referred to in Subsection (1) is submitted, or until a receiver is appointed by the court of registry in the event of non-compliance within the said forfeit deadline, the limited partner shall also be considered to be entitled to manage and represent the partnership.

Chapter IX

PRIVATE LIMITED-LIABILITY COMPANIES

Section 111.

(1) Private limited-liability companies (hereinafter referred to in this Chapter as "company") are business associations founded with an initial capital (subscribed capital) consisting of capital contributions of a pre-determined amount, in the case of which the liability of members to the company extends only to the provision of their capital contributions, and to other possible contributions as set forth in the memorandum of association. With the exceptions set out in this Act, members shall not be liable for the liabilities of the company.

(2) The designation "korlátolt felelősségű társaság" (private limited-liability company), or its abbreviation "kft.", shall be indicated in the corporate name.

Title 1

Foundation

Section 112.

Members may not be solicited by public invitation.

Section 113.

(1) In addition to what is contained in Subsection (1) of Section 12, the following shall be defined in the memorandum of association:

a) the amount of capital contribution of each member;

b) the extent of voting rights.

(2) The memorandum of association shall contain provisions, if necessary, concerning the matters which are conferred under the competence of the memorandum of association above and beyond what is contained in Subsection (1).

Section 114.

(1) The initial capital of the company consists of the capital contribution of the individual members. The amount of initial capital may not be less than three million forints.

(2) Capital contributions are provided by the members in cash and in kind to comprise the capital of the company.

(3) Members shall determine the value of their own in-kind contributions, and they shall be approved by the other members. Where the members determined the value of their in-kind contribution without the help of an auditor or other expert, they shall demonstrate the criteria used to value the contributions. These statements shall be attached with the statement of the managing director made according to Subsection (1) of Section 117.

(4) The capital contributions of members may be of varying value, however, the value of each contribution may not be less than three hundred thousand forints. Capital contributions shall be expressed in forints and shall be exactly divisible by ten thousand.

(5) Each member shall have one capital contribution. However, according to the provisions of common property, one capital contribution may have several owners.

Section 115.

(1) A company may be registered only if, prior to the submission of the application for registration, at least half of each cash contribution has been deposited into the company's bank account.

(2) If the full amount of cash contributions is not paid up at the time of the foundation of the company, the method and due date of the payment of the remaining amounts shall be specified in the memorandum of association. All cash contributions shall be paid up within a period of one year following registration of the company.

Section 116.

(1) In-kind contributions shall be made available to the company at the time and in the manner specified in the memorandum of association.

(2) If the value of in-kind contributions at the time of foundation amount to at least half of the initial capital, it shall be made available to the company in its entirety at the time of foundation.

(3) If the in-kind contribution was not made available to the company in its entirety at the time of foundation, it shall be provided within three years from the company's registration.

Section 117.

(1) Simultaneously upon submission for registration to the court of registry, the managing directors shall certify fulfillment of the conditions contained in Subsection (1) of Section 115 and in Subsection (2) of Section 116.

(2) Following registration, the managing director shall report to the court of registry when the capital contribution of each member is paid up in full.

Section 118.

(1) Members of the company are required to pay up the cash contributions and to make available the contributions in kind. Members of the company may not be exempted from such payment, and any offsetting of payments with the company is not permitted.

(2) During the company's existence, members may not reclaim from the company the capital contributions which they have provided, apart from capital reduction.

Title 2

Relationship between the Company and its Members

Section 119.

(1) In addition to providing their capital contributions, company members may undertake to perform other services of value (hereinafter referred to as "ancillary services"). Work performed by the members themselves - other than in the capacity as elected officers - may also be treated as ancillary services if it is not based on an employment or any civil relationship. The conditions for performing ancillary services shall be provided for in the memorandum of association.

(2) Members may be entitled to remuneration for ancillary services.

(3) The transfer of a business share shall terminate the obligation to perform ancillary services, unless the party acquiring the business share assumes such obligation with the consent of the company.

Section 120.

(1) In order to cover losses, the memorandum of association may authorize the members' meeting to order an obligation upon the members to provide supplementary capital contributions. The maximum amount payable by members on this basis, as well as the method, frequency and timing of performing supplementary capital contributions shall be specified in the memorandum of association. The amount of supplementary capital contributions shall not comprise a part of members' initial contribution to the capital.

(2) Unless otherwise provided by the memorandum of association, the obligation of supplementary capital contributions shall be established and performed consistent with the percentage of contributions to the company's capital. Supplementary capital contributions may also be ordered prior to the full payment of all capital contributions.

(3) The provisions of Section 14 and Section 138 shall be applied to any failure to provide supplementary capital contributions in due time, with the exception that the amount of unpaid supplementary capital contributions, which are owed to the company, shall be deducted from the purchase price of business shares.

(4) Supplementary capital contributions which are not required to cover losses shall be repaid to the members listed in the register of members (Section 150) at the time of repayment. Such repayment, however, may only take place after full payment of all capital contributions. Any supplementary capital contribution applicable to the member's own business share shall not be repaid.

Section 121.

(1) Following registration of the company, the rights of members and their share from the assets of the company are embodied by their business shares. Unless otherwise prescribed in the memorandum of association, the business shares of members shall be consistent with their respective capital contributions. Identical membership rights shall be attached to equivalent business shares. The memorandum of association may, however, invest certain business shares with membership rights which are different from those of other business shares.

(2) Each member may have only one business share. If a member acquires another independent business share, his business share shall increase by the business share acquired.

Section 122.

(1) One business share may be owned by several persons. These persons shall be treated as a single member from the standpoint of the company; their rights, including the conclusion of the memorandum of association, may be exercised only by their joint representative, and they shall bear joint and several liability for the member's obligations.

(2) The joint representative shall notify the company of all changes in the person or ownership ratio of co-owners. A change in the person of the joint representative shall be reported to the company by the new joint representative.

Section 123.

(1) With the exception of the company's own business share (Section 135), business shares may be freely transferred among the members of the company. Members may grant each other pre-emption rights in the memorandum of association, or may restrict or render conditional the transfer of business shares to third persons by other means.

(2) With the exceptions contained in Section 138 and in Subsection (3) of Section 120, business shares may be transferred to third persons only if the member concerned has paid up his capital contribution in full. The member concerned, the company, or a person designated by the members' meeting shall, in this order, have pre-emption rights for business shares to be transferred by means of a contract of sale, provided that this is not precluded or restricted by the memorandum of association.

(3) If the member concerned fails to make his position known within fifteen days after the offer for purchase is communicated, he shall be considered not to have forfeited his pre-emption right. For the company or for the person it has designated, the deadline shall be thirty days from such notice. The latter deadline shall also apply to the consent specified in Section 126.

Section 124.

When the business share of a member is offered for sale in the course of judicial enforcement proceedings, other members, the company, or a person designated by the members' meeting shall, in this order, have pre-emption rights for such business share in judicial auctions. In the course thereof, the provisions of Section 123 shall apply to the exercise of the pre-emption rights, with the exception that the members' meeting shall have the right to exercise the company's pre-emption right in both cases.

Section 125.

(1) Any transfer of pre-emption rights shall be null and void.

(2) A lawsuit for declaring a contract null and void that was concluded in violation of pre-emption rights may only be lodged within a one year forfeit deadline following the date of the contract.

Section 126.

(1) Members may render any transfer of business shares to non-member parties subject to the consent of the company. The conditions for granting or refusing such consent shall be provided for in the memorandum of association and the right to make such decision lies with the members' meeting.

(2) The transfer of business shares based on legal grounds other than a contract of sale may be excluded or restricted in the memorandum of association.

Section 127.

(1) In the event of the transfer of business shares, the rights and obligations of the transferor attached to his membership shall pass to the party acquiring the business shares.

(2) Business shares may only be transferred under a written contract.

(3) The memorandum of association need not be amended as a result of any transfer of business shares.

(4) In order for the change of ownership and date thereof to be entered in the register of members (Section 150), the party acquiring the business share shall notify the company within eight days. The notice shall be drawn up in an authentic instrument or a private document representing conclusive evidence, and the sales contract for the business share shall be attached. The notice, in addition to the fact of acquiring the business share, shall also contain a statement that the party acquiring the business share acknowledges the provisions of the memorandum of association as binding.

Section 128.

(1) Upon the death or termination of a member, his business share shall pass on to his legal successor. The memorandum of association may prohibit such transfer, in which case the memorandum of association shall provide for redemption of the business share by the members or the company.

(2) If a member is terminated without succession, the company shall proceed to open property distribution proceedings (Section 119 of the CRA) within three months of receiving notice concerning the member's termination. If the business share of the member terminated without succession is not claimed in the property distribution proceedings, it shall be withdrawn without delay.

Section 129.

(1) Where a member has received his/her business share by way of marriage, in the community property action the court may award a business share to the non-member spouse - upon request - according to the provisions on the transfer of business shares by means other than a contract of sale.

(2) The provisions on the transfer of business shares by means other than a contract of sale shall also apply where a non-member spouse has obtained the title to a business share under a contract concluded with the member spouse.

(3) The division of business shares which comprise part of community property among the spouses may be accomplished by selling off the business share in question, if so agreed on by the spouses or if so prescribed by final court decision. Subsection (2) of Section 123 shall be applied in connection with such sale.

Section 130.

(1) Business shares may only be divided in the event of transfer, legal succession of the member terminated, inheritance, or by way of the division of community property among spouses. Such division shall be subject to the consent of the members' meeting, unless the memorandum of association provides otherwise. The consent of the members' meeting is not required for the division of community property; however, in these cases the members, the company or a person designated by the members' meeting shall, in this order, have pre-emption rights in accordance with Section 123.

(2) The provisions related to the minimum value of capital contributions shall also apply to the division of business shares.

(3) The memorandum of association may prohibit the division of business shares.

Section 131.

(1) The company may effect any disbursement from its own funds to a member, on account of his membership, during the company's existence solely in the cases defined in this Act and only if the conditions set out in the Accounting Act are satisfied, with the exception of the reduction of the share capital, from the taxed profit for the

current year, or from the taxed profit supplemented with available profit reserves from the current year. No disbursement can be made if the company's equity capital - adjusted in accordance with the Accounting Act - is below its share capital or it would be reduced to drop below the share capital if the payment was made.

(2) Within the meaning of Subsection (1), any payment made in cash or otherwise shall be construed as a disbursement.

(3) The memorandum of association may contain provisions to require the managing director to issue a written statement to the members' meeting declaring that such disbursement shall not jeopardize the company's solvency or creditors' interests. The managing director shall be held liable for any payment made due to his failure to make the statement or to making a false statement according to the general provisions pertaining to executive officers.

(4) Any disbursement made in contradiction of Subsection (1) and (3) shall be repaid to the company if it is able to prove that the member involved has acted in bad faith.

Section 132.

(1) Members shall be entitled to receive a share from the company's taxed profit established in accordance with the Accounting Act that is available from the current year and has been ordered for distribution by the members' meeting under Subsection (1) of Section 131, or from the taxed profit supplemented by available profit reserves from the current year in the percentage consistent with their business shares (dividend). Dividends shall be paid to the members listed in the register of members (Section 150) at the time the members' meeting adopting the decision for the payment of dividends was held, unless another time is prescribed in the memorandum of association. The memorandum of association may contain a clause for dividends to be provided in cash or in kind. Members shall be entitled to receive dividends only in the proportion of the capital contributions they have already paid up.

(2) The members' meeting may adopt its decision, upon the recommendation of the managing director, presented with the consent of the supervisory board where applicable, for the payment of dividends simultaneously with the approval of the annual report prepared pursuant to the Accounting Act.

(3) Unless otherwise provided by the memorandum of association, the profits referred to in Subsection (1) shall be distributed to members consistent with the percentage of their contributions to the company's capital.

Section 133.

The members' meeting may adopt a decision for the payment of interim dividends between the approval of two consecutive annual reports prepared according to the Accounting Act if the memorandum of association so provides and if:

a) according to the interim balance sheet prepared for this purpose according to the Accounting Act, the company has funds sufficient to cover such interim dividends, on condition that such payments do not exceed the amount of profits earned after the closing of the books of the financial year to which the last annual report pertains, calculated in accordance with the Accounting Act, or the amount supplemented with the available profit reserves and the payment of such interim dividends do not result in the company's equity capital - adjusted in accordance with the Accounting Act - to drop below its share capital; and

b) if the members agree to repay the interim dividend in the event of any subsequent reason arising with a view to Subsection (1) of Section 131 in the annual report prepared according to the Accounting Act on account of which no dividend can be legally paid.

Section 134.

The provisions of Subsection (4) of Section 131 shall also apply where a member receives any payment under a civil contract, for reasons other than his membership, which are not permitted under Subsection (1) of Section 131, and which are otherwise incompatible with the principle of prudent management.

Section 135.

(1) A company may purchase its own business shares from its assets in excess of the initial capital. Only those business shares may be acquired with regard to which the capital contributions have been paid up in full.

(2) Own business shares may not be acquired if the company is not authorized to pay out any sums in dividends. The annual report and the interim balance sheet may be taken into consideration for allocating funds for covering the acquisition of own business shares within the six-month period following the balance sheet date.

(3) A company may not exercise voting rights in connection with any business shares it has acquired; such business shares shall be disregarded for the purposes of quorum requirements.

(4) Any dividend that is payable on the company's own business shares shall be taken into account the same way as pertaining to the members with respect to the dividends payable on their capital contributions, unless otherwise prescribed in the memorandum of association. The rules on eligibility for dividends shall apply as appropriate for the distribution of corporate assets upon the termination of the company.

(5) Within a period of one year following the purchase thereof, the company shall - unless otherwise prescribed in the memorandum of association - alienate the business shares purchased pursuant to Subsection (1) or shall convey them to the members in proportion to their capital contributions, without compensation, or shall withdraw such business shares pursuant to the rules of capital reduction.

Section 136.

The company shall dispose of business shares:

a) upon termination of membership pursuant to Section 14, or the expulsion of the member affected by the court, in the interest of completing the auction; or

b) upon termination of the member concerned without succession; or

c) in connection with inheritance, if transfer is prohibited by the memorandum of association [Subsection (1) of Section 128] and if the members or the company did not redeem the business share, until redemption takes place.

Section 137.

(1) With the exception set out in Subsection (4), business shares may be withdrawn only if the memorandum of association expressly allows such withdrawal. Withdrawal of a business share is not subject to the consent of the member concerned, if the conditions for withdrawal were set forth in the memorandum of association at the time when the member acquired the business share in question.

(2) Upon the termination of membership pursuant to Section 14 or the expulsion of the member affected by court order, a business share may be withdrawn irrespective of any provision of the memorandum of association to the contrary.

(3) Decision for the withdrawal of a business share lies with the members' meeting.

(4) Upon the order of withdrawal, the capital contribution shall cease to exist, and the initial capital shall be reduced by the value thereof subject to the rules of capital reduction.

(5) The company may resolve that the business share be conveyed to the members - unless there is an agreement to the contrary - consistent with the percentage of their contribution to the company's capital, without compensation.

Section 138.

The business share of members whose membership has been terminated pursuant to Section 14, shall be sold on the basis of an agreement with the member concerned. If such agreement does not exist, a public auction shall be held within forty-five days after the termination of membership.

Section 139.

(1) The obligation to sell the business share of a member expelled by court order or of a member who lost his membership pursuant to Section 14 lies with the company. Such business share shall be sold at a public auction to be held within forty-five days following the operative date of the ruling of expulsion. The business share may be sold by other means only with the consent of the member expelled.

(2) Before putting the business share up for auction, an auction notice shall be published in the Cégközlöny (Company Gazette) at least eight days in advance of the date of the auction. The notice shall contain the following information:

a) the corporate name and registered office of the company;

b) the venue and the time of the auction;

c) the method and deadline of payment;

d) all essential information of the business share to be auctioned, including the amount of capital contribution affected and the reserve price.

(3) With the exception of the member whose business share is put up for auction, anyone may take part in the auction in person or by way of a representative. Authorization of representatives shall be drawn up in an authentic instrument or private document representing conclusive evidence.

Section 140.

(1) Auctions shall be held in the presence of a notary public. At the auction, the buyer offering the highest price may purchase the business share in question, and is obliged to pay up the full purchase price, unless the company specified a different method of payment in the auction notice. The members of the company and the company, in this order, shall have pre-emption rights regarding the price reached and under the method of payment determined at the auction, which may be exercised by said parties at the auction. The result of the auction shall be communicated to the entitled parties by the managing director.

(2) In the course of the first auction, the business share in question may not be sold for a price of less than two-thirds of the value of the capital contribution, unless otherwise provided for in the memorandum of association. If the first auction fails, it may be repeated several times. In the course of repeated auctions, the business share may be sold at a lower price; however, it may not drop below the company's claim.

(3) After a period of six months, further auctions may not be held. If the auction fails, the company shall adopt a decision within thirty days after the last auction, as to whether the business share in question:

a) shall be purchased by the company from its assets in excess of the initial capital; or

b) shall be purchased by the company's members consistent with the percentage of their contributions to the company's capital, unless there is an agreement to the contrary; or

c) shall be withdrawn by the company.

(4) The provisions contained in Subsection (1) of Section 120 of the Civil Code shall be applied to the acquisition of property by a buyer at auctions.

(5) Following deduction of the auction costs, first the claim of the company on the unpaid part of the capital contribution shall be satisfied from the purchase price received, whereas the rest shall be due to the former owner of the business share. If the member was expelled from the company by court order, following deduction of the costs, the full purchase price reached at the auction shall be due to the member expelled.

(6) If auction has failed, the former member may lay claim to his due share from the company's own funds shown at the time of auction.

Title 3

Organizational Structure

Members' Meeting

Section 141.

(1) The supreme body of a company is the members' meeting. Members' meetings shall be convened at least once every year.

(2) The following shall fall within the exclusive competence of the members' meeting:

a) approval of the annual report prepared pursuant to the Accounting Act;

b) decision to pay interim dividends;

c) order and repayment of supplementary capital contributions;

d) exercising pre-emption rights on behalf of the company;

e) designation of a person for the right to exercise pre-emption rights;

f) granting consent for the transfer of any business share to a third person;

g) in the event that the auction fails, adopting a decision concerning the business share;

h) consent for the division of business shares, and order for the withdrawal of business shares;

i) resolution for initiating the expulsion of a member;

j) with the exception set out in Section 37, election and removal of the managing director and the establishing of his remuneration;

k) election and removal of supervisory board members and the establishing of their remuneration;

l) election and removal of the auditor and the establishing of his remuneration;

m) approval to conclude contracts which take place between the company and one of its members, its managing director or their close relatives [Paragraph b) of Section 685 of the Civil Code] or domestic partners;

n) enforcement of claims vis-Ä-vis members, managing directors, supervisory board members or the auditor;

o) ordering the examination of the company's annual report, management and financial operations by an auditor;

p) adopting a decision for the creation of a recognized group of companies and for the contents of the draft control contract, approval of the draft version of the control contract;

q) decision on termination without succession or transformation of the company;

r) any amendment of the memorandum of association;

s) adopting a decision for the increase or reduction of the initial capital;

t) in connection with any increase of the initial capital, preclusion of preferential rights of members;

u) in connection with any increase of the initial capital, designation of the persons for the entitlement to exercise preferential rights;

v) in connection with any increase of the initial capital or the exercise of preferential rights, a decision regarding any deviation from the percentage of members' contributions to the company's capital;

w) in connection with any reduction of the initial capital, a decision regarding any deviation from the percentage of members' contributions to the company's capital;

x) all issues which are assigned exclusively to the competence of the members' meeting by law or the memorandum of association.

Section 142.

(1) Any member may be represented in the members' meeting by a person duly authorized. Managing directors, directors, supervisory board members and the auditor may not act as authorized representatives. Authorization shall be drawn up in an authentic instrument or a private document representing conclusive evidence.

(2) The members' meeting has a quorum if at least half of the initial capital or the majority of the eligible votes are represented. The memorandum of association may stipulate a higher rate of participation.

(3) If the members' meeting did not have a quorum, the reconvened members' meeting shall be held after a period of between three and fifteen days have lapsed, unless the memorandum of association provides otherwise. In these cases the members' meeting shall have a quorum for the issues of the original agenda irrespective of the degree of initial capital or voting rights represented by those present, unless the memorandum of association provides otherwise.

(4) Members' meetings reconvened due to lack of a quorum may also be convened subject to the same conditions as indicated in the invitation to the original members' meeting.

(5) Members may install provisions in the memorandum of association to stipulate that the regulations contained in Subsections (2)-(3) concerning quorum requirements shall be applied in connection with resolutions for which at least a three-quarters majority of the votes is required.

Section 143.

(1) Unless otherwise provided by law or the memorandum of association, the members' meeting shall be convened by the managing director.

(2) In addition to the cases defined in this Act or in the memorandum of association, a members' meeting shall be convened if it is deemed necessary with a view to the interest of the company. The managing director shall call the members' meeting without delay in order to provide for the necessary measures whenever it comes to his attention that:

a) the company's equity capital has dropped to half of the initial capital due to losses; or

b) the company is on the brink of insolvency or has stopped making payments and its assets do not cover its debts.

(3) Where Subsection (2) applies, members are required to adopt decisions, in particular, concerning the subscription of supplementary capital contributions or - if it is not provided for in the memorandum of association -, on securing the initial capital in other ways, on any reduction of the initial capital, or in the absence of all these, on the company's transformation into another company, or termination without succession. The resolutions shall be carried out within three months.

Section 144.

(1) Unless otherwise provided by the memorandum of association, members' meetings shall be convened at the registered office or place of business of the company. Any deviation from this shall be subject to the prior consent of all members adopted by a simple majority of the votes.

(2) The invitation of members to the members' meeting shall contain the agenda of the meeting. Unless otherwise provided for in the memorandum of association, the invitation shall be sent at least fifteen days in advance.

(3) Any member shall have the right to request for the discussion of an issue proposed by him, if his proposal is communicated to the members at least three days prior to the members' meeting.

Section 145.

(1) The memorandum of association may contain facilities for holding members' meetings in such a way as to allow the members to participate - as prescribed in the memorandum of association instead of attending in person as prescribed - by way of proper electronic means of communication, designed to handle dialogues between members and providing adequate facilities for debates without any restriction whatsoever. Where a members' meeting is held in this manner the type of electronic means of communication may not be used which does not have facilities for the identification of the persons participating in the members' meeting.

(2) The memorandum of association may preclude the use of electronic means of communication for staging members' meetings, or may specify certain specific issues which may not be debated in this manner.

(3) The discussions of members' meetings held by way of electronic means of communication and the resolutions adopted shall be recorded using a reliable medium, so that it can be retrieved at any time in the future. Where a resolution adopted by the members' meeting has to be submitted to the court of registry, minutes shall be drawn up based on the said recording and it shall be signed by the managing director.

Section 146.

(1) With the exception set out in Section 145, the managing director shall have minutes taken of the members' meeting. The minutes shall contain the place and time of the members' meeting, the persons present and the extent of voting rights represented by such persons, significant events, statements and resolutions taking place during the members' meeting, the number of votes cast for and against resolutions, and the persons abstaining from or not taking part in the vote.

(2) The minutes shall be signed by the managing director and a member present at the meeting and elected to witness the minutes.

(3) The managing director shall keep continuous records of resolutions passed by the members' meeting (register of resolutions) that is to be kept at the company's main office, unless otherwise provided in the memorandum of association. The managing director shall have all resolutions adopted to be recorded in the register of resolutions without delay. The memorandum of association may prescribe that the resolutions adopted by the supervisory board shall also be recorded in the register of resolutions.

(4) Any member may inspect the minutes and the recordings referred to in Section 145 and Section 148, as well as the register of resolutions, and may request a copy confirmed by the managing director of the contents thereof.

Section 147.

(1) If permitted by the memorandum of association, members may resolve matters without having to hold a members' meeting - exclusive of adopting the annual report prepared pursuant to the Accounting Act - for which the members' meeting has competence.

(2) The memorandum of association may contain provisions to stipulate that the members' meeting must be convened when requested by a certain percentage of members, or by any one member, for discussions over a draft decision.

Section 148.

(1) The draft of a decision proposed for discussion without a members' meeting shall be conveyed to the members in writing, allowing at least eight days for making a decision unless a shorter period is prescribed in the memorandum of association. Members shall cast their votes in writing or in some other verifiable manner [Subsection (1) of Section 7].

(2) Where a decision is adopted outside a members' meeting, the provisions of this Act concerning the calculation and exercise of members' voting rights, and the percentage of votes required for adopting draft decisions shall apply.

(3) Where a decision is adopted outside a members' meeting, it shall be considered adopted on the day following the day when the last vote is received. The managing director shall inform the members in writing concerning the outcome of the voting following receipt of the last vote, within eight days, unless the memorandum of association requires a shorter deadline.

Management of Business Associations

Section 149.

Administration of the company's affairs and representation of the company shall be carried out by one or more managing directors elected from among the members or third persons. The memorandum of association may provide that all members be entitled to exercise management and representation, in which case they shall be considered managing directors, provided that they are in compliance with the general provisions pertaining to executive officers.

Section 150.

(1) Managing directors shall keep records of the members of the company (hereinafter referred to as "register of members").

(2) The following shall be indicated in the register of members:

a) the name (corporate name), address (registered office) and capital contribution of each member;

b) in connection with jointly owned business shares (Section 122), the name (corporate name) and address (registered office) of the owners and their joint representative, and the amount of capital contribution;

c) the amount of initial capital;

d) the provisions of the memorandum of association on any supplementary capital contributions and ancillary services, as well as on the restriction or prohibition of the transfer of business shares.

(3) Any change in the person or business shares of members, in particular, the transfer or division of business shares, or the acquisition or withdrawal thereof by the company shall be entered in the register of members by the managing director.

(4) The managing director shall submit the register of members or, if the data contained therein has changed, the updated register of members to the court of registry.

Section 151.

(1) If the number of the company's managing directors falls below the number set out in the memorandum of association, the managing director shall convene the members' meeting within a period of thirty days.

(2) Where a company is left without a managing director the members' meeting may be convened by any member. If the members' meeting is not convened within thirty days following the change, or it cannot be convened, the members' meeting shall be convened by the court of registry at the request of any member or creditor.

Title 4

Amendment of the Memorandum of Association. Increase and Reduction of Initial Capital

Section 152.

Unless otherwise prescribed by law, a resolution of the members' meeting adopted for any amendment of the memorandum of association requires a three-quarters or higher majority of the votes.

Section 153.

A resolution of the members' meeting adopted by unanimous decision shall be required to increase the obligations of members contained in the memorandum of association, to establish new obligations, or to restrict special rights of certain members.

Section 154.

(1) The initial capital may be increased by requesting cash or in-kind contributions, or it may be financed from the assets in excess of the initial capital.

(2) Any increase of the initial capital shall fall within the exclusive competence of the members' meeting according to the provisions governing the amendment of the memorandum of association; however, a decision adopted by simple majority shall suffice, unless the memorandum of association contains more stringent provisions for the increase of capital.

Section 155.

(1) Where the initial capital is increased by a financial contribution it may be carried out only if all original contributions to the capital are provided in full.

(2) The resolution of the members' meeting adopted for the increase of capital shall specify the amount of cash and/or the type of in-kind contribution required.

(3) Where the initial capital is increased by financial contribution, the members shall have preferential rights within fifteen days following the date of decision for the capital increase, unless the memorandum of association or the resolution of the members' meeting ordering the capital increase provides otherwise.

(4) If any member fails to exercise his preferential rights within the prescribed time limit, it may be exercised in his stead by the other members within an additional fifteen days. If all members failed to exercise their preferential rights, the members' meeting shall designate other persons upon whom to confer the right to provide the financial contribution.

Section 156.

(1) Members shall be entitled to exercise the preferential rights referred to in Subsections (3)-(4) of Section 155 consistent with the percentage of their contribution to the company's capital, unless the memorandum of association or the resolution of the members' meeting ordering the capital increase and adopted by a three-quarters or higher majority of the votes, provides otherwise.

(2) The new members participating in the capital increase shall supply a statement fixed in an authentic instrument or in a private document representing conclusive evidence for acknowledging the provisions of the memorandum of association as binding.

(3) The resolution of the members' meeting ordering the capital increase shall specify the amount of the initial capital as increased and the amount of capital contribution of each member, the financial contribution provided by a member in connection with the increase of capital, the type of contribution and the time when provided.

(4) Without prejudice to the preferential rights of members, a decision for the increase of the initial capital may be adopted in a single members' meeting.

Section 157.

The provisions on the minimum amount of initial capital, the method and due date of payment, the legal consequences of default, the valuation and provision of capital contributions, as well as on the liability of members providing the contribution shall also be applied during the increase of initial capital.

Section 158.

(1) A decision may be adopted by the members' meeting for the increase of the initial capital by the assets in excess of the initial capital, or a part thereof, if, according to the balance sheet of the annual report prepared for the previous financial year according to the Accounting Act, or according to the interim balance sheet of the current year there are sufficient funds available for the capital increase, and if the company's initial capital will not exceed its equity capital adjusted in accordance with the Accounting Act. The annual report and the interim balance sheet may be taken into consideration for determining whether there are sufficient funds in excess of the initial capital within the six-month period following the balance sheet date.

(2) Any increase of the initial capital according to Subsection (1) shall, without any payment, increase the capital contributions of members consistent with the percentage of their previous contributions to the company's capital unless otherwise provided in the memorandum of association, or in a resolution of the members' meeting adopted by a qualified majority.

Section 159.

(1) The members' meeting may decide to reduce the initial capital in due observation of the provisions pertaining to the amendment of the memorandum of association, and shall be obliged to reduce it in the cases specified in this Act.

(2) With the exception set out in Subsection (3), the initial capital may not be reduced below the threshold specified in Subsection (1) of Section 114.

(3) Companies may decide to reduce the initial capital below the threshold specified in Subsection (1) of Section 114 (conditional capital reduction). In this case, the reduction of the initial capital may take effect only upon the increase of the initial capital carried out simultaneously so as to bring the initial capital up to the amount limit specified in Subsection (1) of Section 114.

Section 160.

(1) The members' meeting resolution adopted for the reduction of the initial capital by decision of the business association shall specify the amount of the initial capital after the reduction and the amount of the capital contribution of each member, and shall specify whether the initial capital is being reduced in the interest of disinvestment or the settlement of debts, or for the purpose of increasing some other element of equity, including tied-up reserves. Any reduction of the initial capital shall concern the members in the percentage of their capital contributions, unless the memorandum of association or the resolution of the members' meeting deciding the reduction provides otherwise.

(2) Where the initial capital is reduced by way of disinvestment, the amount due to the members shall be determined taking into account - in proportion to the initial capital - the assets in excess of the initial capital. If the company's own funds are below the subscribed capital, for the reduction of initial capital by way of disinvestment a decision is first required for the reduction of the initial capital in order to cover losses.

Section 161.

(1) Where the reduction of initial capital is subject to statutory requirement on the grounds specified in this Act, the members' meeting shall adopt a decision within thirty days after learning of the reason therefor.

(2) If the initial capital is to be reduced below the threshold specified in Subsection (1) of Section 114 - if the company fails to exercise any of the options afforded under Subsection (3) of Section 143 and Subsection (3) of Section 159 - the company shall adopt a decision for its conversion, merger with another company, demerger, or termination without succession. Concerning the contents of the members' meeting resolution, the provisions of Section 160 shall apply.

Section 162.

(1) The managing director shall send a notice to the court of registry concerning a decision of the members' meeting adopted for the reduction of the initial capital within thirty days following the date when adopted, and shall simultaneously take measures to have the decision on the capital reduction published in two consecutive volumes of the Cégközlöny (Company Gazette), leaving at least thirty days between the two publications. The notice shall contain the subject of the decision, and shall advise the company's creditors of their right to demand collateral security - subject to the exceptions set out in Subsection (3) - for their claims originating from before the first publication of the notice that did not fall due by this time. Known creditors must be informed directly as well.

(2) Creditors shall file any request for collateral security in connection with the reduction of the company's initial capital within a thirty-day forfeit deadline following the last publication of the notice.

(3) Any creditor whose claim is already secured - pursuant to legal regulation or contract - consistent with the risk related to the reduction of the initial capital shall not be entitled to demand such security, nor if it is not justified in light of the business association's assets and liabilities, financial position and profit or loss.

Section 163.

(1) The company shall provide the collateral security within eight days following the deadline for filing the proof of claim or, if a claim is rejected, shall inform the creditor concerning the rejection and the reasons therefor. Creditors may file for the review of any decision of rejection, or if the collateral security provided is insufficient, to the competent court of registry within an eight- day forfeit deadline following receipt of the resolution. The court of registry shall adopt a decision in due observation of the provisions governing judicial oversight proceedings within thirty days after the request is filed. The court of registry, upon conclusion of the proceedings, shall either reject the request or shall order the company to provide adequate collateral security. Reduction of the initial capital may not be registered in the register of companies until the creditor is provided adequate collateral security.

(2) The provisions contained in Subsection (1) shall not apply where the initial capital of the company is reduced:

a) to cover the company's losses [Subsection (3) of Section 143]; or

b) for the purpose of redistribution, in the manner specified in the Accounting Act, in favor of an appropriated reserve over and above the company's initial capital.

(2) The reserve created from the share capital under Paragraph b) of Subsection (2) may not exceed ten per cent of the company's initial capital. The appropriated reserve created in this fashion may only be used to cover the company's losses or to increase the company's initial capital subsequently; no disbursements to the shareholders are permitted from this reserve.

Section 164.

(1) The capital reduction may be registered only if the managing director has proved compliance with the provisions contained in Sections 162-163.

(2) On the basis of an initial capital reduction, payments to members may be performed only after entry of the initial capital reduction in the register of companies.

(3) The managing director shall notify the competent court of registry concerning the failure of reduction of the initial capital within thirty days.

(4) If the statutory reduction of the initial capital has failed and the company fails to eliminate the reasons for statutory reduction within thirty days from the failure, the company must convert into another corporate form or adopt a decision for its termination without succession.

Title 5

Termination of Companies

Section 165.

(1) A resolution of the members' meeting passed by a three-quarters or higher majority of the votes shall be required to resolve termination of the company.

(2) In the event of termination of a company without succession, from the assets remaining after the satisfaction of creditors, first supplementary capital contributions shall be repaid, then, unless otherwise provided by the memorandum of association, the remaining assets shall be distributed among the members of the company consistent with the percentage of their contributions to the company's capital.

(3) If, upon commencement of dissolution or upon an order of liquidation, the initial capital of the company has not yet been paid up in full, the receiver in charge of dissolution proceedings or the liquidator shall have the right to make outstanding payments due with immediate effect, and to order the performance thereof by the members, if this is necessary in order to satisfy the debts of the company.

Section 166.

If the number of members is reduced to one person, the company shall not cease to exist; rather, it shall continue functioning as a single-member company. If a new member is not registered within one year, the previous memorandum of association shall be converted into a charter document.

Title 6

Single-member Companies

Section 167.

(1) A company may be founded by a single member, or a single-member company may be established in such a way that the ownership of all business shares of an already operating company is acquired by one member (hereinafter referred to as "single-member company").

(2) The approval of a charter document shall be required for the foundation of a single-member company. The provisions on the memorandum of association shall be applied correspondingly to the contents and formal requirements of the charter document.

(3) In connection with the foundation of a single-member company, all contributions in cash shall be paid up in full, and all contributions in kind shall be made available to the company before the application to the court of registry is submitted.

Section 168.

(1) In single-member companies the decisions falling within the competence of members' meeting shall be adopted by the sole member, who shall notify the executive officers thereof in writing.

(2) If the sole member is a natural person, the charter document of the single-member company may provide that such member be entitled to exercise management and representation.

(3) In order for a contract concluded between a single-member company and its sole member to be valid, such contract shall be drawn up in an authentic instrument or in a private document representing conclusive evidence.

Section 169.

(1) A single-member company may not acquire its own business shares.

(2) If, due to the division of business shares or the increase of initial capital new members are admitted into a single-member company and in this way it becomes a company with multiple members, the members shall convert the charter document into a memorandum of association.

Section 170.

In other respects, the regulations on multiple member companies shall be applied correspondingly to single-member companies.

Chapter X

PUBLIC LIMITED COMPANIES

Title 1

General Provisions

Section 171.

(1) Public limited companies are business associations founded with a share capital (subscribed capital) consisting of shares of a pre-determined number and face value, in the case of which the obligation of members (shareholders) to the public limited company extends to the provision of the face value or the issue price of shares. With the exceptions defined in this Act, shareholders shall not bear liability for the obligations of a public limited company.

(2) Limited companies may be established privately or open to the public and, consequently, they may operate in the form of public or private limited companies. Limited companies (public or private) may also be established by way of transformation under this Act (Chapter VI).

(3) The designation "részvénytársaság" (limited company) and an indication as to whether it is private or public, that is to say, the abbreviation "zrt." or "nyrt." shall be indicated in the corporate name.

(4) Public and private limited companies may change their operating form according to the provisions set out in this Act (Section 173). Changing the operating form shall not mean the transformation of the limited company.

Section 172.

(1) 'Public limited company' shall mean any company whose shares (all or some) are traded publicly in accordance with the conditions set out in the act governing securities. Any limited company whose shares were not originally offered to the public and are offered for sale to the general public or admitted for trading on a regulated market shall also be considered a public company.

(2) 'Private limited company' shall mean a company whose shares are not offered to the public, also any limited company whose shares were originally offered to the public and are no longer available to the general public, or that were removed from trading on a regulated market shall also be considered a private company.

(3) It is not allowed to solicit shareholders or to collect capital for a private limited liability company by way of public invitation.

Section 173.

The supreme body of a public or private limited company may - in accordance with the statutory provisions on securities - adopt a decision for changing the operating form of the company in due observation of the provisions governing the amendment of the articles of association.

Section 174.

(1) The sum total of the face value of all shares shall comprise the share capital of a public or private limited company.

(2) Any issue of shares below face value is null and void. The founders shall be subject to joint and several liability vis-Ä-vis third persons for damages resulting from the issue of shares below face value, if it takes place before the company is registered. Where shares are issued below face value after the company is registered, liability shall lie with the limited company in question.

(3) The face value of shares may be determined as a percentage of the prevailing share capital of the company.

Section 175.

Public or private limited companies may provide any financial benefits to their shareholders from the own funds established according to accounting regulations in due compliance with the provisions of this Act pertaining to public or private limited companies and under the procedure specified by law.

Section 176.

(1) Shareholders in this capacity shall be entitled to the membership and financial rights attaching to their shares as specified by law.

(2) Shareholders holding shares belonging to the same series of shares [Subsection (3) of Section 183] shall not be discriminated against in any way in connection with the exercise of their shareholders' rights.

Shares

Section 177.

Shares are equity securities representing membership rights which are registered, have a face value and are marketable.

Section 178.

Unless otherwise provided by law, shares are freely transferable. Any restrictions on the free transferability of the shares to third persons shall be permitted only if expressly authorized by law.

Section 179.

Printed share certificates are negotiated by means of the full or empty endorsement drawn up on the reverse side of the share or the sheet (allonge) attached to the share.

Section 180.

(1) 'Dematerialized shares' shall mean an electronic instrument that has no serial number and whose identifiably contains all the material information of securities, which are created, recorded, transmitted and registered electronically as defined in specific other legislation. In connection with dematerialized shares, the shareholder's name and other data required for identification are contained in the securities account maintained by a securities broker on behalf of the shareholder.

(2) Title to dematerialized shares is transferred through the securities account, with credit and debit recorded as appropriate.

(3) In connection with dematerialized shares, the person on whose securities account the share is recorded shall be considered the rightful owner of such securities, unless evidenced to the contrary.

Section 181.

(1) In connection with the transfer of title to printed share certificates by way of inheritance, termination of the shareholder with succession, or the division of community property among spouses, the management board shall

record the transfer of title on the reverse side (allonge) of the certificates in question at the holder's request and if supported by documentary evidence, and shall register the new owner in the register of shareholders, unless instructed to the contrary. In connection with dematerialized shares, the operator of the securities account shall register the transfer of title, and shall simultaneously notify the management board of the public or private limited company in question, or its representative (Section 202), to have the shareholder registered in the register of shareholders, unless instructed otherwise.

(2) Where the title to printed share certificates is obtained on the strength of a final court ruling or by way of official auction, upon the owner's request the management board shall record the transfer of title on the reverse side (allonge) of the certificates in question, relying on the final court ruling or auction records, indicating its date and number, and shall register the new owner in the register of shareholders, unless instructed to the contrary. In connection with dematerialized shares, the operator of the securities account shall register the transfer of title to the new owner relying on the final court ruling or auction records, indicating its date and number, and shall simultaneously notify the management board of the public or private limited company in question, or its representative (Section 202), to have the shareholder registered in the register of shareholders, unless instructed otherwise.

(3) The transfer of title to any shares pledged in security for a collateral or lien in connection with seeking satisfaction from the pledged property shall be governed by the provisions of the Civil Code on liens.

Section 182.

(1) The voting rights attached to shares depends on their face value, with the exception if the articles of association of the public or private limited company contains provisions to preclude or restrict voting rights for certain specific classes of shares under this Act or another act. Shares with the same face value shall carry identical voting rights.

(2) The issue of shares allowing extra votes shall not be permitted, save the exceptions set out in this Act.

Section 183.

(1) Types of shares:
a) ordinary shares,
b) preference shares,
c) employee shares,
d) interest-bearing shares,
e) redeemable shares.

(2) Within preference shares, shares may belong to different classes of shares, and within the same class of shares, shares of different content or shares representing different membership rights may be issued.

(3) Within one category or class of shares, several series of shares may be issued. Shares of the same type, content and representing the same membership rights qualify as one series of shares. Shares of the same series may not differ from each other in their face value or method of production.

Title 2

Private Limited Companies

Shares to be Issued by Private Limited Companies

Section 184.

According to their articles of association, private limited companies may issue the classes of shares specified in Subsection (1) of Section 183.

Section 185.

(1) The shares other than the types contained in Paragraphs b)-e) of Subsection (1) of Section 183 are considered ordinary shares.

(2) The issue value of all ordinary shares issued by private limited companies shall be higher than half of the share capital of the public or private limited company at all times.

Section 186.

(1) The articles of association of a private limited company may, in defining the relevant conditions, provide for the issue of shares which grant certain preferences to their holders over other types of shares (preference shares).

(2) For preference shares, the articles of association may define classes of shares to afford the following:

a) preferred dividends;

b) upon termination of the private limited company without succession, priority for a share from the assets to be distributed (preferential right to any liquidation surplus);

c) preference related to voting rights; or

d) priority for the appointment of executive officers or supervisory board members; and

e) the right of pre-emption.

(3) The articles of association may contain provisions for the issue of preference shares to simultaneously afford more than one of the preferential rights referred to in Subsection (2).

(4) The voting rights attached to the preference shares defined in Paragraphs a), b) and e) of Subsection (2) and in Subsection (3) may be restricted or prohibited by the articles of association. Failing this, the voting rights attached to preference shares shall be established in accordance with the face value of the shares, with the exception of Paragraph c) of Subsection (2).

(5) The articles of association may contain provisions for the issues of a series within a class of preference shares, where the shares will have to be exchanged - at the request of the shareholder or the private limited company in question - in accordance with the articles of association, for shares within another class of preference shares or for ordinary shares.

Section 187.

(1) From after-tax profits to be distributed among shareholders, shares carrying dividend preference shall entitle their holders to dividends prior to or to a preferential degree over, shares belonging to other categories or classes of shares.

(2) If, due to any reason, no dividends were paid in a certain year in respect of shares carrying dividend preference, the private limited company may, unless otherwise provided by the articles of association, pay dividends on the shares belonging to other categories or classes of shares in the following year only if the arrears of dividends due on shares carrying dividend preference are paid in full beforehand.

(3) If dividends due on preference shares with restricted or excluded voting rights are not paid in a certain year, or not completely paid by the private limited company, and such payment is not effected in the following year together with the dividends for that year, the holders of preference shares shall be entitled to voting rights and other preferential rights specified in the articles of association. The holders of preference shares shall remain entitled to exercise these rights as long as the overdue dividends are not paid by the company.

(4) The detailed regulations related to enforcing the benefits attached to shares carrying dividend preference shall be laid down in the articles of association of private limited companies.

Section 188.

(1) Holders of shares attaching preferential voting rights may exercise multiple voting rights to the extent defined in the articles of association. The voting rights attached to one share, however, may not exceed the voting rights corresponding to the face value of the share by a factor of ten.

(2) The articles of association may contain provisions to prescribe that certain resolutions of the general meeting may be adopted solely upon the simple majority vote of the shares attaching preferential voting rights, or if there is only one share attaching preferential voting rights in issue, it may be adopted if supported by the holder of this share.

(3) The articles of association shall expressly specify the issues to which the preferential right referred to in Subsection (2) applies, including the cases where preferential voting rights apply to all decisions conferred under the exclusive competence of the general meeting. In the absence of these, any provision of the articles of association relating to the preferential right referred to in Subsection (2) shall be null and void.

Section 189.

(1) Holders of preference shares carrying entitlement to appoint executive officers are entitled - in the manner and under the procedure specified in the articles of association - to appoint one or more members of the management board, not to exceed one-third of all members of the management board, who will then become members of the management board. The holders of preference shares shall also be entitled to remove the management board members they have appointed.

(2) The general meeting may remove any executive officer appointed according to Subsection (1) under the conditions specified in the articles of association or by law, if the holders of preference shares with entitlement for appointment fail to do so. In these cases the holders of preference shares shall be entitled to appoint a new executive officer.

(3) Preference shares carrying entitlement for the appointment of executive officers may not be issued if the powers of the management board are exercised by a general director (Section 247) at the private limited company.

(4) The provisions of Subsections (1)-(2) shall also apply to the appointment and removal of supervisory board members pursuant to preference shares carrying such entitlement.

Section 190.

(1) In connection with shares offered to shareholders on a pre-emptive basis the holder is granted the right of pre-emption for shares of the issuer private limited company when offered for sale. If the shareholder fails to make his position known within fifteen days after the conditions for the sales offer are communicated, he shall be considered to have forfeited his pre-emption right.

(2) The detailed conditions for the exercise of the right of pre-emption are contained in the articles of association.

Section 191.

(1) According to the provisions of the articles of association, private limited companies may issue employee shares and provide them to full-time and part-time employees free of charge or at a preferential price (employee shares). Public or private limited companies may issue a type of employee shares with entitlement to preferential dividends - after the shares carrying dividend preference - from the after-tax profits to be distributed among shareholders prior to shares belonging to other categories or classes of shares. The articles of association may also provide for the issue of employee shares carrying entitlement to appoint executive officers.

(2) Employee shares may be issued - in accordance with Section 262 - simultaneously with the increase of the private limited company's share capital, not to exceed fifteen per cent of the increased share capital.

(3) Employee shares may be transferred only to other employees of the private limited company, or to persons to whom this right is afforded under the articles of association on account of their previous employment at the company. The detailed conditions for acquiring employee shares at the time of issue and for their subsequent transfer shall be defined in the articles of association. The articles of association may contain facilities to permit specific groups of employees to obtain employee shares.

(4) Unless otherwise provided in the articles of association, in the event of the employee's death or termination of his employment, the heir of the employee or the employee himself may transfer employee shares to the persons referred to in Subsection (3) or to the private limited company before the first general meeting held after a period of six months following the date of termination of employment. Any transfer of employee shares to other persons shall be null and void. After the time limit for transfer the limited company shall withdraw any employee shares that were not transferred as per the above at the said general meeting, and shall reduce its share capital accordingly, or shall convert these shares into another type and sell them as such.

(5) In the event of inheritance, the deadline of six months specified in Subsection (4) shall be calculated:

a) from the death of the testator, if no probate is held;

b) from the operative date of the grant of probate adopted in probate proceedings with full effect;

c) from the date when the judgment of the court becomes final, in the event of inheritance proceedings.

(6) Former employees or their heirs shall be entitled to the nominal value of their shares if withdrawn or converted and sold, payable within thirty days from the date of withdrawal or transfer of the shares in question.

Section 192.

(1) In accordance with the provisions of the articles of association, shares entitling their holders to a pre-determined rate of interest may be issued to an extent of up to ten per cent of the share capital (interest-bearing shares).

(2) From the taxed profit of the current year supplemented with available profit reserves, holders of interest-bearing shares shall be entitled to the interest calculated according to the method shown on the shares after the face value thereof. No interest may be paid to shareholders if, in consequence, the equity capital of the company would drop below the share capital of a private limited company as calculated in accordance with the legal regulations on accounting.

(3) In addition to interest, holders of interest-bearing shares shall be entitled to all rights attached to the shares, including the right to dividends.

Section 193.

(1) The general meeting may adopt a decision to issue registered shares (in an amount that does not exceed ten per cent of the share capital) that, according to the rules laid down in the articles of association, gives the limited company a purchase option or the shareholders a sale option (redeemable shares). Redeemable shares may also be issued of the type in which both the purchase option and the sale option is embodied simultaneously.

(2) The conditions for exercising the purchase option and the sale option shall be fixed in the articles of association of the private limited company before the shares are issued, in which to include a clause restricting the company's right to exercise its purchase option and its obligation arising in connection with the shareholder's sale option of shares for which the shareholder has paid the face value or the issue price in full, and if the shareholder in question has made available his in-kind contribution to the company. In laying down the requirements the provisions contained in the articles of association may deviate from those of the Civil Code pertaining to purchase options.

(3) The rights referred to in Subsection (2) may not be exercised if the private limited company is not authorized to distribute any dividend under Subsection (1) of Section 219. The annual report prepared pursuant to the Accounting Act and the interim balance sheet may be taken into consideration for allocating funds for covering share purchase and sale operations within the six-month period following the balance sheet date.

(4) The private limited company shall report to the competent court of registry all transactions stemming from share purchase and sale options and shall simultaneously publish these transactions in the Cégközlöny (Company Gazette). The company shall provide for retiring the shares redeemed in observation of the rules pertaining to the mandatory reduction of share capital [Section 270].

(5) The articles of association may contain provisions for the issue of redeemable shares of the type in which one or more of the preferential rights referred to in Subsection (2) of Section 186 are embodied simultaneously.

Convertible Bonds and Bonds with Subscription Rights

Section 194.

(1) A private limited company may issue registered bonds in a value for up to half of its share capital, which shall be converted into shares at the request of the holder (convertible bonds).

(2) A private limited company may also decide to issue registered bonds which, at a later point in time, upon the increase of the share capital entitle the holders of such bonds, following shareholders, to the right of subscription (bonds with subscription rights).

(3) The articles of association shall define the provisions relating to convertible bonds and to bonds with subscription rights. The general meeting of the private limited company may authorize the management board for the issue of convertible bonds or bonds with subscription rights.

Share Certificates and Interim Shares

Section 195.

Prior to the registration of a private limited company, or the registration of its increase of the share capital into the register of companies, share certificates may be issued on the amounts of financial contribution provided by shareholders. Share certificates are non-transferable documents made out to the name of the holder. Unless there is evidence to the contrary, share certificates certify the rights and obligations of the person indicated in such documents existing in respect of the public or private limited company.

Section 196.

(1) Following the registration of a private limited company, or the registration of its increase of the share capital by the competent court of registry, interim shares shall be made out for the amount of contribution provided on shares subscribed or undertaken to be received by shareholders, for the period up to the full payment of the share capital (increased share capital) or the issue price of the shares. Interim shares are treated as securities, to which the regulations on shares shall be applied, with the exception that the transfer of interim shares shall become valid only upon the registration of the holder of such shares in the register of shareholders.

(2) Interim shares shall entitle their holders to exercise shareholders' rights in proportion to the contribution which they have already provided. The holders of preference shares shall not be entitled to any preferential rights until payment of their financial contribution in full. In these cases the holders of preference shares shall be entitled to the proportionate exercise of shareholders rights afforded to holders of ordinary shares.

(3) The amount the shareholder has paid up before the interim share is issued shall be indicated on printed interim shares, or in the securities account in connection with dematerialized interim shares. Any additional financial contribution the shareholder has provided after the issues of interim shares shall be indicated - at the shareholder's request - on the interim shares in accordance with the regulations pertaining to securities, or new interim shares have to be issued in place of and upon the cancellation of the previous interim shares.

(4) If a shareholder transfers his interim shares to third parties, such shareholder shall be liable vis-Ä-vis the private limited company for the debts arising from the contributions to be provided on the shares subscribed or undertaken to be received by him under surety facilities. Where interim shares are transferred several times, all former shareholders shall be subject to surety liability jointly and severally.

(5) Interim shares issued prior to registration of the private limited company, or in a value exceeding the amount of financial contributions which were actually provided shall be null and void.

(6) When the shares are produced the management board shall request the shareholders to surrender their interim shares. Past the deadline specified in the notice the private limited company shall declare the interim shares void, or shall destroy them.

Section 197.

Interim shares may be either printed on paper or may be registered as dematerialized shares, as instructed in the articles of association. Where interim shares are issued in a dematerialized form, the holders of such shares shall be entitled to open a securities account for recording the dematerialized interim shares, or a sub-account for shareholders who already has a securities account, at the time when their financial contribution, or the first installment, is provided according to the articles of association.

Production of Shares

Section 198.

(1) Shares shall be issued in compliance with the regulations on securities, either printed on paper or shall be recorded in the form dematerialized securities. Interim shares and shares may be issued in different forms.

(2) Printed share certificates may be converted and recorded as dematerialized securities, and dematerialized shares may be printed on paper. The detailed provisions for such conversions are contained in the statutory provisions on securities.

Section 199.

(1) Printed share certificates shall inter alia contain the following information:

a) the corporate name and registered office of the private limited company;

b) the serial number, series and face value of the share;

c) the name of the first holder;

d) the rights attached to the category of shares or class of shares in question, as set forth in the articles of association;

e) the date of issue (the date of the articles of association, or the amendment of articles of association in connection a share capital increase), the amount of the share capital, and the number of shares issued;

f) the authorized signature or signatures, the code of the security;

g) in the case of restriction on the transfer of the share, or making the same subject to the consent of the private limited company, the content of such restriction or the company's right of consent.

(2) The provisions of Subsection (1) shall be applied to dematerialized shares subject to the exception that the serial number of the share need not be indicated, and the signatures of the persons referred to in Paragraph f) shall, in accordance with the statutory provisions on securities, be indicated on the document issued by the issuer and placed in the central depository. In lieu of such signatures, dematerialized shares contain the names of the authorized signatories of the document.

Section 200.

(1) Shareholders may demand the disbursement of printed share certificates due to them, or the crediting of the dematerialized shares to their securities account following entry of the private limited company in the register of companies, and the full payment of the share capital or, if the face value and the issue price of the shares differ, the issue price of the shares.

(2) Within a period of thirty days upon fulfillment of the conditions contained in Subsection (1), a private limited company shall take measures to produce the shares without delay, even if such action has not been demanded by shareholders.

(3) Any shares issued prior to entry of the private limited company into the register of companies, and/or prior to full payment of the issue price of the shares shall be null and void.

Section 201.

(1) Based on the authorization conferred in the articles of association, shares belonging to one series may also be issued as shares of a consolidated denomination; furthermore, following the issue of such, the shares may be converted into shares of a consolidated denomination upon the request and at the cost of shareholders. Unless there is an agreement to the contrary, the conversion of shares into shares of a consolidated denomination shall not result in joint ownership, and shareholders shall freely dispose over their rights attached to the base denomination of the consolidated shares according to the statutory provisions on securities.

(2) Upon the request and at the cost of shareholders, shares of a consolidated denomination may be divided into consolidated shares of a smaller denomination at a later point in time, or into the shares with the face value defined in the articles of association for the series of shares in question.

Register of Shareholders

Section 202.

(1) The management board of a private limited company or its representative appointed according to Subsection (2) shall keep a register of shareholders, including holders of interim shares, in which to record the name (corporate name) and address (registered office) of shareholders or their proxy (hereinafter referred to collectively as "shareholders"), or in the case of jointly owned shares, the name (corporate name) and address (registered office) of the joint representative, furthermore, the number of shares or interim shares (percentage of control) of shareholders as per each series of shares, as well as any other data prescribed by law or specified in the articles of association of the company.

(2) The management board of a private limited company may commission the services of a clearing house, central depository, investment firm or financial institution - governed in other acts - for keeping the register of shareholders. A notice on the outsourcing of these activities and the name of the service provider shall be published in the Cégközlöny (Company Gazette).

(3) The transfer of registered shares shall be valid vis-Ä-vis the private limited company, and shareholders may exercise their shareholders' rights in respect of the company only if such shareholders have been entered into the register of shareholders.

(4) In connection with dematerialized shares, the responsibility for supplying the data referred to in Subsection (1) - other than those specified in the articles of association - to the keeper of the register of shareholders, within two working days after the shares are shown in the securities account, lies with the operator of the securities account. The operator of the securities account may not disclose the data if so instructed by the shareholder affected.

(5) In connection with printed share certificates - which are deposited at a securities custodian specified in another act - the provisions of Subsection (4) shall apply to the securities custodian as well.

(6) The following persons may not be entered into the register of shareholders:

a) persons who so requested;

b) persons who have acquired their shares in violation of the regulations on the transfer of shares set forth by law or the articles of association.

(7) The keeper of the register of shareholders may not refuse to make a prompt entry into the register of shareholders, with the exception set out in Subsection (6).

(8) The keeper of the register of shareholders shall without delay remove the name of any shareholder who so requested it from the register of shareholders.

(9) Where the title of shareholder has ceased due to the securities being effectively cancelled from the records of the securities account, the operator of the securities account shall notify the keeper of the register of shareholders within two working days from the date of cancellation. The keeper of the register of shareholders shall update the register of shareholders accordingly without delay.

(10) Shareholders shall have the right to inspect the register of shareholders and may request copies of the section which pertains to them from the management board, or its representative, with which the keeper of the register of shareholders must comply with within five days. Third persons may be allowed access to the register of shareholders.

(11) Further requirements may be prescribed by law in connection with the register of shareholders for private limited companies engaged in certain specific activities, such as the obligation of notification to the transferor and transferee of shares.

Special Regulations Concerning the Transfer of Shares

Section 203.

(1) Where pre-emption rights, redemption rights or purchase options are attached to printed registered share certificates, this shall be considered valid in respect of the private limited company or third parties only if such rights have been indicated on the share certificates by overstamping.

(2) The management board shall act in connection with the overstamping upon the notice of shareholders.

(3) Where any of the rights referred to in Subsection (1) are attached to dematerialized shares, this shall be considered valid in respect of the private limited company or third parties only if it is recorded in accordance with the statutory provisions on securities.

Section 204.

(1) The categories or classes of shares that may be acquired by certain persons by way of transfer may be restricted by law.

(2) Apart from what is contained in Subsection (1), the articles of association may contain further restrictions concerning the acquisition of shares by way of transfer.

Section 205.

(1) The articles of association may contain provisions to render the transfer of shares subject to the consent of the private limited company (Civil Code, Section 215).

(2) Granting the consent for the transfer of shares as required by the articles of association shall fall within the competence of the management board, unless the articles of association contain provisions to the contrary.

(3) Consent may be refused on substantial grounds, in particular, if:

a) the shares in question are to be acquired by a competitor of the company; or

b) in consideration of the purpose of the company and the sphere of its shareholders, refusal is justified by some other reason set forth in the articles of association.

(4) If the management board fails to respond within a period of thirty days after receipt of the announcement of the intention to transfer the shares in writing, consent shall be considered to have been granted.

Foundation of Limited Companies

Section 206.

(1) A limited company is established upon the commitment of the founders to subscribe for all shares of the company (private foundation).

(2) Founders shall provide for the foundation of the private limited company, and their obligation to subscribe for the shares, as well as for the organization and operation of the company in the articles of association.

Section 207.

(1) The share capital of a limited company may not be less than twenty million forints.

(2) Limited companies may be established without cash contributions, with in-kind contributions only.

Section 208.

(1) In addition to what is contained in Subsection (1) of Section 12, the articles of association shall specify:

a) the amount of share capital, the amount of cash contributions to be paid upon foundation, and the conditions for paying the face value or issue price of shares;

b) the declaration of the founders concerning their commitment to subscribe for all shares, and on the division of the shares among themselves;

c) the number and face value or issue price of the shares to be issued upon foundation, the face value of fraction shares, where applicable, and type of shares (printed or dematerialized);

d) subject to the exceptions set out in Section 37 and in Section 247, the name (address) of the first management board members, and the name of the mothers of members;

e) the name of the private limited company's first auditor (address, registered office);

f) the procedure for calling general meetings, as well as the conditions and method of exercising voting rights;

(2) If so required, the articles of association shall contain the following:

a) the object and value of in-kind contributions and the number and face value of shares to be provided in exchange, the name (corporate name) and address (registered office) of the parties providing the contribution and the name (corporate name) and address (registered office) of the auditor responsible for the preliminary valuation of the in-kind contribution as indicated in the articles of association;

b) the rights attached to the individual categories and classes of shares, and any restriction of certain rights attached to shares, the rules on conversion of shares into shares belonging to other categories or classes, or series of shares, as well as the number and face value or issue price of shares belonging to certain categories or classes of shares, separately for each series of shares;

c) the series, quantity and face value of convertible bonds or bonds with subscription rights, and the rules pertaining to such shares;

d) any restriction on the transfer of shares, or making transfer subject to the consent of the company;

e) the provisions relating to the mandatory redemption of shares [Subsection (3) of Section 267];

f) authorization conferred upon the management board to approve the interim balance sheet in connection with the exercise of rights attaching to redeemable shares, with the repurchase of own shares, the payment of interim dividends, and with the increase of the share capital financed from assets not comprising a part of the share capital;

g) where a general director is elected (Section 247), the name (address) and mother's name of the first general director;

h) where a supervisory board is elected, the name (address) and mother's name of the members of the first supervisory board;

i) any other points for which the shareholders wish to provide in the articles of association.

Section 209.

(1) In the event that a contribution is provided in kind, the auditor's report or that of another expert (hereinafter referred to as "auditor") shall be attached to the articles of association - with the exceptions set out in this Act - which shall contain a description and valuation of such contribution, and related thereto, a statement of the auditor as to whether the value of such contribution - as previously determined by the founders - complies with the quantity and face value of the shares to be provided in exchange, as well as a description of the valuation considerations applied by the auditor. The appointed auditor of the private limited company shall not be entitled to conduct a preliminary assessment of the value of in-kind contributions.

(2) No auditor's report is required if the shareholder that has provided the in-kind contribution has an annual report prepared pursuant to the Accounting Act within three months to date in relation to the date when the contribution was provided, if it contains the value of the contribution, or if the contribution is comprised of securities whose market value can be readily established.

(3) The management board shall have the auditor's report published in the Cégközlöny (Company Gazette) at the time of submission of the application for registration.

Section 210.

(1) A private limited company may be registered only if, prior to the submission of the application for registration:

a) the founders who have undertaken to provide contributions in cash have paid at least twenty-five per cent of the face value or issue price of the shares which they have committed to subscribe for in the articles of association;

b) contributions in kind have been made available to the company, with the exception if the value of in-kind contributions is less than twenty-five per cent of the share capital.

(2) The articles of association may prescribe the minimum amount of cash contributions to be paid up, or may specify the value of the in-kind contributions to be provided before registration at a higher percentage of the share capital.

(3) The shareholders committed to provide cash contributions shall pay up the face value or issue price of the shares to the private limited company within one year from the date when registered in the register of companies.

(4) Any part of the in-kind contribution that the shareholder did not make available to the private limited company before its registration shall be provided at the time specified in the articles of association, not later than before the end of the fifth year following the date of registration of the private limited company.

Section 211.

(1) The prior consent of the general meeting of the private limited company shall be required for any contract on the transfer of property to be concluded within two years from the company's registration between the company and one of its founders or between the company and one of its shareholders holding at least ten per cent of the voting rights, where the value of the compensation to be provided by the company amounts to one-tenth or more of its share capital. In the course thereof, the provisions on the valuation of contributions in kind and on the publication of the independent auditor's report (Section 209) shall also be applied.

(2) The articles of association of the private limited company may stipulate the application of Subsection (1) for a period of more than two calendar years from the date of registration and with respect to shareholders who have less than ten percent of the voting rights.

(3) The provisions contained in Subsection (1) shall also apply where the other party to the contract with the private limited company is a close relative [Civil Code, Paragraph b) of Section 685], or domestic spouse of the founder or shareholder or a person in which the founder or shareholder controls - directly or indirectly - over fifty per cent of the voting right or effectively exercises a dominant influence [Civil Code, Section 685/B].

(4) Subsection (1) shall not apply where property is transferred under a contract of ordinary magnitude within the sphere of the company's activities, by virtue of official resolution or by official auction, nor in connection with transactions on the exchange markets.

Rights and Obligations of Shareholders

Rights of Shareholders

Section 212.

(1) Shareholders shall be entitled to exercise the rights set out in this Chapter who are in possession of the shares, or the certificate of deposit or certificate of ownership made out in accordance with Subsections (2)-(3), following their entry into the register of shareholders.

(2) In connection with dematerialized shares, the operator of the securities account shall issue an ownership certificate at the shareholder's request concerning the shares recorded on the account. The ownership certificate shall indicate the name of the private limited company, the type and quantity of shares, the name and authorized signature of the operator of the securities account, and the name (corporate name) and address (registered office) of the shareholder. An ownership certificate issued to permit its holder to attend the company's general meeting shall remain valid until the date of the general meeting, including the second meeting if reconvened.

(3) In connection with printed share certificates - which are deposited at a securities custodian specified in another act - the custodian shall make out a deposit certificate at the shareholder's request concerning the shares placed in his custody. The provisions of Subsection (2) shall apply to the contents and validity of deposit certificates.

(4) After the issue of an ownership certificate the operator of the securities account shall register any changes pertaining to the shares in the securities account only after the withdrawal of the ownership certificate. The securities custodian shall be required to withdraw the deposit certificate if the shares to which it pertains are released to the shareholder or his authorized representative.

(5) One share may have several owners who shall be treated as a single shareholder in respect of the private limited company; their rights may only be exercised by their joint representative and they shall bear joint and several liability for the obligations of shareholders.

(6) Shareholders' representatives acting on the basis of the statutory provisions on securities shall exercise shareholders' rights in respect of the company in their own name and for the benefit of the shareholder.

Section 213.

(1) Shareholders may exercise their shareholders' rights through representatives. The auditor may not function as such representative. Unless otherwise provided for in the articles of association, members of the management board, the general director (Section 247), directors, executive employees of the company and supervisory board members may not serve as representatives.

(2) One representative may represent several shareholders; however, one shareholder may have only one representative.

(3) Unless otherwise prescribed in the articles of association, authorizations for representation may be valid for one general meeting or a fixed period of time not to exceed twelve months. The validity of authorizations of representation shall cover the resumption of suspended general meetings and to general meetings re-convened due to lack of a quorum.

(4) Authorizations shall be submitted to the private limited company in the form of an authentic instrument or private document representing conclusive evidence.

Section 214.

Shareholders shall have the right to participate, to request information within the limits specified in this Act, and to make remarks and proposals at the general meeting. Shareholders are entitled, if holding shares with voting rights, to vote.

Section 215.

(1) The management board shall provide the necessary information to all shareholders in connection with the items placed on the agenda of the general meeting.

(2) The management board shall disclose the key data of the annual report prepared pursuant to the Accounting Act and key data of the report of the management board and the supervisory board to the shareholders at least fifteen days before the general meeting.

(3) Shareholders shall treat all business secrets of the private limited company strictly confidential and shall be held liable for any damages caused by the violation of these, in accordance with the provisions of Section 339 of the Civil Code.

Section 216.

(1) With the exceptions set out in this Act, voting rights attached to shares shall be determined by the face value of such shares.

(2) The procedure for exercising voting rights shall be laid down in the articles of association within the framework specified in this Act and in the Act on Securities.

(3) Shareholders in any arrears in their capital contribution shall not be able to exercise their voting rights.

Section 217.

(1) A group of shareholders controlling at least five per cent of the voting rights may request in writing the management board to place an issue of their choosing on the agenda, indicating the reason and the purpose thereof. The articles of association may contain provisions to afford this right to a group of shareholders controlling a lesser percentage.

(2) Shareholders may exercise their rights under Subsection (1) within a period of eight days after receipt of the invitation to the general meeting, or the publication of the notice for calling the general meeting.

Obligations of Shareholders

Section 218.

(1) Shareholders shall be required to pay up and make available to the private limited company the cash and in-kind contributions covering the face value or issue price of the shares they have received within the time limit specified in Section 210. With the exception of a reduction of share capital, shareholders may not be exempted from this obligation and they shall not, during the company's existence, be able to reclaim the contributions they have made.

(2) Within the time limit set out in Section 210, shareholders are obliged to pay the face value or issue price of their shares when so notified by the management board according to the conditions laid down in the articles of association. Shareholders may satisfy their payment obligation prior to receiving the said notice.

(3) If the shareholders' rights of a shareholder are terminated pursuant to Section 14, and his obligation to provide the contribution on the shares subscribed or undertaken to be subscribed by the shareholder in the articles of association is not assumed by another person, the share capital must be reduced consistent with the contribution committed by such shareholder in default.

(4) The value of the contribution provided by shareholders in default shall be due to such shareholders following the reduction of the share capital, or when the replacement shareholder performs his contribution towards the company.

Protection of Company Assets

Section 219.

(1) The private limited company may effect any disbursement from its own funds to a shareholder, on account of his membership, during the company's existence solely in the cases defined in this Act and only if the conditions set

out in the Accounting Act are satisfied, with the exception of the reduction of the share capital, from the taxed profit for the current year, or from the taxed profit from the current year supplemented with available profit reserves. No disbursement can be made if the company's equity capital - adjusted in accordance with the Accounting Act - is below its share capital or it would be reduced to drop below the share capital if the payment was made.

(2) The articles of association may contain provisions to require the management board to issue a written statement declaring that any disbursement made according to Subsection (1) shall not jeopardize the company's solvency or creditors' interests. The management board shall be held liable for any payment made due to its failure to make the statement or to making a false statement according to the general provisions pertaining to executive officers.

(3) Within the meaning of Subsection (1), any payment made in cash or otherwise shall be construed as a disbursement, with the exception of shares provided by the private limited company without compensation under Subsection (1) of Section 191 or Subsection (3) of Section 259.

(4) Any disbursement made in contradiction of Subsection (1) shall be repaid to the company if it is able to prove that the shareholder involved has acted in bad faith.

(5) With the exception of interest-bearing shares, private limited companies shall not pay any interest on their shares.

Section 220.

(1) Shareholders shall be entitled to receive a share from the private limited company's taxed profit that is available and has been ordered for distribution by the general meeting under Subsection (1) of Section 219 in the percentage consistent with the face value of their shares (dividend). Dividends shall be paid to the shareholders listed in the register of shareholders at the time the general meeting adopting the decision for the payment of dividends was held, unless another time is prescribed in the articles of association. The articles of association may contain a clause for dividends to be provided in cash or in kind. Shareholders shall be entitled to receive dividends only in the proportion of the capital contributions they have already paid up.

(2) In connection with the application of Subsection (1), the articles of association may stipulate specific rights or restrictions separately for each class of shares.

(3) The general meeting may adopt its decision upon the recommendation of the management board for the payment of dividends simultaneously with the approval of the annual report prepared pursuant to the Accounting Act. If the private limited company has a supervisory board, the prior consent of the supervisory board is required for the proposal of the management board.

Section 221.

(1) The general meeting of the company may adopt a decision for the payment of interim dividends between the approval of two consecutive annual reports prepared according to the Accounting Act, if the articles of association so provides and if:

a) according to the interim balance sheet prepared according to the Accounting Act, the company has funds sufficient to cover such interim dividends. However, such payments may not exceed the amount of profits earned after the closing of the books of the financial year to which the last annual report pertains, calculated in accordance with the Accounting Act, and the amount supplemented with the available profit reserves and the payment of such interim dividends may not result in the company's equity capital - adjusted in accordance with the Accounting Act - to drop below its share capital; and

b) if the shareholders agree to repay the interim dividend in the event of any subsequent reason arising with a view to Subsection (1) of Section 219 in the annual report prepared according to the Accounting Act on account of which no dividend can be paid.

(2) The articles of association may grant authorization to the management board to decide, subject to the prior consent of the supervisory board, on the payment of interim dividends in the stead of the general meeting.

Section 222.

(1) The provisions of Subsection (4) of Section 219 shall also apply where a shareholder receives any payment for reasons other than his membership, which are not permitted under Subsection (1) of Section 219, and which are otherwise incompatible with the principle of prudent management.

(2) A group of shareholders controlling at least five per cent of the voting rights and any creditor of the private limited company who has a claim that is not yet due at the time of disbursement and amounts to ten per cent or more of the subscribed capital may request, with the costs advanced, the court of registry to appoint an independent expert to examine whether such disbursement provides legal grounds for the application of Subsection (4) of Section 219. The provisions on judicial oversight proceedings shall apply to the above procedure of the court of registry.

Own Shares

Section 223.

(1) Private companies shall not be entitled to subscribe for shares of their own issue (own shares) while being founded. Unless otherwise prescribed in this Act, private limited companies may acquire their own shares only if able to finance it from its assets other than of the share capital.

(2) The combined face value of the own shares of a private limited company it controls may not exceed ten per cent of its share capital.

(3) The shares whose face value or issue price is not paid up (made available) in full may not be acquired.

(4) Own shares may not be acquired if the private limited company is not authorized to distribute any dividend for the financial year due to lacking the conditions specified in Subsection (1) of Section 219. The annual report and the interim balance prepared pursuant to the Accounting Act sheet may be taken into consideration for determining compliance with this requirement within the six-month period following the balance sheet date.

Section 224.

Own shares may be acquired upon the general meeting authorizing the management board for acquiring them, with the conditions defined. Authorization may be granted for one occasion or for a maximum period of eighteen months. The authorization shall expressly specify, in particular, the type (class) of shares that can be acquired, their quantity and face value, and the minimum and maximum amount of consideration payable where applicable.

Section 225.

(1) The articles of association may contain provisions to forego the requirement for the prior authorization of the general meeting if it is necessary to prevent an imminent injury to which the private limited company is directly exposed.

(2) Within the meaning of Subsection (1), the management board shall present in the next general meeting the reasons for which the own shares had to be acquired, the quantity and aggregate face value of the shares, the percentage they represent in the company's share capital and also the price paid for the shares.

Section 226.

(1) The prior authorization of the general meeting is not required for the acquisition of the private limited company's own shares if acquired by way of a court proceeding or non-judicial proceedings for the settlement of any legitimate claim of the company. In these cases, Subsections (2) and (4) of Section 223 shall not apply.

(2) The prior authorization of the general meeting is not required for the acquisition of the private limited company's own shares if acquired in connection with transformation (Chapter VI). In these cases, Subsections (2) and (4) of Section 223 shall not apply.

(3) Upon the acquisition of own shares according to Subsections (1) or (2), the private limited company shall alienate the part of these shares which are in excess of ten per cent of the share capital within three years following the date on which they were acquired, or shall retire them by way of decreasing the share capital.

(4) Where a private limited company has acquired its own shares in violation of the law, the shares involved must be alienated within one year of the date on which they were acquired, or the company shall retire them by way of decreasing the share capital.

Section 227.

Voting rights shall not be attached to the own shares acquired by a private limited company, and such shares shall not count for the purposes of a quorum or in connection with pre-emptive subscription rights. Any dividend or interest that is payable on the company's own shares shall be taken into account the same way as pertaining to the shareholders with respect to the dividends payable on their shares, unless otherwise prescribed in the articles of association. The rules on eligibility for dividends shall apply as appropriate for the distribution of corporate assets upon the termination of the private limited company.

Section 228.

(1) The provisions pertaining to own shares shall apply in the cases where the shares of a private limited company are acquired by another private limited company or a private limited-liability company in which the company controls - directly or indirectly - over fifty per cent of the voting rights or effectively exercises a dominant influence (Civil Code, Section 685/B).

(2) The provisions of Subsection (1) shall also apply where the shares of a private limited company are acquired by a foreign business association that is treated as a limited company or a private limited-liability company under the laws of the country in which it is registered.

(3) The acquisition of shares by a third person in its own name and on behalf of a private limited company shall be treated as if the acquisition has been made by the private limited company itself.

(4) The provisions of Sections 223-226 shall also apply if a private limited company accepts its own shares as security for a claim, including the cases specified in Subsections (1)-(3).

Section 229.

(1) Private limited companies may not provide any loan or undertake suretyship, nor shall it pay any financial liability prematurely if the sole purpose of such operations is to assist any third person in the acquisition of shares issued by the private limited company.

(2) Any contract made in violation of Subsection (1) shall be null and void.

(3) The provisions of Subsection (1) shall not apply if the operations referred to therein are intended to assist in the acquisition of shares, whether directly or indirectly, by the company's employees - including the employees of companies under the company's majority control - or by any organization founded by the said employees for this purpose, nor to transactions conducted by banks and other credit institutions in their normal course of business.

Section 230.

The concept of own shares shall not include the shares which private limited companies are required to obtain temporarily according to the provisions of law or the articles of association (Sections 191 and 193). These shares shall not entitle the private limited company to exercise shareholders' rights.

Organizational Structure of Limited Companies

The General Meeting

Section 231.

(1) The supreme body of a private limited company is the general meeting, which consists of all shareholders.

(2) The following shall fall within the exclusive competence of the general meeting:

a) decisions to approve and amend the articles of association, unless this Act contains provisions to the contrary;

b) decisions on changing the operating form of the private limited company;

c) decisions on transformation or termination of the company without succession;

d) with the exception contained in Section 37, the election and removal of the members of the management board or the general director (Section 247), members of the supervisory board and the auditor, and establishing their remuneration;

e) approval of the annual report prepared pursuant to the Accounting Act;

f) decisions to pay interim dividends, unless this Act contains provisions to the contrary;

g) decisions to convert printed share certificates into dematerialized shares, or dematerialized shares into printed share certificates;

h) alteration of the rights attached to the various series of shares, and the conversion of categories or classes of shares;

i) decisions to issue convertible bonds or bonds with subscription rights, unless this Act contains provisions to the contrary;

j) decisions to increase the share capital, unless this Act contains provisions to the contrary;

k) decisions to reduce the share capital, unless this Act contains provisions to the contrary;

l) decisions to abolish pre-emptive subscription rights;

m) decisions on all issues which are assigned to the competence of the general meeting by law or the articles of association.

Section 232.

(1) The general meeting shall be convened at the intervals specified in the articles of association, but at least once every year. An extraordinary general meeting may be held at any time when deemed necessary.

(2) Unless otherwise provided by this Act, the general meeting shall be called by the management board.

(3) The general meeting shall be called according to the procedure set out in the articles of association, by means of an invitation sent to the shareholders at least fifteen days prior to the first day of the general meeting. The articles of association may contain provisions for sending the invitation to the general meeting by way of electronic means to the shareholders who specifically requested it.

(4) The invitation shall contain:

a) the corporate name and registered office of the company;

b) the place and time of the general meeting;

c) the procedure for holding the general meeting;

d) if the general meeting is held by conferencing, the name and means of access of the authorized voting agent;

e) the agenda of the general meeting;

f) the conditions for exercising voting rights, as laid down in the articles of association;

g) the place and time of the reconvened general meeting in the event of failure to meet quorum requirements.

(5) Unless otherwise prescribed by the articles of association or the management board, general meetings are held at the registered office or the place of business of the private limited company.

Section 233.

(1) The shareholders present at the general meeting shall be entered into an attendance sheet, which shall contain the name (corporate name) and address (registered office) of the shareholder or its representative, the quantity of his shares and the number of votes he has, and any changes during the general meeting in the persons of those present.

(2) Attendance sheets shall be signed by the chairman of the general meeting and the keeper of the minutes.

Section 234.

(1) The general meeting has quorum if shareholders representing at least half of the votes embodied by shares with voting rights are present.

(2) If the general meeting fails to have quorum, the reconvened general meeting shall, unless otherwise provided by the articles of association, have a quorum on the issues of the original agenda irrespective of the number of those present. If the general meeting did not have quorum, the reconvened general meeting shall be held after a period of between three and twenty-one days have lapsed, unless the articles of association provides otherwise.

(3) The articles of association may contain provisions for the suspension of general meetings. If the general meeting is suspended, it shall be resumed within a period of thirty days. In this case, the rules on calling the general meeting and on the election of the officers of the general meeting shall not apply. General meetings may be suspended only on one occasion.

Section 235.

The articles of association may grant an exemption from quorum requirements [Subsection (1) of Section 234] in connection with issues requiring a simple majority, or may install different quorum requirements for such cases.

Section 236.

(1) Unless otherwise prescribed by law, the general meeting shall adopt its resolutions on the issues listed under Paragraphs a)-c), h) and k) of Subsection (2) of Section 231 by a majority of at least three-quarters of the votes adopting the draft resolution. The articles of association may prescribe a three-quarters majority of the votes for other matters as well.

(2) Where an amendment to the articles of association is adopted in connection with the implementation of a general meeting resolution to increase or reduce the share capital (i.e. to determine the size of the share capital), the approval of the general meeting for the amendment of the articles of association shall be considered granted when the resolution to increase or reduce the share capital is adopted.

Section 237.

Unless otherwise provided by the articles of association, any resolution of the general meeting that discriminates against the rights attached to a certain series of shares may only be passed if, according to the procedure set out in the articles of association, the shareholders of the share series in question grant their explicit consent. In the course thereof, the provisions on the restriction or exclusion of the voting rights attached to such shares may not be applied, save where voting rights are restricted under Section 227. The detailed rules for the granting of such consent shall be laid down in the articles of association.

Section 238.

(1) The events of general meetings shall be recorded in minutes, which shall contain the following:

a) the corporate name and registered office of the private limited company;

b) the place and time and the procedure for holding the general meeting;

c) the names of the chairman of the general meeting, the keeper of the minutes, the person appointed to witness the minutes and the official vote counters;

d) major events and proposals made during the general meeting;

e) draft resolutions, the number of votes cast for and against draft resolutions, and the number of abstentions from the vote.

(2) The minutes shall be signed by the keeper of the minutes and the chairman of the general meeting, and shall be witnessed by an elected shareholder present.

(3) The management board shall submit a certified copy of the minutes of the general meeting or an abstract thereof and the attendance sheet to the court of registry within a period of thirty days after the close of the general meeting.

(4) Any shareholder may request an abstract or copy of the minutes of general meetings from the management board.

Section 239.

(1) The articles of association may contain facilities for general meetings in a way to allow the shareholders to participate - as prescribed in the articles of association instead of attending in person as prescribed - by way of proper electronic means of communication, designed to handle dialogues between members and providing adequate facilities for debates without any restriction whatsoever, and that features facilities for exercising shareholders' rights equivalent with personal participation. Where the general meeting is held by conferencing the type of electronic means of communication without facilities for the identification of the persons participating in the general meeting held by conferencing may not be used, nor may the general meeting be held under such conditions, furthermore, the meeting may not be held under facilities that may be discriminatory to any shareholder or any group of shareholders in any way or form.

(2) If according to the articles of association a general meeting may be held by conferencing and unless it provides otherwise, shareholders may freely decide the way in which they wish to participate. In these cases the shareholders who wish to attend the general meeting in person shall so notify the private limited company at least five days in

advance. Any shareholders who fail to notify the private limited company concerning their intention to participate in due time shall be treated as participating in the general meeting through telecommunication connection.

(3) All costs arising in connection with the general meeting and with providing telecommunication connections on the part of the private limited company shall be borne by the private limited company, and they may not be charged to the shareholders.

Section 240.

(1) The articles of association may contain provisions requiring that the annual general meeting of private limited companies must be attended in person, and may specify the issues that cannot be debated in a general meeting held by conferencing.

(2) The articles of association may prescribe that a general meeting may be held by conferencing only through an internet link that supports voice transmission.

(3) The articles of association may contain provisions prescribing that a general meeting may not be held by conferencing if objected to in writing by a group of shareholders controlling at least five per cent of the total number of votes - indicating the reason - at least five days before the general meeting is held, and if they request that the general meeting be held the conventional way.

Section 241.

(1) Before the opening of a general meeting that is held by conferencing the entitlement of shareholders wishing to participate in person shall be checked on the basis of the data contained in the register of shareholders. The articles of association, or a general meeting resolution adopted by authorization of the articles of association, shall define the procedure for checking the identification of shareholders participating through a telecommunications connection, along with the voting procedure and the authentic conclusion of the results, furthermore, define the procedure for the election of general meeting officers, and the requirements for shareholders to make their opinions known and to make proposals.

(2) The discussions of a general meeting held by conferencing and the resolutions adopted shall be recorded using a reliable medium so that it can be retrieved at any time in the future. Where the discussions of the meeting have been recorded, however, the resolution adopted by the general meeting has to be submitted to the court of registry, minutes shall be drawn up based on the said recording and it shall be signed by a member of the management board.

Section 242.

(1) The articles of association may prescribe that - exclusive of adopting the annual report prepared pursuant to the Accounting Act - the issues under the competence of the general meeting may be resolved without having to hold a meeting.

(2) The management board shall send the draft of a decision proposed for discussion without a general meeting to the shareholders in writing, allowing at least eight days for making a decision unless a shorter period is prescribed in the articles of association. Shareholders shall be required to send their votes in writing within that time limit.

(3) The management board of the private limited company shall determine the outcome of the voting within three days following the last day of the time limit prescribed for voting, or if the votes of all shareholders are received previously, from that day, and shall convey the results in writing to the shareholders within an additional three days.

(4) In the event of doubt, the burden of proof in connection with the delivery of draft decisions proposed for discussion to the shareholders shall lie with the company, and in connection with sending the votes to the company and their arrival within the time limit, this shall lie with the shareholder affected.

(5) The articles of association may contain provisions to stipulate that the general meeting must be convened when requested by a group of shareholders controlling at least five per cent of the total number of votes for discussing the draft decision proposed.

(6) The provisions governing general meetings shall also apply to adopting resolutions without a general meeting.

The Management Board

Section 243.

(1) Unless an exemption is made in this Act, the administrative duties of private limited companies is handled by the management body, consisting of minimum three and maximum eleven members, all natural persons. The management body shall elect its chairman from among its members. The articles of association may prescribe that the chairman of the management board be elected directly by the general meeting.

(2) The management board shall exercise its rights and perform its duties as an independent body. The rules of procedure approved by the management board shall provide for the division of tasks and competence among the members of the management board.

(3) The rules of procedure of the management board may contain facilities to allow its members to participate by way of electronic communications instead of attending in person. In this case, the detailed regulations for holding such meetings shall be laid down in the rules of procedure.

(4) The members of the management board may attend sessions of the general meeting of the company in an advisory capacity.

Section 244.

(1) The responsibility for presenting the annual report of the private limited company prepared pursuant to the Accounting Act to the general meeting lies with the management board.

(2) The management board shall prepare a report on the management, the financial situation and the business policy of the company at the intervals set out in the articles of association, or at least once every year for the general meeting, and at least once every three months for the supervisory board.

(3) The management board shall ascertain that the books of the company are kept according to the rules.

Section 245.

(1) The management board shall, with simultaneous notice to the supervisory board, call a general meeting within a period of eight days in order to provide for the necessary measures whenever it comes to its notice that:

a) the company's equity capital has dropped to two-thirds of the share capital due to losses; or

b) the equity of the company has dropped below the amount limit specified in Subsection (1) of Section 207; or

c) the company is on the brink of insolvency or has stopped making payments and its assets do not cover its debts.

(2) Where Subsection (1) applies, shareholders are required to adopt decisions to determine the ways to supplement the share capital, in particular to prescribe additional capital contributions from the shareholders, or for the reduction of the share capital, furthermore, to adopt decisions on the company's transformation into another company, or in the absence of these, on its termination without succession.

Section 246.

If the reason referred to in Paragraph a) of Subsection (1) of Section 245, on account of which the general meeting was called, is not eliminated within three months following the conclusion of the general meeting, the company's share capital must be reduced.

Section 247.

The articles of association may provide that a management board is not required, and the rights conferred in this Act upon the management board shall be exercised by a single executive officer (general director).

Increase of Share Capital

Section 248.

(1) Share capital may be increased:

a) by the issue of new shares,

b) from the assets not comprising part of the share capital,
c) by the issue of employees' shares,
d) by the issue of convertible bonds, as conditional upon the increase of the share capital.
(2) New shares or bonds may be issued publicly or privately.
(3) The types and methods of increasing the share capital under Subsections (1)-(2) may be decided on and implemented at the same time.

Section 249.

Where a private limited company adopts a decision for increasing its share capital through the public issue of new shares, the general meeting shall have adopted a decision previously for changing the operating form of the company (Section 173).

Section 250.

(1) Unless otherwise prescribed in this Act, the decision for the increase of a private limited company's share capital lies with the general meeting.
(2) Where a private limited company has issued shares of different types or classes, the articles of association may contain provisions to require the holders of the types or classes of shares in question to grant their explicit consent - as prescribed in the articles of association - for the increase of the share capital as a pre-condition for the general meeting resolution adopted for the increase of share capital to take effect. In the course thereof, the provisions on the restriction or exclusion of the voting rights attached to such shares may not be applied, save where voting rights are restricted under Section 227. The detailed rules for the granting of such consent shall be laid down in the articles of association.

Section 251.

(1) Where the share capital is increased by way of a cash infusion, the articles of association may contain provisions for granting preferential rights to the shareholders holding convertible bonds and bonds with subscription rights for the subscription of shares. If preferential rights are provided for the subscription of shares, the persons entitled to exercise such preferential rights, their ranking and the prescribed time limit shall be specified in the articles of association.
(2) If a private limited company issues bonds with subscription rights, the preferential rights referred to in Subsection (1) shall be defined before the bonds are issued, and the preferential right shall be granted to holders of bonds with subscription rights.

Section 252.

(1) The general meeting of a private limited company may authorize the management board - unless it is expressly prohibited in the articles of association - to increase the share capital. The amount limit (approved share capital) by which the management board is allowed to increase the company's share capital over a period of maximum five years as prescribed in the general meeting resolution must be specified in the authorization. Unless otherwise specified in the general meeting resolution, the renewable authorization granted for the increase of share capital pertains to all of the forms and methods of capital increase contained in Subsections (1) and (2) of Section 248.
(2) The authorization granted to the management board for the increase of share capital also constitutes an entitlement and obligation for the management board to adopt decisions relating to the increase of share capital, which otherwise fall within the competence of the general meeting by law or according to the articles of association, including the amendment of the articles of association that becomes necessary upon the increase of the share capital.
(3) The management board shall have the notice on the general meeting resolution referred to in Subsection (1) published in the Cégközlöny (Company Gazette) within thirty days after the date when the resolution was adopted.

Section 253.

The regulations governing foundation shall also apply in connection with any increase of share capital and its registration in the register of companies.

Share Capital Increase through the Issue of New Shares

Section 254.

(1) A private limited company may increase its share capital through the private or public issue of new shares.

(2) Private limited companies may increase their share capital through the issue of new shares only if the face value or the issue value of all previously issued shares are paid up in full, and all contributions in kind are made available to the company.

Section 255.

(1) The resolution of the general meeting adopted for increasing the share capital through the issue of new shares shall specify the following:

a) the method of increasing the share capital;

b) the amount of increase of the share capital, the planned lowest increase if necessary;

c) the draft of the amendment of the articles of association in connection with the increase of share capital, including the quantity and the series of the new shares to be issued, the rights attached to the types of shares, classes or series of shares belonging to such series, the method of production, the face value or issue price of the shares (share attributes), as well as the terms of payment of the face value or issue price of the shares;

d) a description and value of in-kind contributions, the quantity and other characteristics of shares to be provided in exchange, the name (corporate name), address or registered office of the person providing such contribution, and the name (corporate name), registered office (address) of the auditor conducting preliminary assessment, and the date when made available;

e) the time limit for making a statement undertaking the obligation to subscribe shares.

(2) The resolution containing the general meeting's decision for increasing the share capital shall indicate the persons the general meeting has authorized to subscribe for the shares, provided that the persons otherwise eligible did not exercise their pre-emptive subscription rights concerning the shares in question. The same general meeting resolution shall also specify the quantity and the attributes of shares that may be subscribed by any one person.

(3) Unless the articles of association provides otherwise, subscription right to the shares may be granted if the person designated made a preliminary statement of commitment for subscribing for the shares and for providing the appropriate consideration. The statement shall specify the exact amount of cash and a description and value of in-kind contributions to which the commitment pertains, and the time when the in-kind contribution is to be made available. The private limited company may not install a clause in the resolution adopted for the subscription of shares to request the person making the commitment to provide further cash or in-kind contributions apart from those contained in the statement of commitment.

Section 256.

(1) The general meeting adopting a decision for the increase of share capital may amend the articles of association in connection with the share capital increase - depending on the outcome of commitments made for the subscription of shares - as of the last day of the time limit prescribed for the statement. In this case, another general meeting is not required in connection with the increase of share capital.

(2) The management board shall publish the resolution of the general meeting adopted for the increase of share capital in the Cégközlöny (Company Gazette) within thirty days following the date of the decision.

Section 257.

(1) If a conditional amendment of the articles of association is not effected or if in connection with the increase of share capital the general meeting is to adopt a decision concerning an issue for which the conditional amendment of the articles of association has failed to provide for properly, the general meeting shall adopt a decision for the

amendment of the articles of association within sixty days following the successful conclusion of the time limit available for making the statement of commitment for the subscription of shares.

(2) The resolution of the general meeting adopted for the increase of share capital shall provide for the amendment of the company's articles of association in terms of the size of capital and the share attributes.

(3) Unless a decision of the general meeting provides otherwise, dividends may be paid for the first time on new shares issued with a view to the increase of share capital in connection with the financial year during which the increase of share capital was registered.

Section 258.

(1) The share capital increase shall be considered to have failed if the persons eligible failed to undertake the commitment for the subscription of shares in the face value or issue price sufficient to cover the planned or lowest increase of share capital.

(2) Failure of the share capital increase shall be reported to the court of registry within a period of thirty days after the expiration of the time limit prescribed for making the commitments for the subscription of shares.

Share Capital Increase from the Assets not Comprising a Part of the Share Capital

Section 259.

(1) A private limited company may transfer all or part of its assets other than the share capital to increase the share capital, if, according to the balance sheet of the annual report prepared for the previous financial year according to the Accounting Act or to the interim balance sheet of the current year there are sufficient funds available for the capital increase, and if the company's share capital will not exceed its equity capital adjusted in accordance with the Accounting Act. The annual report and the interim balance sheet may be taken into consideration for determining whether there are sufficient funds in excess of the share capital within the six-month period following the balance sheet date.

(2) Where a decision for the increase of share capital is conferred upon the management board according to Section 252, the management board shall also be entitled to approve the interim balance sheet subject to prior consent by the supervisory board.

(3) The shares embodying the increased share capital shall be conveyed to the company's shareholders free of charge, in proportion to the face value of their shares.

(4) The resolution of the general meeting adopted for increasing the share capital shall provide for the amendment of the articles of association and shall specify the conditions for the implementation of the increase of share capital (issue of new shares, overstamping, exchange).

Section 260.

(1) In respect of printed share certificates, within a period of sixty days after registration of the increase of share capital, the management board shall inform the shareholders by means of a written notice made out in accordance with the articles of association, of the place and the opening and closing date of the acceptance of shares to be exchanged, and the provision of new, exchanged or overstamped share certificates. Unless the articles of association provides otherwise, a period of at least thirty days shall be allowed for the exchange of shares. The management board shall retire all shares deposited in exchange according to the regulations on securities, following the closing date of exchange.

(2) Where any shareholder fails to surrender the shares to be overstamped or exchanged to the management board within the time limit specified in the notice, the management board shall declare these shares invalid. The resolution for declaring such shares invalid shall be published in the Cégközlöny (Company Gazette). Shareholders' rights may not be exercised with shares that have been declared invalid effective as of the operative date of the resolution therefor.

(3) In lieu of the shares declared invalid, the company shall issue and sell new shares.

(4) If new, exchanged or overstamped share certificates are not collected by a shareholder within the time limit specified, the company shall sell these shares as well.

(5) The shares over which the private limited company temporarily obtained control according to Subsections (3)-(4) shall not be treated as own shares, and the company may not exercise shareholders' rights with them.

(6) Private limited companies shall be allowed to sell the shares according to Subsections (3)-(4) within six months from the date they were obtained. Failing this, the shares shall be retired in due observance of the regulations pertaining to the mandatory reduction of share capital. The proceeds of the sale or the share of the capital consistent with the face value of the shares retired shall paid out to the shareholder who missed the deadline following the registration of the share capital reduction, within thirty days from the day of receipt of the purchase price.

Section 261.

In connection with dematerialized shares, the management board shall notify the central depository and the operator of the shareholder's securities account following registration of the increase of share capital, within the time limit specified in the articles of association, or failing this, within fifteen days concerning the changes in the securities holdings of the shareholder in question in consequence of the increase of share capital.

Share Capital Increase through the Issue of Employees' Shares

Section 262.

(1) The general meeting of a private limited company may adopt a decision to increase the company's share capital through the issue of employee shares.

(2) In the event of an issue of complementary employees' shares, the face value of the employees' shares is covered by the funds transferred from the assets of the company other than its share capital. In the event of an issue of preferential employee shares, the face value of the employee shares issued is covered by the amount to be paid according to the resolution of the general meeting and the funds transferred from the assets of the company other than its share capital.

(3) In connection with the issue of preferential employee shares, the payment terms for the employees shall be determined in consideration of the assets provided by the private limited company not comprising a part of the share capital.

(4) In connection with the issue of employee shares, the provisions on the increase of share capital by funds transferred from the assets of the company other than the share capital, or through the private offering of new shares, shall apply.

Share Capital Increase through the Issue of Convertible Bonds

Section 263.

(1) The general meeting may adopt a decision for the conditional increase of share capital through the issue of convertible bonds. In connection with the public or private offering of convertible bonds the statutory provisions on securities shall apply.

(2) In the resolution of the general meeting on the conditional share capital increase, the following shall be defined:

a) the method of bond issue (private, public);

b) the quantity, and face value or issue price of the bonds to be issued, the series of the bonds (bond attributes), and the place and time of subscription;

c) the conditions and the time for converting the bonds into shares;

d) the maturity of the bonds, and the conditions for paying interest or other yield on such bonds.

e) if the bonds are issued privately, the persons entitled to subscribe for them, and the quantity and other characteristics of the bonds they are entitled to subscribe for.

Section 264.

(1) If the bond issue is successful, the general meeting shall amend the articles of association within sixty days following the time limit prescribed for the subscription of bonds.

(2) If the subscription of bonds failed, the management board shall so notify the competent court of registry within thirty days following the closure of the subscription process.

Section 265.

(1) Within the maturity time of the bonds, bond holders may demand in writing shares in exchange for their bonds within a period of time set forth by the general meeting, through the submission of such bonds to the management board. If the bonds were issued at an amount below the face value or issue price of the shares, simultaneously with their declaration, bond holders shall pay the difference between the face value of the bond and the face value or issue price of the share to the private limited company. Upon the provision of such statement the bond holder shall be entitled to receive share certificates.

(2) According to the general meeting resolution adopted for the issue of convertible bonds, a decision for the increase of share capital shall be adopted during the first general meeting held following the last day of the time limit prescribed for the filing of the notice referred to in Subsection (1), or at a time specified by the general meeting, and the company's articles of association shall be amended accordingly.

Reduction of Share Capital

Section 266.

(1) Private limited companies may reduce their share capital at their discretion; however, in the cases defined in this Act reduction of the share capital is mandatory.

(2) With the exception set out in Subsection (5) of Section 268, the share capital may not be reduced below the threshold specified in Subsection (1) of Section 207.

(3) If the share capital is to be reduced below the threshold specified in Subsection (1) of Section 207, and if the shareholders fail to supplement the share capital within three months, the general meeting of the private limited company shall adopt a decision for the company's conversion, merger with another company, or termination without succession.

Section 267.

(1) A decision for the reduction of share capital, if carried out at the company's decision, shall lie with the general meeting, with the exception set out in Subsection (3).

(2) Where a private limited company has issued shares of different types or classes, the articles of association may contain provisions to require the holders of the types or classes of shares in question to grant their explicit consent - as prescribed in the articles of association - for the reduction of the share capital as a pre-condition for the general meeting resolution adopted for the reduction of share capital to take effect. In the course thereof, the provisions on the restriction or exclusion of the voting rights attached to such shares may not be applied, save where voting rights are restricted under Section 227. The detailed rules for the granting of such consent shall be laid down in the articles of association.

(3) A resolution of the general meeting is not required in connection with the reduction of share capital if the private limited company's articles of association prescribed the mandatory withdrawal of shares and reduction of share capital in advance, before the shares of the series in question were issued, upon the occurrence of certain specific conditions. The detailed regulations concerning the conditions and procedures for the withdrawal of shares shall be laid down in the articles of association.

Section 268.

(1) The invitation to a general meeting convened to adopt a decision for the reduction of share capital shall contain information concerning the amount of reduction of share capital, the reason and the procedure of implementation, and the conditional reduction of share capital where applicable.

(2) In the resolution of the general meeting on the reduction of share capital, the following shall be specified:

a) the reason (reasons) for the reduction of share capital, specifically, whether the share capital is reduced in order to withdraw capital or to settle losses or in order to increase any other part of the equity of the company (tied-up provisions);

b) the amount by which the share capital is being reduced, and the shares' attributes;

c) the procedure for the implementation of the reduction of share capital.

(3) Where the share capital is reduced by way of disinvestment, the amount due to the shareholders shall be determined taking into account - in proportion to the share capital - the assets in excess of the share capital. If the company's own funds are below the subscribed capital, for the reduction of share capital by way of disinvestment a decision is first required for the reduction of the share capital to cover losses.

(4) The resolution of the general meeting adopted for the reduction of share capital, if the proceedings under Sections 271-272 are concluded with success, shall also constitute the amendment of the articles of association.

(5) The general meeting may reduce the share capital below the amount limit specified in Subsection (1) of Section 207. However, the resolution for the reduction of share capital shall take effect only if the share capital is increased at the same time, and hence the amount of reduced and increased share capital reaches at least the amount specified in Subsection (1) of Section 207.

Section 269.

(1) In the event of share capital reduction, own shares held by the private limited company shall be withdrawn first.

(2) In respect of printed share certificates, the share capital reduction may be implemented:

a) by exchanging the shares;

b) by stamping the shares;

c) by reducing the number of shares in circulation according to the procedure set forth in the articles of association.

Section 270.

(1) Where reduction of the share capital is prescribed mandatory in this Act, the decision for conditional reduction of share capital - depending on the successful completion of the capital reduction procedure - shall be made by the court of registry at the company's request.

(2) The request shall indicate the reason for which the mandatory reduction of share capital is required, and the requirements set out in Paragraphs b)-c) of Subsection (2) of Section 268. The company shall enclose with the request the documents for substantiating the mandatory nature of the reduction of share capital.

(3) The court of registry shall adopt a decision within fifteen days. The ruling for the request may not be appealed.

(4) The resolution of the court adopted for the reduction of share capital, if the proceedings under Sections 271-272 are concluded with success, shall also constitute the amendment of the articles of association.

(5) Unless otherwise prescribed by the articles of association, the management board shall inform the shareholders concerning the final court decision during the next general meeting.

Section 271.

(1) The management board shall take measures to have the decision on the capital reduction published in two consecutive volumes of the Cégközlöny (Company Gazette) within thirty days after the date of the resolution of the general meeting for the reduction of share capital or from the delivery of the final court decision, leaving at least thirty days between the two publications. The notice shall specify as to whether the conditional reduction of share capital is carried out by decision of the general meeting or the court, it shall contain the subject of the decision, and shall advise the company's creditors of their right to demand collateral security - subject to the exceptions set out in Subsection (3) - for their claims originating from before the first publication of the notice that did not fall due by this time. Known creditors must be informed directly as well.

(2) The company's creditors shall file any request for collateral security in connection with the reduction of the private limited company's share capital within a thirty-day forfeit deadline following the last publication of the notice.

(3) Any creditor whose claim is already secured - pursuant to legal regulation or contract - consistent with the risk related to the reduction of the share capital shall not be entitled to demand such security, nor if it is not justified in light of the private limited company's assets and liabilities, financial position and profit or loss.

Section 272.

The management board shall provide the collateral security within eight days following the deadline for filing the proof of claim or, if a claim is rejected, shall deliver the resolution concerning the rejection and the reasons therefor to the creditor in question. The creditor affected may file for the review of any decision of rejection, or if the collateral security provided is insufficient, to the competent court of registry within eight days following receipt of the resolution. The court of registry shall adopt a decision in due observation of the provisions governing judicial oversight proceedings within thirty days after the request is filed. The court of registry, upon conclusion of the proceedings, shall either reject the request or shall order the company to provide adequate collateral security. Reduction of the initial capital may not be registered in the register of companies until the creditor is provided adequate collateral security.

Section 273.

(1) The provisions of Sections 271-272 shall not apply where the private limited company's share capital is reduced:

a) to cover the company's losses; or

b) for the purpose of redistribution, in the manner specified in the Accounting Act, in favor of an appropriated reserve over and above the private limited company's share capital.

(2) The reserve created from the share capital under Paragraph b) of Subsection (1) may not exceed ten per cent of the private limited company's share capital. The appropriated reserve created in this fashion may only be used to cover the company's losses or to increase the company's share capital subsequently; no disbursements to the shareholders under Section 175 are permitted from this reserve.

(3) If the statutory reduction of the share capital has failed and the private limited company fails to eliminate the reasons for statutory reduction within thirty days from the failure, the company must convert into another corporate form or adopt a decision for its termination without succession.

Section 274.

(1) Reduction of the share capital may be registered only if the private limited company provides proof attached with the request for registration verifying compliance with the requirements set out in Sections 271-272.

(2) The management board shall notify the competent court of registry concerning the failure of reduction of the share capital within thirty days.

Section 275.

(1) In respect of printed share certificates, within a period of sixty days after registration of the reduction of share capital, the management board shall inform the shareholders by means of a written notice made out in accordance with the articles of association, of the place and the opening and closing date of the acceptance of shares to be exchanged, and the provision of new, exchanged or overstamped share certificates. Unless the articles of association provides otherwise, a period of at least thirty days shall be allowed for the exchange of shares. The management board shall retire all shares deposited in exchange according to the regulations on securities, following the closing date of exchange.

(2) Where any shareholder fails to surrender the shares to be overstamped or exchanged to the management board within the time limit specified in the notice, the management board shall declare these shares invalid. The resolution for declaring such shares invalid shall be published in the Cégközlöny (Company Gazette). Shareholders' rights may not be exercised with shares that have been declared invalid effective as of the operative date of the resolution therefor.

(3) In lieu of the shares declared invalid, the company shall issue and sell new shares.

(4) If new, exchanged or overstamped share certificates are not collected by a shareholder within the time limit specified, the company shall sell these shares as well.

(5) The shares over which the private limited company temporarily obtained control according to Subsections (3)-(4) shall not be treated as own shares, and the company may not exercise shareholders' rights with them.

(6) Private limited companies shall be allowed to sell the shares according to Subsections (3)-(4) before the first general meeting following a six-month period from the date they were obtained. Failing this, the shares shall be retired in due observance of the regulations pertaining to the mandatory reduction of share capital.

(7) The proceeds of the sale or the share of the capital consistent with the face value of the shares retired shall be paid out to the shareholder who missed the deadline.

Section 276.

(1) In connection with dematerialized shares, the management board shall notify the central depository and the operator of the shareholder's securities account following registration of the reduction of share capital, within the time limit specified in the articles of association, or failing this, within fifteen days concerning the changes in the securities holdings of the shareholder in question in consequence of the reduction of share capital.

(2) Payments may not be made to shareholders from the share capital or from assets not comprising part of the share capital, and unpaid cash and in-kind contributions related to shares may not be cancelled before the share capital reduction is registered in the register of companies.

Termination of Private Limited Companies

Section 277.

The general meeting of a private limited company may decide to terminate the company by a majority of three-quarters of the votes.

Section 278.

(1) In the event of termination of a private limited company without succession, unless otherwise provided by law, assets remaining after the satisfaction of creditors shall be distributed among shareholders on the basis of their cash contributions and contributions in kind actually paid up and provided, in proportion to the face value of their shares. If the company has issued shares with preferential right to any liquidation surplus, the privileges granted by such preference shares shall be taken into account when distributing the assets of the company.

(2) If, at the commencement of voluntary dissolution or upon order for liquidation, the share capital of the private limited company has not yet been paid up in full, the receiver in charge of dissolution proceedings or the liquidator shall have the right to declare outstanding payments of cash or in-kind contributions due and payable with immediate effect, and to demand payment from the shareholders, if such action is necessary in order to satisfy the company's debts.

Special Regulations Concerning the Transformation of Private Limited Companies

Section 279.

(1) In the event of the merger of limited companies, the following shall also be defined in the merger agreement in addition to what is contained in Subsection (1) of Section 79:

a) the share exchange ratio of the merging companies and the amount of cash supplement payable to the shareholders from the assets other than the share capital of the company being acquired, which amount may not exceed ten per cent of the face value of the shares that were allocated to the shareholders on the basis of their respective holdings;

b) the detailed rules for the transfer of the shares of the acquiring company;

c) the point in time, following which the shares are entitled to a portion of after-tax profits;

d) the rights granted by the successor company to the shareholders vested with special rights (in particular, with regard to the benefits due to founders, or the rights attached to preference, employee or interest-bearing shares) or to the holders of other securities, as well as the proposal on arrangements related thereunto;

e) the benefits provided by the merging limited companies to members of the management board, executive employees and members of the supervisory board.

(2) Simultaneously upon preparation of the merger agreement, the executive officers of the combining limited companies shall prepare a written report in which to demonstrate the justification of the merger and the share exchange ratio in line with legal and financial considerations. If the assessment met with particular difficulties, this shall also be indicated. Upon the request of shareholders and at the cost of the private limited company, full or summary copies of the documents accessible to shareholders shall be prepared. The executive officers of the merging companies shall be subject to liability for damages resulting from their negligent conduct during the preparation and execution of the merger according to the provisions contained in Subsection (2) of Section 26.

(3) The auditor preparing the draft statement of assets and liabilities shall demonstrate the methods the private limited company used for establishing the exchange ratio specified in Paragraph a) of Subsection (1), the value each of these methods resulted in, and shall declare as to whether the exchange ratio is correct in his opinion. If the assessment met with particular difficulties, this shall also be indicated.

(4) The auditor acting in accordance with the provisions of Subsection (3), or any other expert independent of the merging private limited companies shall make a statement, in a report prepared on commission by the private limited companies, regarding the soundness of the contents of the draft merger agreement, and the written report of the executive officers. Such statement shall also contain an opinion on whether the planned merger endangers the satisfaction of creditors' claims outstanding against the private limited companies.

(5) In respect of convertible bonds, the private limited company being established through the merger shall provide such entitlements to bond holders, which are at least equivalent to the entitlements they possessed in the predecessor business association, unless each of the bond holders gives his consent to the change of entitlement. Holders may also claim the redemption of convertible bonds or bonds with subscription rights issued by the combining companies from the successor private limited company. The provisions of this Subsection need not be applied if, upon the issue of the security, the position of bond holders in the case that a potentially subsequent merger had been defined in advance.

Section 280.

(1) Thirty days prior to the date of the general meeting adopting a decision for the approval of the merger agreement, the draft merger agreement, the written report prepared by the executive officers of the merging private limited companies, and the report of the auditor or independent expert containing his opinion on the draft merger agreement and on the written report shall be submitted by the private limited companies involved in the merger to the competent court of registry keeping the register of merging private limited companies.

(2) For a period of thirty days prior to the second general meeting resolution on the merger, all shareholders of the business associations involved in the merger shall have the right to inspect the annual reports of the combining business associations prepared pursuant to the Accounting Act for the previous three years, in addition to the documents prepared for the resolution of the general meeting.

(3) If there are several types or classes of shares, Section 237 shall be applied in the process of adopting a resolution on the merger.

(4) Upon due application of the provisions contained in Subsection (2) of Section 76, creditors of private limited companies involved in the merger may demand collateral security if able to verify that the merger endangers the basis of satisfaction of their claims, provided that the private limited companies involved in the merger have not granted any collateral security to such creditors previously.

Section 281.

(1) In addition to what is contained in Subsections (4)-(5) of Section 83, the demerger agreement drawn up for the demerger of private limited companies shall specify:

a) the share exchange ratio of the demerging companies and the amount of cash supplement payable to the shareholders from the assets other than the share capital, which amount may not exceed ten per cent of the face value of the shares that were allocated to the shareholders on the basis of their respective holdings;

b) the benefits provided by the demerging companies to members of the management board, executive employees and members of the supervisory board.

(2) In the event of the demerger of a private limited company, the management board shall inform the general meeting of any substantial change in the company's assets that takes place between the time the demerger agreement is drafted and the time it is approved by the general meeting.

(3) In the event of the demerger of a private limited company into other limited companies, the provisions contained in Sections 279-280 shall be duly applied.

Section 282.

(1) In the event of the transformation of a business association into a private limited company, the notice of transformation shall indicate the type (class) and face value of the shares in addition to what is contained in Subsection (3) of Section 75.

(2) If a private limited company transforms into a different type of business association, the shares shall become invalid upon the registration of the new business association being established through transformation. The executive officers of the successor business association shall provide for the application of the legal consequences of such invalidity within thirty days after receipt of the resolution ordering the registration, in due application of Sections 275-276.

Single-member Limited Companies

Section 283.

(1) A limited company may also be founded in a manner where all shares are subscribed by one person, the founder. A single-member limited company may also be established upon a single shareholder obtaining ownership rights for all shares of an existing limited company.

(2) If the ownership rights of all shares of a public limited company are acquired by a single shareholder, the company shall continue to operate as a private limited company.

Section 284.

(1) The share capital of a single-member limited company shall be paid up in full prior to the submission of an application for the registration of its charter document.

(2) In respect of single-member limited companies, the shareholder shall resolve the issues falling within the competence of the general meeting in writing, of which he shall inform the executive officers.

(3) In order for a contract concluded between a single-member limited company and its shareholder to be valid, such contract shall be drawn up in writing.

(4) A single-member limited company may not acquire its own shares.

(5) The provisions relating to the liability of any shareholder with a qualifying holding (Section 54) shall apply to the liability of the shareholder of a single-member limited company.

Title 3

Public Limited Companies

Section 285.

The provisions pertaining to private limited companies shall apply to any matters not regulated under this Title in connection with public limited companies.

Shares to be Issued by Public Limited Companies

Section 286.

(1) The shares of public limited companies (including interim shares) may only be of the dematerialized type.

(2) Public limited companies may not issue any shares attaching privileges for the appointment of executive officers or supervisory board members, or any preference shares with the right of pre-emption attached.

(3) The articles of association may specify a class of shares combining dividend preference with preferential right to any liquidation surplus. Other shares embodying privileges and preferential rights over and above the preceding may not be issued.

(4) Shares attaching preferential voting rights shall afford preferential rights only in matters for which a simple majority is required. In connection with the issues for which a qualified majority is required shares attaching preferential voting rights shall carry the same voting rights as other shares, notably, the number of votes corresponding to their face value. Public limited companies may not issue the shares attaching preferential voting rights specified under Subsection (2) of Section 188.

(5) Where a private limited company has decided to change its operating form, and hence it is converted into a public limited company, and the private limited company has had any shares attaching privileges for the appointment of executive officers or supervisory board members, or any preference shares with the right of pre-emption attached in circulation, or any shares combining dividend preference with preferential right to any liquidation surplus, at the time of conversion these shares shall be withdrawn and replaced with other preference shares or ordinary shares in accordance with the provisions contained in the articles of association.

Section 287.

(1) In connection with public limited companies the provisions contained in Sections 204-205 laying down restrictions for the transfer of shares shall not apply.

(2) Where a public limited company acquires control of twenty-five percent or more of the voting rights in another limited company or in a private limited-liability company, henceforward the business association shall not be entitled to acquire the shares of the public limited company, and shall be required to alienate any shares obtained previously within sixty days following the acquisition of control by the public limited company. In the event of the business association's failure to comply with this obligation, the public limited company shall not be entitled to exercise shareholders rights attached to these shares in question.

Foundation of Public Limited Companies

Section 288.

(1) A public limited company may be founded by means of share subscription through a public procedure, according to the conditions laid down in the statutory provisions on securities.

(2) The subscriptions of shares shall take place in accordance with the draft terms of formation and according to the method contained therein. The original copy of the draft terms of formation shall be drawn up in an authentic instrument or private document representing conclusive evidence, and any copies thereof shall be certified by a notary public.

(3) The draft terms of formation shall contain the following information:

a) the corporate name, registered office, scope of activities and duration of the company;

b) the name (corporate names) and address (registered office) of the founders;

c) the proposed amount of share capital;

d) the type, quantity and face value of shares, the method of production, and, if so required, the rights attached to the shares, other than ordinary shares, to be issued, and to the individual classes of shares, as well as possible restriction of shareholders' rights;

e) where applicable, the privileges granted to founders, that is to say, the right to provide contribution in kind, to appoint the members of the management board, the members of the first supervisory board and the first auditor, and to render a decision on the approval or refusal of oversubscription;

f) the objects and values of contributions in kind, the quantity and face value of shares to be subscribed in exchange for them, the name (corporate name) and address (registered office) of parties providing such contributions, and the name (corporate name) and address (registered office) of the auditor responsible for the preliminary evaluation of the value of the contribution as indicated in the draft terms of formation;

g) procedures to be followed in the event of oversubscription;

h) if so required, the quantity of shares necessary for the share subscription to be successful, if the share capital is undersubscribed (minimum subscription);

i) the cases of mandatory withdrawal of shares that are required under Subsection (3) of Section 267 and are not prescribed by statutory provisions;

j) the method of calling the inaugural general meeting;

k) the estimated costs of the public foundation.

(4) The draft terms of formation shall be signed by all founders, and it shall then be published by the founders as a part of the prospectus prepared according to the statutory provisions on securities.

Section 289.

Shares are considered subscribed upon the signature of the subscription sheet. Subscribers of shares, other than the founders, may undertake a commitment only for the provision of a cash contribution. With the exception of founders providing contributions in kind, subscribers shall pay upon subscription at least ten per cent of the amount subscribed, subject to the terms defined by the founders.

Section 290.

(1) If more shares have been subscribed than are being issued by the company according to the draft terms of formation (oversubscription), the founders, if entitled thereto in the draft terms of formation, shall decide on the approval or refusal of the oversubscription according to the considerations set forth in the draft terms of formation. If the founders are not authorized by the draft terms of formation to decide on oversubscription, following the establishment of the share capital, the inaugural general meeting shall decide on the approval or refusal of the surplus subscription.

(2) If the founders or the inaugural general meeting have refused the oversubscription, payments performed on the share subscriptions refused shall be refunded without any deduction to the subscribers within a period of fifteen days after the decision to refuse the oversubscription. The founders and the investment firm participating in the share issue shall bear joint and several liability for the fulfillment of this obligation.

Section 291.

(1) Foundation shall be considered to have failed if all shares representing the planned share capital of the public limited company, or, if so provided by the draft terms of formation, shares equivalent to the minimum subscription, have not been subscribed before the closing date of the share subscription, unless the share subscription is secured by a subscription guarantee.

(2) In the event that shares equivalent to only the minimum subscription have been subscribed in the share subscription procedure, the share capital of the public limited company shall be established based on the sum of the face value of the shares subscribed.

(3) If foundation fails, the amount paid in the course of the share subscription shall be repaid without any deduction to the parties performing such payment within a period of fifteen days. The founders and the investment firm participating in the share issue shall bear joint and several liability for the fulfillment of this obligation.

Section 292.

(1) Founders shall hold the inaugural general meeting within a period of sixty days after the closing date of a successful share subscription.

(2) If the founders fail to hold the inaugural general meeting within the period of time specified in Subsection (1), subscribers shall be relieved from their further obligations, and may reclaim the amount they have paid. The founders shall bear joint and several liability for repayment of such amount without any deductions.

(3) Until the opening of the inaugural general meeting, subscribers under the commitment to provide cash contributions shall supplement the amount they have paid upon subscription to twenty-five per cent of the face value or issue price of the shares subscribed.

Section 293.

The inaugural general meeting shall:

a) determine the outcome of the share subscription;

b) decide on the approval or refusal of oversubscription, unless this right has been reserved for founders in the draft terms of formation;

c) establish the articles of association.

Section 294.

(1) When determining compliance with quorum requirements at the inaugural general meeting, from among the subscribers undertaking to provide contributions in cash, those may be taken into account who have satisfied the obligation under Subsection (3) of Section 292, whereas from among the founders undertaking to provide contributions in kind, those may be taken into account who have made their contribution in kind available to the company. With the exception of the issue of deviation from the draft terms of formation, the inaugural general meeting has a quorum if shareholders subscribing fifty per cent or more of the share capital are present.

(2) The inaugural general meeting shall adopt its decisions by a three-quarters majority of the votes. The inaugural general meeting may depart from the draft terms of formation only upon the unanimous decision of all shareholders, except for the entitlements the founders have reserved for themselves.

(3) Minutes shall be drawn up on the inaugural general meeting, to which the provisions of Section 238 shall apply.

Section 295.

(1) The articles of association approved by the inaugural general meeting shall contain the requirements contained in Section 208, with the exception of Paragraph b) of Subsection (1) of Section 208, and Paragraphs d) and g) of Subsection (2) of Section 208. The articles of association shall contain - with the exception of public limited companies controlled by the one-tier system - the names of members of the first supervisory board.

(2) The articles of association of a public limited company may not prescribe a larger majority than a simple majority of the votes for the removal of management board members.

(3) All contributions in kind shall be made available to the company before the application for registration is submitted.

Rights and Obligations of Shareholders

Section 296.

For public limited companies notices to shareholders requesting payment of the face value or issue price of their shares shall be published in the company's official journal, where applicable, and shall be posted on the company's official website.

Section 297.

(1) If the management board of a public limited company contracts the services of a third party for keeping the register of shareholders (Section 202), a notice on the outsourcing of these activities and the name of the service provider shall be published in the company's official journal and shall be posted on its official website.

(2) In the case of public limited companies, the certificate referred to in Section 212 is not required where entitlement is verified - as instructed in the articles of association - by way of the identification procedure prescribed in the act on securities.

(3) Where the identification procedure is requested by the public limited company, if it pertains to the closing of the register of shareholders prior to the next general meeting, the keeper of the register of shareholders shall delete all data contained in the register of shareholders at the time of the identification procedure, and shall simultaneously enter the data obtained upon the identification procedure into the register of shareholders.

Section 298.

(1) The management board shall provide the necessary information to all shareholders in connection with the items placed on the agenda of the general meeting upon written request at least eight days before the scheduled date of the general meeting.

(2) The management board may refuse to provide such information if it is of the opinion that it would infringe upon the company's business secrets. The information shall be provided nonetheless, if the management board is so instructed by resolution of the general meeting. Disclosure of information that does not contain any business secrets may not be restricted.

(3) Unless otherwise provided in the articles of association, the right of shareholders to information shall include - subject to the provisions of Subsection (2) - their entitlement to inspect the company's books and other business documents.

(4) In connection with public limited companies, the director, an executive employee of the company, or a supervisory board member, may not serve as a shareholder's proxy.

(5) Apart from the procedure referred to in Subsection (4) of Section 213, shareholders may confer their appointment of a proxy at the general meeting by filling out a standard form received from the public limited company through the postal service in the form of an electronic document and return it to the public limited company following the procedure and according to the conditions laid down in the articles of association. The articles of association of the public limited company may derogate from the provisions contained in Subsection (4) of Section 213 as relating to the filling out of the form.

Section 299.

(1) The articles of association of a public limited company may stipulate the maximum level of voting rights which may be exercised by a single shareholder. When establishing maximum voting rights, shareholders must not be discriminated against in any way.

(2) The provision of the articles of association for the restriction of voting rights according to Subsection (1) shall be abolished in accordance with the act governing securities upon the closure of a bid defined therein, if it results in the acquisition of at least seventy-five per cent of the voting rights in the public limited company.

Section 300.

(1) The right to request additional items for the agenda of the general meeting of a public limited company (Section 217) may be exercised by the shareholders controlling at least one per cent of the votes.

(2) The shareholders controlling at least one per cent of the votes in a public limited company may request the appointment of an independent expert according to Subsection (2) of Section 222.

Section 301.

The provisions of Subsection (1) of Section 225 shall not apply in connection with a take-over bid launched according to specific other legislation.

Organizational Structure of Public Limited Companies

The General Meeting

Section 302.

The following shall fall within the exclusive competence of the general meeting in addition to what is contained in Subsection (2) of Section 231:

a) a decision concerning the approval of a public takeover offer;

b) a decision for taking measures to intervene in a public takeover bid (Section 305);

c) a decision - mandatory or otherwise depending on the provisions of the articles of association - concerning the guidelines and framework for a long-term salary and incentive scheme for executive officers, supervisory board members and executive employees; and

d) the election of members of the audit board (Section 311).

Section 303.

(1) The general meeting shall be convened by way of a public notice published in accordance with the articles of association at least thirty days in advance. The articles of association may contain provisions to stipulate that the notice for calling the general meeting may be posted on the company's official website instead of being published by means of the printed press. In addition to being posted on the website, the articles of association may require the notice to be published in the press as well, and that it shall be sent by way of electronic means to the shareholders who specifically requested it, in addition to being posted on the website or published in the press.

(2) In the event of any deviation between the public notice and the notice sent to the shareholders by way of electronic means, the public notice shall prevail.

(3) If an extraordinary general meeting is called in consequence of the shareholders' opinion relating to a public takeover offer for the shares of a public limited company or at the request of the person having obtained a qualifying holding upon the successful conclusion of the public takeover offer, the general meeting shall be convened in the manner specified in Subsection (1) at least fifteen days in advance.

Section 304.

(1) Public limited companies shall publish the key data of the annual report prepared pursuant to the Accounting Act and of the report of the management board and the supervisory board at least fifteen days before the general meeting, together with a summary of the proposals relating to the items on the agenda and the draft resolution in accordance with provisions of the articles of association pertaining to the disclosure of official notices of public limited companies. The articles of association may contain provisions for the public limited company to post its official notices on its website.

(2) Unless otherwise provided in the articles of association, the names of shareholders and proxies wishing to participate in the general meeting shall be entered into the register of shareholders before the commencement of the general meeting. If the articles of association contain provisions to specify the time by which the above entry has to be made, it may not precede the first day of the general meeting by more than seven business days.

(3) At the general meeting shareholders rights may be exercised only by the persons whose name is contained in the register of shareholders at the time it was closed. Unless otherwise provided in the articles of association, closing the register of shareholders shall not impede the right of a person whose name is contained in the register of shareholders in transferring his shares after the closure of the register of shareholders. The transfer of shares before the opening day of the general meeting shall not preclude the right of a person whose name is contained in the register of shareholders from attending the general meeting and from exercising his shareholder's rights.

(4) Public limited companies shall apply the provisions relating to general meetings held by conferencing (Section 239) with the exception that the management board shall appoint an authorized voting agent for the duration of the general meeting held by conferencing, who will be available for all shareholders during the general meeting held by conferencing. Shareholders may exercise their voting rights through the authorized voting agent. The name of the authorized voting agent and his contact information during the general meeting held by conferencing shall be indicated in the invitation to the general meeting.

(5) The venue of a general meeting held by conferencing must be the registered office or place of business of the public limited company.

Section 305.

(1) A three-quarters majority shall be required for a decision to be adopted by the general meeting of a public limited company to take measures - upon receiving notice - to intervene in an imminent public takeover offer made in accordance with the provisions of specific other legislation, such as to increase the company's share capital or to acquire its own shares. With respect to such operations, any restriction or exclusion of voting rights attached to shares, save where voting rights are restricted under Section 227, shall not be applied.

(2) The provisions of Section 237 may not be applied with respect to public limited companies.

Section 306.

Public limited companies shall publish their general meeting resolutions by the procedure and at the time specified in specific other legislation relating to securities.

Section 307.

In public limited companies the shareholders may not adopt any decision without holding a general meeting.

Management of Public Limited Companies

Section 308.

(1) Where the articles of association of a public limited company so provides, it shall be controlled by the board of directors under the one-tier system instead of the management board and the supervisory board. In this case, the board of directors shall discharge the duties of the management board and the supervisory board conferred upon them by law.

(2) Public limited companies may not elect a peremptory supervisory board as under Section 37.

(3) In the case of public limited companies the management board may not be substituted by a general director as specified under Section 247.

Section 309.

(1) The board of directors shall consist of minimum five and maximum eleven members, all natural persons, unless the articles of association provides otherwise with a view to employee participation. The board of directors shall elect its chairman from among its members. The articles of association may prescribe that the chairman of the board of directors be elected directly by the general meeting.

(2) The majority of the board of directors - with the exception set out in Subsection (4) - shall be made up of independent persons, unless the articles of association prescribe a higher percentage. A board member shall be considered independent if holding an office only on the board of directors of the public limited company.

(3) A board member shall not be considered independent, in particular, if:

a) an employee of the public limited company, or if a former employee for five years following the termination of such employment;

b) providing services to the public limited company or its executive officers for consideration as an expert or other similar services;

c) a shareholder of the public limited company controlling at least thirty per cent of the votes, whether directly or indirectly, or is a close relative [Civil Code, Paragraph b) of Section 685] or a domestic spouse of such person;

d) a close relative of any - non-independent - executive officer or executive employee of the public limited company;

e) entitled to receive financial benefits based on his board membership if the public limited company operates profitably, or receives any other form of remuneration from the company apart from the salary for his board membership, or from a company that is affiliated to the public limited company;

f) engaged in a partnership with a non-independent member of the public limited company in another business association on the strength of which the non-independent members attains control;

g) an independent auditor of the public limited company, or an employee or partner of such auditor, for three years following the termination of such relationship;

h) an executive officer or executive employee of a business association, whose independent board member also holds an executive office in the public limited company.

(4) The requirement for the majority of the board of directors to be made up of independent persons shall not apply if the public limited company is a controlled company belonging to a recognized group.

Section 310.

If the public limited company has a supervisory board, the provisions of Subsections (2)-(4) of Section 309 shall apply - in due consideration of what is contained in Subsection (5) of Section 41 - to the supervisory board.

Section 311.

(1) Public limited companies shall set up an audit board consisting of three members elected by the general meeting from the board of directors, or from the independent members of the supervisory board, where applicable.

(2) The competence of the audit board shall cover the following:

a) to opinionate on the annual report prepared according to the Accounting Act;

b) making a recommendation concerning the person and remuneration of the auditor;

c) preparation of the contract to be concluded with the auditor, and signing the contract on the company's behalf by authorization conferred under the articles of association;

d) monitoring compliance with the qualification requirements and with the regulations on conflict of interest on the part of the auditor, discharging the duties relating to cooperation with the auditor and - where necessary - tabling recommendations to the board of directors or the supervisory board for taking measures;

e) analysis of the financial reporting system and making recommendations when any action is deemed necessary; and

f) assisting the board of directors and the supervisory board so as to exercise proper control of the financial reporting system.

(3) The articles of association may confer additional duties upon the audit board.

Section 312.

(1) If the shares of a public limited company are admitted for trading on the Budapest Stock Exchange, the management board shall present to the annual general meeting the corporate governance and management report together with the annual report prepared pursuant to the Accounting Act.

(2) The report shall contain the management board's conclusions on the company's policy adopted with a view to sound governance and management in the previous financial year, and shall demonstrate any derogation from the Recommendations of the Budapest Stock Exchange for Sound Corporate Governance. The report shall be posted on the official website of the public limited company.

(3) The report shall be approved by a separate resolution of the general meeting. If the public limited company has a supervisory board, the report may not be presented to the general meeting without the consent of the supervisory board.

Increase and Reduction of Share Capital

Section 313.

(1) Where a public limited company has issued shares of different types or classes, the explicit consent - as prescribed in the articles of association - of the holders of the types or classes of shares which are directly affected by the capital increase, or the holders of shares which are deemed affected by the articles of association is required for the increase of the share capital as a pre-condition for the general meeting resolution adopted for the increase of share capital to take effect. The detailed rules for the granting of such consent shall be laid down in the articles of association. This provision shall also apply to the general meeting resolutions adopted to authorize the management board to increase the capital.

(2) Where the share capital is increased by way of a cash infusion, within the company's shareholders first the holders of shares belonging to the same series of issue, and then the holders of convertible bonds and the holders of bonds with subscription rights in tandem shall be granted preferential rights - in this sequence - for the subscription of shares subject to the conditions laid down in the articles of association.

(3) The public limited company shall inform the shareholders, by way of the procedure laid down in the articles of association, and the holders of convertible bonds and bonds with subscription rights concerning their options and the procedure to exercise the preferential right for the subscription of shares, including the face value or issue price of shares which may be acquired, and the first and last days of the period (at least 15 days) during which such right can be exercised.

(4) No clause in the articles of association concerning any restriction or exclusion of preferential subscription rights shall be considered valid. Nevertheless, the general meeting - based on a written motion presented by the management board - may decide to disallow the exercise of preferential subscription rights. In this case, the motion submitted by the management board shall specify the reasons for excluding preferential subscription rights. The detailed rules governing the contents of such motions and the order of debating shall be laid down in the articles of association. The management board shall send a copy of the general meeting resolution to the competent court of registry and simultaneously publish it in the Cégközlöny (Company Gazette).

Section 314.

(1) The increase of share capital by way of the public issue of new shares may be effected in exchange for cash contributions only.

(2) Where new shares are issued by way of a public offer, no statements of commitment for the subscription of shares are granted, and the general meeting resolution adopted for the increase of capital shall not specify the sphere and person of future shareholders to take part in the capital increase. The persons wishing to obtain new shares shall undertake to pay the price of the shares under a subscription procedure conducted in accordance with the statutory provisions on securities, and shall then become entitled to such shares.

(3) If the issue price of the shares exceeds the face value in the course of increasing the share capital, the difference shall be paid up in full when subscribing such shares.

Section 315.

Where a public limited company has issued shares of different types or classes, the explicit consent - as prescribed in the articles of association - of the holders of the types or classes of shares which are directly affected by the capital reduction, or the holders of shares which are deemed affected by the articles of association is required for the reduction of the share capital as a pre-condition for the general meeting resolution adopted for the reduction of share capital to take effect. In the course thereof, the provisions on the restriction or exclusion of the voting rights attached to such shares may not be applied, save where voting rights are restricted under Section 227. The detailed rules for the granting of such consent shall be laid down in the articles of association.

Part III

COOPERATIVE SOCIETIES

Chapter XI

GROUPING

Section 316.

(1) A grouping is a co-operative society vested with legal personality, founded by members in order to facilitate the success of their business activities and to coordinate such business activities, as well as to represent their professional interests. The purpose of a grouping is not to make profits for itself; its members shall bear unlimited, joint and several liability for debts in excess of the grouping's assets.

(2) A grouping may also pursue other service and joint economic activities (hereinafter referred to as "supplementary economic activity") in support of its coordination duties.

(3) The designation "egyesülés" (grouping) shall be indicated in the corporate name of the society.

(4) The provisions of Part I of this Act shall be applied to groupings as well.

Title 1

Foundation and Operation of Groupings

Section 317.

(1) In addition to what is contained in Subsection (1) of Section 12, the following shall be defined in the memorandum of association:

a) within the scope of activities, the responsibilities for facilitating and coordinating the business activities of members, and the associated interest representation activities;

b) in accordance with the activities, the amount and the order of provision of necessary assets, the division of operating costs among members, the amount and method of settlement of the payments of individual members;

c) in the event of the withdrawal of a member, the conditions for disbursing the share of assets due to that member;

d) the order of distributing assets that remain following the termination of the grouping.

(2) If so required, the memorandum of association shall define the following:

a) the supplementary economic activities;

b) the amount of assets of the grouping necessary for conducting the supplementary economic activities;

c) within the framework of the supplementary economic activities, the extent of voting rights of individual members, and the method of exercising such rights;

d) the rules for keeping separate records on the income, costs and expenditures of supplementary economic activities, and appropriating after-tax profits from supplementary economic activities as determined based on these records;

e) other services of value (ancillary services) due from members, the conditions thereof, as well as the amount of penalty payable in the event of the non-performance or insufficient performance of ancillary services.

Section 318.

(1) The members shall bear the costs of the operation of the grouping, and shall provide the assets required for supplementary economic activities.

(2) Members of a grouping may undertake to perform other services of value (ancillary services). Members may be entitled to allocate remuneration for such ancillary services.

Section 319.

(1) Unless otherwise provided by the memorandum of association, members are entitled to utilize the services provided by the grouping without compensation; they are entitled to a share of after-tax profits from service and economic activities provided to third parties.

(2) Unless otherwise provided by the memorandum of association, after-tax profits arising from economic activities shall be distributed among members in proportion to their contributions. Otherwise, profits shall be distributed among members in equal proportions.

Title 2

Organizational Structure of Groupings

Section 320.

(1) The supreme body of a grouping is the members' meeting. Members may be represented through proxies; however, the director, the supervisory board members or the auditor may not function as proxies. Authorization shall be drawn up in an authentic instrument or private document representing conclusive evidence.

(2) The following shall fall within the exclusive competence of the members' meeting:

a) drawing up the internal organization, and the order of management and supervision of the grouping;

b) laying down the strategy for coordination and interest representation activities, and for supplementary economic activities;

c) approval of the grouping's annual report prepared pursuant to the Accounting Act;

d) decision on the appropriation of after-tax profits from supplementary economic activities;

e) adopting resolutions to define the tasks to be implemented in the business administration of members;

f) decision on termination without succession, transformation, merger or division of the grouping;

g) approval of admission to the grouping, and approval of the restriction of liability of new members;

h) election and removal of the director, as well as the exercise of employer's rights related to the director;

i) election of the supervisory board, where applicable, the removal of its members, and the establishment of their remuneration;

j) if the grouping employs an auditor, appointment and removal of the auditor, and the establishment of his remuneration;

k) amendments to the memorandum of association;

l) initiating the expulsion of a member;

m) decisions to conclude or amend a contract, the value of which exceeds the value limit specified in the memorandum of association, or which is concluded by the grouping outside its ordinary activity with one of its members;

n) decisions on all issues which are conferred under the competence of the members' meeting by this Act or the memorandum of association.

Section 321.

(1) The members' meeting shall convene at least once every year, or as necessary.

(2) Members' meetings are called by the director indicating the agenda. The director shall make the necessary arrangements and shall conduct the meeting, including the keeping of the minutes and the distribution of resolutions.

(3) The minutes shall indicate the place and time of the meeting, the persons present and the extent of voting rights represented by such persons, significant events, statements and resolutions taking place during the meeting, the number of votes cast for and against such resolutions, and the persons abstaining from or not taking part in the vote.

Section 322.

The members' meeting has a quorum if members representing at least three-quarters or more of the votes are present.

Section 323.

(1) In connection with issues of coordination and interest representation all members shall have one vote. The memorandum of association may, however, grant multiple voting rights to certain members, with the restriction that no single member may exclusively have a majority of the votes.

(2) Within the scope of the supplementary economic activities, as well as on the issues listed under Paragraphs f), g) and l)-m) of Subsection (2) of Section 320, voting rights shall be established in proportion to the capital contributions provided, or failing this, equivalent votes shall be granted.

Section 324.

(1) The unanimous decision of members is required in the following issues:
a) changing the objective of the grouping;
b) changing the number of votes of the individual members;
c) changing the conditions for passing resolutions.
(2) A majority of three-quarters or more of the votes shall be required to resolve termination of the grouping without succession, transformation, merger or demerger, for the approval of the admission of new members and to initiate the expulsion of members, as well as for the amendment of the memorandum of association for any other reason, if such amendment does not fall within the scope of Subsection (1).

Section 325.

A majority of three-quarters or more of the votes shall be required in order for a resolution aiming to establish obligations to be implemented within the business administration of members to be valid. Such resolution may be adopted only with the consent of the member concerned.

Section 326.

(1) A members' meeting may adopt resolutions out of session.
(2) The draft of the resolution proposed out of session shall be communicated to the members in writing, setting a deadline of fifteen days for the members to cast their votes in writing. The director shall inform the members concerning the outcome of the voting within eight days following receipt of the last vote.

Section 327.

(1) Management and representation of a grouping shall be carried out by the director within the framework of the resolutions of the members' meeting.
(2) The memorandum of association may contain provisions to confer management upon a management board consisting of minimum three and maximum seven members. In this case, the members of the management board shall be treated as directors. Any reference made in this Act to the director of a grouping shall also be understood as the management board, or a member of the management board vested with powers for the case in question.

Title 3

Admission of Members; Termination of Membership

Section 328.

(1) According to the conditions contained in the memorandum of association, any person may join a grouping (admission).
(2) Decisions for admission lie with the members' meeting, including the date of admission, the related obligations, and the extent of the voting rights of the new member within the scope of the supplementary economic activities.
(3) New members shall be liable for the obligations of the grouping originating prior to their admission, unless the resolution approving admission exempts new members from such liability in advance.
(4) The fact and date of the admission, as well as the exemption from liability pursuant to Subsection (3) shall be entered in the register of companies. Exemptions shall be considered valid vis-Ä-vis third parties as of the date of such entry.

Section 329.

(1) Membership shall terminate:

a) if the member failed to provide his capital contribution defined in the memorandum of association following due notice;
b) upon withdrawal of the member;
c) upon expulsion of the member;
d) upon death or termination of the member without succession;
e) if the existence of such is in violation of the law;
f) upon the transfer of membership rights.
(2) The transfer of membership rights shall be governed by the regulations on admission.
(3) Members may withdraw from the grouping at the end of the year. Notice of intention to withdraw shall be sent to the members' meeting at least three months before the end of the year.

Section 330.

(1) Accounts shall be settled with withdrawing members according to the status existing at the time of withdrawal. The members meeting shall decide when and in what installments the share of assets due to the withdrawing member is to be disbursed.
(2) The date of disbursement shall be established on the basis of the grouping's annual report or internal balance sheet prepared pursuant to the Accounting Act in a manner so that it will not jeopardize the continued operation of the grouping, and that it takes place within a period of one year or less.
(3) If disbursement does not take place upon withdrawal of the member, a proportionate share of after-tax profits shall be due to the withdrawing member according to proportion of his assets yet to be disbursed.
(4) Termination without succession or the death of a member shall terminate membership. The provisions of Subsections (1)-(3) shall be applied to rendering accounts with the member's legal successor (heir). If, however, the legal successor (heir) intends to continue the activity of the member, he may become a member of the grouping upon the consent of the members' meeting. In this case, liability for obligations arising prior to the termination of the membership of the predecessor shall be borne by the new member assuming the membership rights.

Section 331.

In the event of termination of a grouping without succession, the assets remaining after settlement of all debts shall be distributed among the members in equal proportions, or, if capital contributions were provided by the members, unless otherwise provided by the memorandum of association, it shall be distributed in proportion to the capital contributions of such members.

Part IV

CLOSING PROVISIONS

Chapter XII

MISCELLANEOUS, IMPLEMENTING AND TRANSITIONAL PROVISIONS. APPROXIMATION CLAUSE

Company Law Panel of Experts

Section 332.

(1) In cases falling under the spectrum of company law, expert advice may be requested from the Company Law Board of Experts of the Ministry of Justice (hereinafter referred to as "Board").

(2) Matters arising within the scope of the application of this Act relating, in particular, to the legal principles and legal facilities laid down by law, to the acquisition of control in public limited companies, to the regulations applicable to legal persons under Community law, procedural and insolvency proceedings in connection with cross-border transactions, and to the resolutions of the European Court of Justice relating to company law, shall be construed to fall under the spectrum of company law.

(3) An opinion granted under Subsection (1) shall not be construed an expert assessment referred to in Subsection (1) of Section 166 of Act III of 1952 on the Code of Civil Procedure or in Subsection (1) of Section 76 of Act XIX of 1998 on Criminal Procedure, nevertheless, it may be used as a means of evidence in civil judicial and non-judicial proceedings or as documentary evidence in criminal proceedings.

(4) Members of the Board are appointed by the Minister of Justice for five-year terms from persons with special expertise in company law. Prior to appointment, the competent authorities, professional and trade organizations and chamber associations shall be consulted.

(5) The Board shall adopt its decisions in a panel of three, within thirty days following receipt of the request therefor. The panel is comprised of independent experts, they may not be instructed in connection with their proceedings, and their activities in connection with the preparation of the opinion shall be construed as scientific activities. In the process of drawing up the expert opinion no person may participate whose close relative [Civil Code, Paragraph b) of Section 685] or domestic partner is affected by the case for which the opinion is requested, nor any person who may not be expected to form an objective view of the case for other reasons (bias).

(6) The detailed regulations concerning the organization and operation of the Board, and the fees for the expert opinion shall be decreed by the Government.

Implementing and Transitional Provisions

Section 333.

(1) This Act - with the exceptions set out in Subsections (2)-(5) - shall enter into force on 1 July 2006.

(2) Section 4, Subsections (5)-(6) of Section 365 and Sections 366-367 of this Act shall enter into force on 1 July 2007.

(3) The entry into force of Subsection (2) of Section 250, Section 251 and Subsection (2) of Section 267 of this Act shall be provided for in another act, however, the provisions of Section 313 and Section 315 pertaining to public limited companies shall also apply to private limited companies until the above-mentioned provisions take effect.

(4) Subsections (1)-(2) of Section 349 of this Act shall enter into force on 18 August 2006.

(5) Section 362 of this Act shall enter into force on the eighth day following promulgation.

(6) Simultaneously with this Act entering into force Act CXLIV of 1997 on Business Associations shall be repealed.

(7) After the entry of this Act into force new joint enterprises may no longer be established. The joint enterprises registered in the register of companies or in the process of registration on the day of this Act entering into force may continue to operate according to the provisions of Act CXLIV of 1997 on Business Associations in force on 30 June 2006.

(8) Any reference made in legal regulations to Act CXLIV of 1997 on Business Associations or Act VI of 1988 on Business Associations shall be understood as the provisions of this Act.

Section 334.

(1) Subsection (2) of Section 22 of this Act shall not apply to any executive officer who, before the operative date of this Act, entered into a contract of employment for an executive office, for the period of this employment or for five years following the date of appointment into that said executive office.

(2) Any limited partner of a limited partnership whose name was contained in the company's corporate name before the operative date of this Act, shall be liable until his name is deleted from the company's name or for a maximum period of five years from the operative date of this Act for any debts of the company that were incurred before his name was removed from the company's corporate name, in the same way that the general partner is liable.

Section 335.

(1) The provisions of Subsection (4) of Section 286 of this Act shall not affect the exercise of rights afforded by shares attaching preferential voting rights (including the shares carrying multiple voting rights or the right to veto), that were issued before the entry into force of this Act.

(2) The provisions of Subsection (2) of Section 299 of this Act may be applied as of 1 January 2010 with respect to the limited companies to which Subsection (6) of Section 82 of Act L of 2001 on the Amendments of Financial Regulations applied.

Section 336.

(1) The business associations whose registration is in progress at the time of this Act entering into force shall be in compliance with the provisions of Act CXLIV of 1997 on Business Associations. This provision shall also apply to transformation, merger and demerger procedures in progress.

(2) The supreme bodies of the companies that were registered in the register of companies prior to the date of this Act entering into force, and of the companies referred to in Subsection (1) shall amend their memorandums of association at their first meeting held subsequent to the operative date of this Act or before 1 September 2007, in accordance with and to reflect the provisions of this Act, and shall submit it to the competent court of registry by that date. In the event of failure to observe this time limit the court of registry shall impose the judicial supervisory sanction to declare the company defunct (CRA. Section 84).

(3) Before the memorandum of association is amended as specified in Subsection (2), or up to 1 September 2007 at the latest the companies to which Subsections (1)-(2) apply shall operate in observance of Act CXLIV of 1997 on Business Associations.

Approximation Clause

Section 337.

This Act, together with the Act on Public Company Information, Company Registration and Winding-up Proceedings, contains regulations that may be approximated with the following legal regulations of the European Communities:

a) first Council Directive 68/151/EEC of 9 March 1968 on the coordination of safeguards which, for the protection of the interests of members and third parties, are required by Member States of companies within the meaning of Paragraph (2) of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community, having regard to the Act of Accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded, and in particular Annex II, Part 4 A (1) thereof;

b) Second Council Directive 77/91/EEC of 13 December 1976 on the coordination of safeguards which, for the protection of the interests of members and third parties, are required by Member States of companies within the meaning of Paragraph (2) of Article 58 of the Treaty, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent, Council Directive 92/101/EEC of 23 November 1992 amending Directive 77/91/EEC on the formation of public limited liability companies and the maintenance and alteration of their capital, having regard to the Act of Accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded, and in particular Annex II, Part 4 A (2) thereof;

c) Third Council Directive 78/855/EEC of 9 October 1978 based on Article 54 (3) (g) of the Treaty concerning mergers of public limited liability companies, having regard to the Act of Accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded, and in particular Annex II, Part 4 A (3) thereof;

d) Sixth Council Directive 82/891/EEC of 17 December 1982 based on Article 54 (3) (g) of the Treaty, concerning the demerger of public limited liability companies;

e) Twelfth Council Company Law Directive 89/667/EEC of 21 December 1989 on single-member private limited-liability companies;

f) Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids.

Chapter XIII.

AMENDMENTS AND REPEALS

Section 338.

(1)
(2)

Section 339.

Section 340.

Section 341.

(1)
(2)

Section 342.

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Section 343.

Section 344.

Section 345.

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Section 346.

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Section 348.

Section 349.

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Section 350.

Section 351.

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Section 355.

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Section 356.

Section 357.

Section 358.

Section 359.

Section 360.

Section 361.

Section 362.

Section 363.

Simultaneously with this Act entering into force:

a) in Act XXXVIII of 1992 on Public Finances the passage "majority control" in Subsection (1) of Section 95 shall be replaced by "dominant influence (Civil Code, Section 685/B)"; the passage "majority control" in Subsection (4) of Section 95 and in Subsection (1) of Section 95/A shall be replaced by "dominant influence";

b) in Subsection (3) of Section 36 of Act C of 2000 on Accounting the passages "liquid asset" and "liquid assets" shall be replaced, respectively, by "asset" and "assets"; in Subsection (7) of Section 38 the passage "the capital of a public limited company" shall be replaced by "the subscribed capital of a business association"; the change in Subsection (8) of Section 38 does not concern the English version; in Subsection (7) of Section 154 and in Subsection (2) of Section 154/B the passage "Company Registration and Information Service" shall be replaced by "Company Information and Electronic Company Registration Service"; in Subsection (3) of Section 135, Subsection (1) of Section 154/B and in Subsection (10) of Section 155 of the Accounting Act the passage "Act on Company Registration, Public Company Information and Court Registration Proceedings" shall be replaced by "Act on Public Company Information, Company Registration and Winding-up Proceedings".

Section 364.

Simultaneously with this Act entering into force the following provisions shall be repealed:

1) the second sentence of Subsection (1) of Section 95 Act XXXVIII of 1992 on Public Finances;

2) Subsection (1) of Section 25 Act XLVIII of 1995 on Amendments Serving the Purpose of Economic Stabilization;

3) the last sentence of Subsection (4) of Section 77/A Act CXVII of 1995 on Personal Income Tax;

4) the passage "work associations of private individuals with legal personality," in Paragraph d) of Subsection (2) of Section 2 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax;

5) Subsection (4) of Section 3 of Act CVI of 1997 on the Amendment of Act LXXXI of 1996 on Corporate Tax and Dividend Tax;

6) the first sentence of Subsection (3) of Section 159 and Subsection (6) of Section 241 of Act CXII of 1996 on Credit Institutions and Financial Enterprises;

7) Subsection (5) of Section 74 Act XXXIII of 1998 on the Amendment of Tax Laws, the Accounting Act and Certain Other Acts;

8) Section 3 of Act LVIII of 1998 on the Amendment of Act XLVIII of 1996 on Public Warehousing;

9) Act LXXXII of 1998 on the Amendment of Act CXLIV of 1997 on Business Associations;

10) the Title preceding Section 115 of Act XC of 1998 on the 1999 Budget of the Republic of Hungary;

11) Subsection (2) of Section 52 Act XLII of 2000 on Water Transport;

12) in Act C of 2000 on Accounting, in Subsections (7) and (8) of Section 11 the passage "on the date when said transformation is registered by the Court of Registration" shall be replaced by "on the date of transformation"; in Subsection (2) of Section 136 the passage ", when the successor business association is registered in the register of companies" shall be repealed; in Subsection (1) of Section 138 the passage "second" shall be repealed; in Subsection (1) of Section 141 the passage "(when the successor business association is registered by the Court of Registration)," and in Subsection (7) of Section 141 the passage "(the date of registration of the successor business association)," shall be repealed;

13) Subsection (6) of Section 33 of Act CXIII of 2000 on the Amendment of Certain Acts Concerning Taxes, Mandatory Contributions and Other Payments to the Central Budget;

14) Subsection (1) of Section 168 of Act CXXXVI of 2000 on the Amendment of Act LIII of 1994 on Judicial Enforcement and Related Legal Regulations;

15) Subsection (6) of Section 82 and Section 83 of Act L of 2001 on the Amendments of Financial Regulations;

16) Paragraph g) of Section 75 of Act LVIII of 2001 on the National Bank of Hungary;

17) Section 150 and Paragraph a) of Subsection (2) of Section 450 of Act CXX of 2001 on the Capital Market;

18) Subsections (4) and (11) of Section 85 of Act LXII of 2002 on the 2003 Budget of the Republic of Hungary;

19) Section 47 of Act LXIV of 2002 on the Amendment of Financial and Capital Market Regulations;

20) Section 17 and the preceding Title of Act XXIV of 2003 on the Amendment of Specific Acts Related to the Publicity, Transparency and Control of the Appropriation of Public Funds and the Use of Public Property;

21) the second sentence of Subsection (2) of Section 85 of Act XLII of 2003 on Natural Gas Supply;

22) Sections 2-15 and the Title preceding them, and Subsections (3)-(5) of Section 34 of Act XLIX of 2003 on the European Economic Interest Grouping, and on the Amendment of Act CXLIV of 1997 on Business Associations and Act CXLV of 1997 on the Register of Companies, Public Company Information and Court Registration Proceedings for the Purpose of Approximation;

23) Paragraph a) of Subsection (2) of Section 11 and Paragraph e) of Subsection (4) of Section 132 of Act LX of 2003 on Insurance Institutions and the Insurance Business;

24) Section 34 of Act LXXXV of 2003 on the Amendment of Act C of 2000 on Accounting, and Section 54 and the Title preceding it;

25) Paragraph c) of Subsection (8) of Section 301 of Act CI of 2004 on the Amendment of Certain Acts Concerning Taxes, Mandatory Contributions and Other Payments to the Central Budget;

26) Section 156 and the preceding Title, Subsection (5) of Section 160 and Paragraph g) of Section 161 of Act LXII of 2005 on the Amendment of Act CXX of 2001 on the Capital Market;

27) Section 1 of Act LXVI of 2005 on the Amendment of Act XX of 2001 on the Hungarian Development Bank Limited Company.

Chapter XIV

TRANSITIONAL PROVISIONS, AMENDMENTS AND REPEALS IN CONNECTION WITH ABOLISHING THE CONCEPT OF PUBLIC-BENEFIT ORGANIZATIONS AS A FORM OF LEGAL PERSON

Section 365.

(1) Public-benefit organizations may not be established after 1 July 2007.

(2) The public-benefit organization registered in the register of companies or in the process of registration on 1 July 2007 may continue to operate until 30 June 2009 according to the provisions pertaining to public-benefit organizations.

(3) Public-benefit organizations shall have the option to amend their memorandum of association within a period of two years following 1 July 2007 to continue operating in the form of nonprofit private limited-liability companies, or may convert into other forms of nonprofit business associations or terminate without succession. Public-benefit organizations must apply for registration at the competent court of registry before 30 June 2009 as nonprofit business associations, or notify the court of registry of its termination without succession. In the event of failure to observe this time limit the court of registry shall impose the judicial supervisory sanction to declare the company defunct (CRA. Section 84).

(4) The passage "or conversion into a public-benefit organization" in Paragraph e) of Subsection (1) of Section 16 of this Act, Subsection (5) of Section 67 and Paragraph g) of Subsection (3) of Section 75 shall be repealed effective as of 1 July 2007.

(5) Any reference made in legal regulations to public benefit (nonprofit) companies shall be understood - with the exception set out in Subsection (6) of this Act and in Sections 366-367 - as a public benefit company or a nonprofit business association up to 30 June 2009, and as nonprofit business association exclusively as of 1 July 2009.

(6) Up to 30 June 2009 public benefit company shall mean to be understood as public benefit company or nonprofit business association with legal personality, and as a nonprofit business association with legal personality exclusively as of 1 July 2009.

Section 366-367.