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HUNGARIAN RULES OF LAW IN FORCE

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ACT XL OF 1991
ON BANKRUPTCY PROCEEDINGS, LIQUIDATION PROCEEDINGS AND
VOLUNTARY DISSOLUTION n1 n1

n1 Promulgated on 22 October 1991.

For the reorganization of insolvent economic organizations through bankruptcy proceedings, or, if such is not possible, dissolution of such organizations through liquidation proceedings, and for the regulation of the voluntary dissolution of solvent economic organizations which are terminating their activities, and the protection of creditors' interests, the Parliament hereby passes the following Act:

LENGTH: 29858 words

ACT-TEXT:

Chapter I. - General Provisions

Section 1.

(1) n2 This Act shall regulate bankruptcy proceedings, liquidation proceedings and voluntary dissolution.

n2 Numbering amended by Section 1 of Act LXXXI of 1993.

(2) n3 Bankruptcy proceedings are proceedings in the course of which the debtor petitions, for the purpose of reaching a composition agreement, to have his debts rescheduled or attempts to have a composition agreement concluded.

n3 Inserted by Section 1 of Act LXXXI of 1993. Effective as of 2 September 1993.

(3) n3 Liquidation proceedings are proceedings executed for the satisfaction of creditors as prescribed by this Act upon the dissolution of an insolvent debtor without legal successor.

n3 Inserted by Section 1 of Act LXXXI of 1993. Effective as of 2 September 1993.

(4) n4 Voluntary dissolution proceedings are proceedings in the course of which solvent economic organizations, having resolved their dissolution without legal successor, satisfy their creditors.

n4 Inserted by Section 1 of Act LXXXI of 1993. Effective as of 2 September 1993. Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

Section 2.

(1) This Act shall apply to economic organizations and the creditors of such.

(2) n5 The provisions of this Act referring to bankruptcy proceedings shall not apply to insurance companies limited by shares, insurance cooperatives, voluntary mutual insurance funds and private pension funds.

n5 Established by Subsection (1) of Section 130 of Act LXXXII of 1997. Effective as of 1 September 1997.

(3) n6 The provisions of this Act

a) on bankruptcy proceedings, liquidation proceedings and voluntary dissolution shall apply to financial institutions, with the deviations provided for in the Act on Financial Institutions and the Activities of Financial Institutions; n7

b) n8 in respect of liquidation proceedings and voluntary dissolution it shall apply to insurance companies limited by shares and insurance cooperatives, to voluntary mutual insurance funds and to private pension funds with the deviations provided for in the Act on Insurance Institutions and Insurance Activities, in the Act on Voluntary Mutual Insurance Funds and in the Act on Private Pensions and Private Pension Funds respectively.

n6 Inserted by Subsection (2) of Section 172 of Act XCVI of 1995. Effective as of 1 January 1996.

n7 See Act LXIX of 1991.

n8 Established by Subsection (2) of Section 130 of Act LXXXII of 1997. Effective as of 1 September 1997.

Section 3.

(1) n9 For the purposes of this Act:

a) n10 *economic organization*: state-owned companies, trusts, other state-owned economic organs, cooperatives, business associations, public enterprises, companies of certain legal entities, subsidiary companies and water management companies deviations provided for with the exception of public service water corporations, forest holding

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associations, voluntary mutual insurance funds and private pension funds;

b) n11 *debtor*: an economic organization which was not able to, or presumably will not be able to settle its debt (debts) on the due date;

c) n12 *creditor*: in bankruptcy and liquidation proceedings, up to the initial date of liquidation, parties having money claims against the debtor based on final and executable court or administrative orders (executable documents), or having overdue money claims or property claims expressed in monetary terms which are not disputed, or have been acknowledged by the debtor, furthermore, parties to bankruptcy proceedings having money claims or property claims expressed in monetary terms which are not yet overdue as of the initial date of bankruptcy proceedings, but are acknowledged by the debtor. In voluntary dissolution proceedings, creditors are all parties having money claims or property claims expressed in monetary terms against the economic organization. After the initial date of a liquidation, all persons having money claims against a debtor in money or property claims expressed in monetary terms and whose claims have been registered by the liquidator, shall be deemed as creditors;

d) n13 *head economic organization*: at state-owned companies, trusts, trust companies, other state-owned economic organs, companies of certain legal entities, subsidiary companies, and water management corporations: the director (company commissioner); at cooperatives: the Board of Directors (managing director) or the managing president; at general partnerships and limited partnerships: the member(s) entitled to the management of the business of the partnership and representation; at trade associations and joint enterprises: the director; at limited liability companies: the managing director(s); at companies limited by shares: the Board of Directors or the person(s) authorized by the Statutes to manage the company; at voluntary mutual insurance funds: the managing director (or the Board of Directors if no managing director is employed); at private pension funds: the managing director (or the Board of Directors if no managing director is employed); at private pension funds: the managing director;

e) *assets*: all property qualified as invested assets or current assets by the Accounting Act;

f) n14

(2) n15 For the purposes of this Act, the provisions pertaining to limited liability companies shall be applied with regard to public enterprises.

n9 Numbering amended by Paragraph f) of Subsection (1) of Section 41 of Act XCII of 1993.

n10 Established by Subsection (3) of Section 130 of Act LXXXII of 1997. Effective as of 1 September 1997.

n11 Amended by Subsection (5) of Section 44 of Act LXXXI of 1993.

n12 Established by Section 1 of Act XXVII of 1997. Effective as of 6 August 1997.

n13 Established by Subsection (4) of Section 130 of Act LXXXII of 1997. Effective as of 1 September 1997.

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

n15 Inserted by Paragraph f) of Subsection (1) of Section 41 of Act XCII of 1993. Effective as of 1 January 1994.

Section 4.

(1) n16 All assets held by an economic organization on the date of commencement of bankruptcy proceedings, liquidation proceedings or voluntary dissolution, as well as all assets acquired subsequently during the proceedings, shall be included in the scope of bankruptcy proceedings, liquidation proceedings and voluntary dissolution.

n16 Established by Subsection (1) of Section 4 of Act LXXXI of 1993. Effective as of 2 September 1993.

(2) The assets of an economic organization comprise the assets which it owns or manages. Assets of subsidiary companies shall also be considered assets of the economic organization; with regard to trusts, assets of the trust companies shall also be considered assets, if the deed of foundation of the trust was issued on the basis of Section 49 of Act VI of 1977 on State-Owned Companies.

(3) n17 Subsection (2) shall not apply to the following:

a) assets managed by the debtor on the basis of a contract concluded with a state property management organization;

b) n18 state-owned forests and nature conservation areas defined in legal regulations (national parks, areas under special protection, areas falling under the scope of international treaties), state-owned historic monuments as defined in separate legal regulations, furthermore, waters and water works managed by water management corporations and separate assets of water corporations required for providing public services;

c) n19 arable land separated for the purpose of compensation, and allocated lands supply as defined in a separate law, as well as lands not designated to be auctioned off, and/or lands left over from compensation auctions;

d) such real property from among the assets of the economic organization which, based on the provisions of Subsection (1) of Section 7 of Act XXXII of 1991 on the Settlement of the Property Status of Former Church Properties, is included in the list approved by the Government.

n17 Established by Subsection (2) of Section 4 of Act LXXXI of 1993. Effective as of 2 September 1993.

n18 Established by Section 4 of Act CIII of 1993. Effective as of 22 January 1994.

n19 Amended by Paragraph e) of Subsection (3) of Section 11 of Act XXXII of 1996.

(4) n20 Military inventories appropriated by the Government during emergency periods can be included in liquidation proceedings if such appropriation is dissolved by the Government upon proposal by the state property management organization. Upon request of the liquidator the property management organization shall, within 30 days, declare whether it intends to file a proposal to have the appropriation dissolved. The Government shall reach a decision on dissolution of the appropriation within 60 days from the filing of the proposal by the property management organization. For the purposes of this Act, tangible assets and current assets necessary for military activities, including production documents as well, shall be regarded as military inventories.

n20 Established by Subsection (3) of Section 4 of Act LXXXI of 1993. Effective as of 2 September 1993.

(5) State reserves for national defense purposes shall not constitute a part of the assets of economic organizations.

Section 5. n21

n21 Established by Section 5 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) Upon request received during bankruptcy proceedings, liquidation proceedings and voluntary dissolution, the bankruptcy trustee, the liquidator and the party in charge of voluntary dissolution and the debtor's director shall, within 15 days, inform

a) the creditors' committee, and/or in the absence thereof, the group of creditors representing at least 10% of all creditors' claims, regarding the assets and financial standing of the debtor;

b) the employees, the trade unions defined in Section 18 of the Labor Code (LC), the employee councils (employee delegates), as well as the Employment Centers competent in the area with regard to matters affecting the employees.

(2) Creditors or their groups may establish a creditors' committee for the representation of their interests. The committee shall represent the creditors establishing it in courts and in relations maintained with the bankruptcy trustee, the liquidator and the party in charge of voluntary dissolution.

(3) n22 Only one committee may operate at any economic organization. In the event that more than one committee is established at an economic organization as per the provisions of Subsection (1) of Section 39 or thereafter, the body which first announces its establishment to the court, shall be deemed the creditors' committee. If simultaneously more than one committee announces its establishment, the committee comprising more creditors shall be considered the creditors' committee. Establishment of such a committee shall be conditional upon establishment by at least one-third of the registered creditors, as per with Paragraph f) of Subsection (2) of Section 28 and Subsection (1) of Section 68, and

upon the fact that such creditors hold at least one-third of the registered creditor claims. Such creditors shall elect from among their group a creditors' committee consisting of three members. The committee's powers, representation and rules of operation shall be established in agreements concluded by the creditors inter se. A creditor may join the creditors which have established the committee, even after the establishment of such, provided he accepts the provisions of the agreement.

n22 Established by Section 2 of Act XXVII of 1997. Effective as of 6 August 1997.

(4) The committee shall inform the debtor, the court, the bankruptcy trustee or liquidator, or the party in charge of voluntary dissolution regarding its establishment, members and rights, within 8 days of its establishment.

Section 6.

(1) n23 Bankruptcy and liquidation proceedings are non-contentious proceedings falling under the authority of the county (Budapest Municipal) court (hereinafter referred to as "court") with jurisdiction for the registered office of the debtor; voluntary dissolution is a non-contentious proceeding falling under the authority of the aforementioned court, as a court of company registration (hereinafter referred to as "Court of Company Registration").

n23 Established by Subsection (1) of Section 6 of Act LXXXI of 1993. Effective as of 2 September 1993.

(2) n23 The provisions of Act III of 1952 on the Code of Civil Proceedings (hereinafter: CPC), with the differences originating from the characteristics of non-contentious civil proceedings, shall apply mutatis mutandis to procedural questions not regulated separately by this Act, in that suspension, interruption and discontinuance shall not be applied in bankruptcy and voluntary dissolution, while interruption shall not be applied in liquidation.

n23 Established by Subsection (1) of Section 6 of Act LXXXI of 1993. Effective as of 2 September 1993.

(3) n24 No application for a review may be submitted against a final ruling

a) which determines insolvency and orders the liquidation of an economic organization [Subsection (1) of Section 27], as well as

b) which discharges the liquidation proceedings [Subsections (1)-(2) of Section 60].

n24 Established by Subsection (1) of Section 3 of Act XXVII of 1997. Effective as of 6 August 1997.

(4) n25 In bankruptcy proceedings the debtor, the creditor, and the bankruptcy trustee, in liquidation proceedings the debtor, the creditor, and the liquidator and in voluntary dissolution proceedings the economic organization, the creditor, and the party in charge of voluntary dissolution shall be considered parties. If judgment of a complaint submitted based on the action or omission of action of a bankruptcy trustee or liquidator affects the rights of any third party, such shall also qualify as a party.

n25 Established by Subsection (2) of Section 3 of Act XXVII of 1997. Effective as of 6 August 1997.

Chapter II. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

Bankruptcy Proceedings**Commencement of Bankruptcy Proceedings****Section 7.** n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) n27 The directors of economic organizations may file a petition for bankruptcy proceedings with the court.

n27 The earlier second sentence repealed by Subsection (3) of Section 34 of Act XXVII of 1997. Repealed as of 6 August 1997.

(2) A debtor may not file another petition within 2 years of the receipt of the bankruptcy petition by the court, if he was granted moratorium in the previous proceedings. If the debtor filed a bankruptcy petition prior to this Act entering into effect, the two-year period shall commence from the date of announcement of the bankruptcy proceedings.

Section 8. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) Prior consent of the following organs is required for filing the petition specified in Section 7:

a) the company council, the body performing general management at state-owned companies operating under the direction of the General Assembly of Workers or the Delegates' Assembly;

b) the General Assembly at cooperatives;

c) the membership at unlimited partnerships and limited partnerships, the Board of Directors at trade associations and joint ventures, the General Meeting at limited liability companies and water management corporations and the General Assembly of Shareholders at companies limited by shares;

d) the organ exercising founder's rights at state-owned companies under state administration supervision, trusts and other state-owned economic organs;

e) the establishing organ at the companies and subsidiary companies of certain legal entities; and

f) the trust, at trust companies.

Employees, trade unions defined in Section 18 of LC and employee councils (employee delegates) shall be informed regarding filing of the petition.

(2) The document certifying the prior consent of the organs specified in Subsection (1), the balance-sheet (simplified balance-sheet) prepared within three months to date and the tax identification number of the debtor, as well as the list of creditors, the amounts of debts and the dates of maturity, and the document certifying the payment of the publishing fee shall be attached to the petition for bankruptcy. The debtor shall also declare whether he has been granted moratorium within two years preceding filing of the petition.

(3) The initial date of the bankruptcy proceedings is the date of receipt of the debtor's petition by the court.

(4) If, simultaneously with the initial date of the bankruptcy proceedings or subsequently thereto, a petition for commencement of liquidation proceedings against the debtor is received by the court, the court shall suspend review of such petition until final discharge of bankruptcy is ordered.

Section 9. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) n28 For the purpose of reaching an agreement with creditors necessary in the interest of having a moratorium granted, the debtor shall hold negotiations, within 30 days of the initial date of bankruptcy proceedings, with direct invitation of known creditors, and indirect invitation of unknown creditors by way of public notice, simultaneously upon filing the petition and sending the documents prescribed in Subsection (2) of Section 8. The notice shall be published in two daily papers with national circulation within 3 days of the initial date of the bankruptcy proceedings.

n28 Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

(2) The notice shall contain:

a) the name and registered office of the debtor;

b) the initial date of the bankruptcy proceeding;

c) the place and date of the negotiations;

d) information concerning where the documents specified in Subsection (2) of Section 8 shall be available for creditors to review up to the scheduled date of negotiations.

(3) In the negotiations, the debtor shall request the creditors' agreement to having a moratorium on payment granted.

(4) An agreement shall be considered reached, if more than half of the parties holding creditors' claims overdue at the initial date of the bankruptcy proceedings, and more than a quarter of the parties holding non-expired creditors' claims agree to having a moratorium granted, provided the combined claims of the aforementioned creditors amount to two-thirds of the total creditors' claims indicated by the debtor in the balance-sheet (simplified balance-sheet) as prescribed in Subsection (2) of Section 8.

(5) The liabilities specified in Paragraph a) of Subsection (1) of Section 12 shall not be taken into consideration when calculating the ratio necessary for agreement with creditors. Simultaneously with the agreement for granting moratorium, the amount, for financial fulfillment and assumption of obligations for which the debtor is required to obtain the consent of the bankruptcy trustee, shall also be decided, by the application of the voting ratio as specified in Subsection (4).

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(6) The debtor shall prepare minutes of the negotiations containing the list of names of the creditors invited and those attending. The minutes shall be witnessed by two persons appointed by the creditors attending the negotiations. If the creditors agree to the moratorium as described in Subsection (4), the declarations of agreement of the participating parties and the official authorizations of the participants in the negotiations concerning the signing of the agreement, shall constitute the schedule to the minutes.

Section 10. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The debtor shall notify the court of the result of the negotiations within three days of the conclusion of such. The documents certifying creditors' agreement shall be attached to this notification.

(2) Upon receiving notification as per Subsection (1) the court shall decide whether to terminate the proceedings or to pass an order containing the moratorium.

(3) The court shall terminate the proceeding, if:

- a) the bankruptcy petition was not filed by a party entitled to do so;
- b) a petition returned due to deficiencies was not corrected by the filing party within 8 days, or was re-filed with deficiencies still remaining;
- c) prior consent of the organs specified in Subsection (1) of Section 8 is not available;
- d) the two-year period as per Subsection (2) of Section 7 has not expired yet;
- e) the debtor was not granted the agreement of creditors necessary for the moratorium, or failed to file the notification within the deadline specified for filing the result of the negotiations.

(4) If liquidation proceedings initiated against the debtor were suspended by the court in accordance with Subsection (4) of Section 8, the continuance of such proceedings shall be ordered simultaneously with termination of the bankruptcy proceedings.

(5) If the proceedings were terminated by the court on the basis of Paragraphs c) and d) of Subsection (3), the court may file charges against the director of the economic organization, in accordance with the provisions of Subsection (1) of Section 33.

Section 11. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The court shall, within 15 days, take measures for having the order on the termination of bankruptcy proceedings, and/or the court order on the moratorium granted published in the Company Gazette (Cegkozlony).

(2) The order published on the termination of the bankruptcy proceedings shall contain the:

- a) name of the court and the case number;
- b) names, registered offices, and tax identification numbers of the debtor and its subsidiaries, of the economic work

groups operating under debtor's assumption of responsibility, and the trust companies established by the debtor in accordance with Section 49 of Act VI of 1977 on State-Owned Companies. If legal succession has taken place within two years prior to the announcement of the proceedings, the name, registered office and tax identification number of the legal predecessor shall also be indicated;

c) reason for terminating the bankruptcy proceedings [Subsection (3) of Section 10].

(3) The court order to be published on the moratorium shall contain:

a) the contents specified in Paragraphs a) and b) of Subsection (2);

b) the initial date of the bankruptcy proceedings;

c) the name and registered office of the bankruptcy trustee appointed by the court (Section 14);

d) the fact that the debtor is eligible for a moratorium for a period of 90 days from the publishing of the court order, with respect to financial liabilities due prior to the initial date of the moratorium or becoming due thereafter.

Section 12. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The moratorium shall not represent an exemption from the payment of

a) n29 wages and other benefits based on claims existing on and established following the initial date of the bankruptcy proceedings, as well as any subsequent charges imposed thereon, personal income tax advances, health and pension insurance contributions, contributions paid in accordance with the Act on Furthering Employment and Provisions for the Unemployed, severance pay, alimony, life-annuities, compensation contributions, supplementary mining benefits, vocational training contribution obligations, benefits and allowances of students participating in vocational training, furthermore, water and sewage fees due on the basis of the service providing obligation defined in a separate legal regulation, as well as the costs of the bankruptcy trustee charged in accordance with Subsection (2) of Section 17, furthermore,

b) value added taxes payable on the basis of the liabilities established after the initial date of the bankruptcy proceedings.

n29 Established by Section 1 of Act LX of 1996. Effective as of 25 July 1996. Concerning the cases initiated after 1 January 1992 and currently in progress it is to be applied to payments becoming due after 25 July 1996. See also Paragraph a) of Subsection (2) of Section 16 of Act LX of 1996.

(2) During the period of moratorium, legal consequences associated with the non-fulfillment or delayed fulfillment of money payment obligation, with the exception of the provisions of Subsection (4), shall not apply.

(3) During the period of moratorium, the execution of financial claims against the debtor, with the exception of the provisions of Subsection (1), shall be suspended.

(4) During the period of moratorium, creditors' claims, unless otherwise prescribed in the agreement, shall bear interest.

(5) During the period of moratorium, with the exception of the claims defined in Paragraph a) of Subsection (1) of Section 12, the debtor may not fulfill payments based on claims existing on the initial date of the bankruptcy proceedings.

Section 13. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) Upon request of the debtor and the creditors representing the ratio defined in Subsection (4) of Section 9, the court may extend the period of moratorium by not more than 60 days. The application shall be submitted to the court prior to expiration of the moratorium.

(2) The court order on the extension of the moratorium is not subject to appeal. The court order on the extension of the moratorium shall be published, as prescribed in Subsection (3) of Section 11, in the Company Gazette without delay.

Bankruptcy Trustee

Section 14. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) In the court order on the moratorium the court shall appoint a bankruptcy trustee from the register of liquidators. The regulations applying to liquidators in respect of conflict of interest and refusal of appointment shall apply *mutatis mutandis*.

(2) The directors of the debtor economic organization may only exercise their respective scope of authority without violating the rights provided for the bankruptcy trustee.

(3) The bankruptcy trustee shall, with due consideration to protecting creditors' interests, monitor the debtor's business activities. In the framework thereof, the bankruptcy trustee

a) shall review the debtor's financial standing in the course of which he shall inspect of the books, cash-desk, securities and inventories of goods, contracts and bank accounts of the debtor, request information from the directors of the economic organization, and inform the creditors regarding his findings in accordance with the provisions of Section 5;

b) n30

n30 Repealed by Subsection (3) of Section 34 of Act XXVII of 1997. Repealed as of 6 August 1997.

c) shall approve, with the exception of the provisions of Subsection (1) of Section 12, the assumption of property-related obligations incurred after the initial date of the bankruptcy proceedings, if such obligations exceed the amount fixed by the creditors in the moratorium agreement;

d) shall call upon the debtor to enforce his claims, and shall check the execution of such;

e) may file actions contesting contracts or legal declarations made by the debtor within one year prior to the initial

date of the bankruptcy proceedings and after commencement of the proceedings, if the subject thereof include alienation of debtor's assets without compensation, assumption, without compensation, of obligations encumbering the assets or the commutative legal transaction concluded in favor of a third party with an extraordinarily high difference in value.

(4) The bankruptcy trustee may only approve payments necessary for the practical operation of the debtor.

(5) In the course of his activities, the bankruptcy trustee shall act with the diligence generally expected in the given situation and shall be held liable for damages caused by violating his obligations in accordance with the general provisions of civil law.

Section 15. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The bankruptcy trustee shall take part in the negotiations of the reorganization program aimed at restoring or maintaining solvency and those for the composition proposal.

(2) The bankruptcy trustee shall approve the composition with creditors concluded during the bankruptcy proceedings if it conforms with the provisions of Subsection (4) of Section 19. Any agreement concluded disregard of the aforementioned provision shall be considered null and void.

Section 16. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) Upon request of the court, and within the deadline and in the manner defined by the court, the bankruptcy trustee shall file a report on his own activities and on the financial standing of the debtor.

(2) In the event that the bankruptcy trustee violates the law or the legitimate interests of the parties or of other persons, the aggrieved party may file an objection at the court conducting the bankruptcy proceedings within 8 days of gaining knowledge thereof.

(3) If the objection is found to be legitimate by the court, it shall overturn the measures taken by the bankruptcy trustee or shall order him to take the appropriate measures - otherwise the court shall reject the objection.

(4) With respect to court proceeding the provisions of Section 51 shall be observed mutatis mutandis, with the difference that the court order on the objection is not subject to appeal.

Section 17. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The office of the bankruptcy trustee shall be terminated upon the termination of the bankruptcy proceedings (discharge), or, in the case of continuance of suspended liquidation proceedings, upon appointment of a liquidator.

(2) n28 The fee and documented costs of the bankruptcy trustee shall be covered by the debtor. The costs of the bankruptcy trustee shall be paid against invoice at the time they are incurred. The fee of the bankruptcy trustee shall be 1% of the book value of the assets shown in the balance-sheet (simplified balance-sheet) described in Subsection (2) of

Section 8 n31. The fee shall be determined by the court in the court order terminating the proceedings, discharging the proceedings, or containing the appointment of the liquidator.

n28 Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

n31 Corrected: Magyar Kozlony (Hungarian Official Gazette) 1993/113.

Composition in Bankruptcy Proceedings

Section 18. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The debtor shall prepare a program aimed at restoring or maintaining solvency and a composition proposal.

(2) n27 During the period of moratorium, the debtor shall hold composition negotiations to which the known creditors and the bankruptcy trustee shall be invited by delivering them a composition proposal and the program aimed at restoring (maintaining) solvency. The invitation and its enclosures shall be delivered to the parties invited no later than 15 days prior to the scheduled negotiation date.

n27 The earlier second sentence repealed by Subsection (3) of Section 34 of Act XXVII of 1997. Repealed as of 6 August 1997.

(3) In the interest of reaching a composition agreement the debtor may request the cooperation of the interest representation organs.

(4) The debtor shall publish the location and scheduled date of the composition negotiations in two daily papers with national circulation no later than 15 days prior to the date of such negotiations.

(5) Should the negotiation fail to produce results, additional negotiation sessions may be held during the period of the moratorium.

Section 19. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The debtor shall draw up the minutes of the negotiation in observation of the provisions of Subsection (6) of Section 9.

(2) Creditors may participate in the composition agreement negotiations in person or by proxy. Representatives shall present proper proof of this capacity without separate request. Consent to the composition agreement may also be granted in writing.

(3) The creditors' committee may only conclude a composition agreement on behalf of the creditors taking part in

the committee agreement, and may only assume any obligation on behalf of the aforementioned creditors, if such is expressly stipulated in the agreement.

(4) A composition agreement may only be concluded upon receiving the consent of creditors holding the proportion of claims specified in Subsection (4) of Section 9.

(5) A composition agreement reached in accordance with Subsection (4) shall also apply to those creditors entitled to conclude the composition agreement but who refused to grant consent, or failed to take part in the conclusion of the composition agreement despite receipt of proper notices. The composition agreement may not stipulate less favorable conditions in respect of the aforementioned creditors, than to the creditors granting consent to the agreement. During the term of the composition agreement liquidation proceedings may only be initiated in the case described under Paragraph c) of Subsection (2) of Section 27 with respect to the claims constituting a part of the composition agreement.

(6) In the framework of the composition agreement the creditors or third persons may assume the debts of the debtor, may acquire portions of debtor's assets, and/or may guarantee the liabilities of debtor.

Section 20. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The composition agreement shall be drawn up in writing and shall, in particular, contain

- a) the program approved by the creditors, the method of execution and supervision;
- b) any amendment in the deadlines of fulfillment, the remission or assumption of the claims of creditors, and all that is considered necessary by the debtor and the creditors for the purpose of restoring or maintaining the debtor's solvency.

(2) n32 The composition agreement shall be signed by the parties, their legal representatives or attorneys and shall be approved by the bankruptcy trustee, within 3 days if he did not participate in the negotiations.

n32 The earlier last two sentences repealed by Subsection (3) of Section 34 of Act XXVII of 1997.
Repealed as of 6 August 1997.

Section 21. n26

n26 Established by Section 7 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The director of the debtor economic organization shall notify the court regarding the result of the composition agreement negotiations no later than within 3 days of the expiration of the moratorium, and, if a composition agreement has been reached, shall also attach the composition agreement. Failure to meet this obligation, a fine of up to 50,000 HUF may be imposed.

(2) If no composition agreement was reached by the parties, or it was not approved, or fails to conform with the provisions of the Act, the court shall terminate the proceedings and shall order the liquidation proceedings suspended on the basis of Subsection (4) of Section 8 to be continued.

(3) If the composition agreement complies with the provisions of the Act, the court shall issue a court order discharging the bankruptcy proceedings.

Chapter III.

Liquidation

Commencement of Liquidation Proceedings n33

n33 With respect to the proceedings initiated after 1 January 1992 where liquidation has already begun, the provisions in effect on the date of initiation of the liquidation proceedings shall be observed. See Subsection (1) of Section 33 of Act XXVII of 1997.

Section 22.

(1) Liquidation proceedings shall be conducted in the case of insolvency of the debtor

a) n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

b) upon request by the debtor, the creditor or the party in charge of voluntary dissolution, or

c) based on a notice by the Court of Company registration [Subsection (1) of Section 22 of Law-Decree No 23 of 1989].

(2) n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

Section 23.

(1) n34 If liquidation proceedings are requested by the debtor, the provisions of Subsections (1)-(2) of Section 8 shall be taken as a guideline for filing the petition. The debtor shall announce in the petition the names of all financial institutions maintaining its accounts, and the number of accounts maintained by such, including the number of accounts opened subsequent to filing of the petition.

n34 Established by Subsection (1) of Section 4 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) Debtors not intending to file for bankruptcy may request liquidation.

(3) n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

(4) n30

n30 Repealed by Subsection (3) of Section 34 of Act XXVII of 1997. Repealed as of 6 August 1997.

Section 24.

(1) If commencement of the liquidation proceedings is requested by a creditor, the legal title of the debt of the debtor, the date of maturity (due date) and a short summary of the grounds upon which the debtor is considered to be insolvent, shall be included in the petition. The documents in proof of the contents of the petition shall also be attached.

(2) If liquidation proceedings were requested by a creditor, and the court has not rejected the petition without an investigation of the merits thereof, the court shall inform the debtor forthwith of submission of such petition, by sending a copy of the petition.

(3) n35 The debtor shall, within 8 days of receipt of the notice, declare before the court, whether he/she acknowledges the contents of the petition. Should the debtor acknowledge the contents of the petition, he shall also simultaneously declare whether he wishes a respite for the settlement of the debts [Subsection (3) of Section 26] and he shall announce the names of all financial institutions keeping his accounts, and the number of accounts maintained by such, including the number of accounts opened subsequent to filing of the petition, and furthermore, in the case of a concession, he shall inform the concessionaire of commencement of liquidation proceedings.

n35 Established by Section 8 of Act LXXXI of 1993. Effective as of 2 September 1993. Second sentence established by Subsection (2) of Section 4 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 25.

(1) The court shall reject the petition without investigation, if

a) it was submitted by a party not entitled thereto;

b) n11 it was submitted during the term of the moratorium;

n11 Amended by Subsection (5) of Section 44 of Act LXXXI of 1993.

c) the petition which has been returned due to deficiencies is not completed by the petitioner within 8 days, or is filed again with deficiencies yet remaining, hence rendering evaluation impossible;

d) n36 there is no agreement between the debtor, the petitioner and the organs specified in Subsection (1) of Section 8;

e) n14

n36 Amended by Subsection (4) of Section 44 of Act LXXXI of 1993.

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

(2) n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

Section 26.

(1) The court shall investigate the insolvency of the debtor.

(2) n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

(3) At the request of the debtor, the court may permit a period not to exceed 30 days for the settlement of the debt.

(4) n37 Suspension may only be granted upon the joint request of the debtor and the creditors requesting the liquidation proceedings until the court order ordering liquidation is passed.

n37 Inserted by Section 9 of Act LXXXI of 1993. Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

Section 27. n38

n38 Established by Section 10 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) If the court finds that the debtor is insolvent, the court shall direct the liquidation of the debtor by court order. The court shall pass the liquidation order within 60 days of receipt of the petition for the initiation of liquidation proceedings. The date of commencement of liquidation is the date of the order becoming final, however, in respect of the filing of creditors' claims the date of publishing the liquidation order shall be regarded as the date of commencement (Section 28).

(2) The court shall establish that the debtor is insolvent, if

a) n28 his undisputed or acknowledged debts have not been paid within 60 days of falling due, or

b) execution conducted against him was unsuccessful, or

c) he has failed to fulfill his payment obligation, despite the composition agreement in bankruptcy proceedings.

n28 Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

(3) Insolvency of the debtor cannot be established in the cases defined in Subsection (2), if the period granted by the court in accordance with Subsection (3) of Section 26 for settling of debts has not yet expired.

(4) If the debtor is solvent, the court shall issue a priority order terminating the proceedings.

Section 27/A. n39

n39 Inserted by Section 11 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) In its liquidation order the court shall appoint a liquidator. The bankruptcy trustee appointed in any bankruptcy proceedings preceding liquidation may also be appointed as liquidator.

(2) The sphere of those eligible to be appointed as liquidators shall be established in a Government Decree. The Government shall announce a public tender for admittance to the register of liquidators.

(3) n40 A liquidator who is not a natural entity shall appoint a liquidation trustee, who shall act on his behalf based on employment by, membership in or appointment by the liquidator, to conduct the liquidation of the debtor.

n40 Established by Subsection (1) of Section 5 of Act XXVII of 1997. Effective as of 6 August 1997.

(4) n40 Parties, who are or whose owner is an owner or creditor of the debtor, as well as senior employees or close relatives thereof, may not be appointed as a liquidator [Paragraph b) of Section 685 of the Civil Code]. These provisions shall apply mutatis mutandis to liquidation trustees.

n40 Established by Subsection (1) of Section 5 of Act XXVII of 1997. Effective as of 6 August 1997.

(5) n41 If any grounds for disqualification exist, the liquidator shall announce such to the court within 8 days of receipt of the order containing the appointment, or, if any grounds for disqualification arise at a later point in time, within 8 days of the occurrence of such. The liquidator may reject the appointment only in such cases. Should a liquidator fail to disclose grounds for disqualification, the court shall initiate his cancellation from the register of liquidators. The liquidators shall announce to the Court of Company Registration the name and address of the appointed liquidation trustee within thirty days of receipt of the final order. The order, by which the liquidator is appointed, shall not be subject to appeal.

n41 Inserted by Subsection (2) of Section 5 of Act XXVII of 1997. Effective as of 6 August 1997.

(6) n41 If, subsequent to the appointment, the court determines that there are grounds for disqualification of the liquidator, and/or the liquidation trustee, or the liquidators has been canceled from register of liquidators, or any liquidation or voluntary dissolution proceedings have been brought against the liquidating organization, or a liquidator who is a natural entity is not able to perform his work owing to reasons of health, the court shall release the liquidator ex officio.

n41 Inserted by Subsection (2) of Section 5 of Act XXVII of 1997. Effective as of 6 August 1997.

(7) n41 The court shall act according to the procedure set forth in Subsection (6) - even in the absence of a complaint to this effect - if it determines in its order based on the data of the procedure that the liquidator gravely or

repeatedly violates the law.

n41 Inserted by Subsection (2) of Section 5 of Act XXVII of 1997. Effective as of 6 August 1997.

(8) n42 The liquidator may file an appeal against the court order set forth in Subsections (6) and (7) which shall be adjudicated by the court of second instance with preferential priority. Simultaneously with the order becoming final, the court shall appoint a new liquidator.

n42 Numbering amended by Subsection (2) of Section 5 of Act XXVII of 1997.

(9) n42 The liquidator appointed may not transfer execution of liquidation proceedings to any other party. The liquidator may only employ an assistant subject to the prior permission of the appointing court, unless special expertise is required for performing the duty of the executive assistant.

n42 Numbering amended by Subsection (2) of Section 5 of Act XXVII of 1997.

Liquidation Procedure

Section 28.

(1) n43 Upon the order for the liquidation of the debtor becoming final, the court shall have such order published in the Company Gazette.

n43 Established by Subsection (1) of Section 12 of Act LXXXI of 1993. Effective as of 2 September 1993.

(2) The publication notice shall contain:

a) name of the court and the case number;

b) n44 names, registered offices, and tax identification numbers of the debtor and its subsidiaries, of the economic work groups operating under debtor's assumption of responsibility, and the trust companies established by the debtor in accordance with Section 49 of Act VI of 1977 on State-Owned Companies. If legal succession has taken place within two years prior to the announcement of the proceedings, the name, registered office and tax identification number of the legal predecessor shall also be indicated;

c) the filing date of the petition for the initiation of liquidation proceedings;

d) n44 the occurrence of bankruptcy proceedings, if liquidation proceedings were preceded by such;

e) n44 the initial date of liquidation (the date upon which the liquidation order became final);

f) n45 a notice to the creditors to report their known claims to the liquidator, within 40 days of publication of the liquidation order;

g) name and registered office of the liquidator;

- h) n46 number of the separate account defined in Subsection (7) of Section 46;
- i) n47 other important circumstances.

n44 Established by Subsection (2) of Section 12 of Act LXXXI of 1993. Effective as of 2 September 1993.

n45 Established by Subsection (2) of Section 12 of Act LXXXI of 1993. Amended by Subsections (1) and (3) of Section 34 of Act XXVII of 1997.

n46 Inserted by Subsection (1) of Section 6 of Act XXVII of 1997. Effective as of 6 August 1997.

n47 Numbering amended by Subsection (1) of Section 6 of Act XXVII of 1997.

Section 29.

The court shall inform the following organs of the liquidation order: n48

- a) the Court of Company Registration where the economic organization is registered,
- b) n49 the competent tax and customs authorities, duty office, as well as the administrative offices of the pension insurance administration and health insurance administration,
- c) the government labor market office competent for the area,
- d) the competent supervisory bodies for environmental protection and labor safety,
- e) n50 Economic Office of the court;
- f) n51 the archives competent for the registered office of the debtor,
- g) n51 all financial institutions maintaining the debtor's bank accounts.
- h) n52 the Land Office competent for the area.

n48 Amended by Subsection (1) of Section 13 of Act LXXXI of 1993.

n49 Established by Subsection (1) of Section 13 of Act LXXXI of 1993. Effective as of 2 September 1993.

n50 Established by Subsection (2) of Section 6 of Act XXVII of 1997. Effective as of 6 August 1997.

n51 Inserted by Subsection (2) of Section 13 of Act LXXXI of 1993. Effective as of 2 September 1993.

n52 Inserted by Subsection (2) of Section 6 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 30. n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

Section 31.

(1) n53 The director of an economic organization under liquidation shall:

a) n54 prepare a final inventory, annual report, simplified report or simplified balance sheet (hereinafter: closing balance sheet) as of the day preceding the initial date of liquidation, as well as tax returns and a final balance-sheet following the distribution of profit, and shall provide such to the liquidator and the tax authorities within 45 day of initiation of liquidation.

n53 Numbering amended by Subsection (2) of Section 14 of Act LXXXI of 1993. Preamble amended by Subsection (3) of Section 34 of Act XXVII of 1997.

n54 Established by Subsection (1) of Section 7 of Act XXVII of 1997. Effective as of 6 August 1997.

b) prepare a list of documents that may not be discarded or are classified as confidential, and deliver such documents, as well as archive material and the information regarding the matters in progress to the liquidator,

c) n55 file a declaration with the liquidator and the competent supervisory body for environmental protection within 30 days of the initial date of liquidation regarding whether there are any environmental damages or environmental hazards remaining that may result in fine payments or other payment obligations, and expenses connected with the settlement of the losses or hazards,

d) disclose information to the liquidator regarding all legal actions or assumption of obligations which constitute the subject of Paragraph a) of Subsection (1) of Section 40,

e) n55 inform, without delay, the employees, members of cooperatives, as well as the trade unions and employee councils (employee delegates) defined in Section 18 of LC regarding the liquidation order.

f) n56 inform parties entitled to the claims defined in Paragraph c) of Subsection (1) of Section 57 regarding the liquidation order within 30 days of the initiation of liquidation.

n55 Established by Subsection (1) of Section 14 of Act LXXXI of 1993. Effective as of 2 September 1993.

n56 Inserted by Subsection (2) of Section 7 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) n57 The directors of economic organizations shall meet the obligations prescribed in Paragraph b) of Section 1 in observation of the regulations guaranteeing the protection of confidential information, as well as the protection of personal rights.

n57 Inserted by Subsection (2) of Section 14 of Act LXXXI of 1993. Effective as of 2 September 1993.

Section 32. n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

Section 33.

(1) n58 The court may impose a fine of up to 50 % of the revenues received from the economic organization in question in the year preceding the initiation of liquidation, or, if the income of its director cannot be determined, up to 1 million HUF on the director of the economic organization who has neglected his obligations as set forth in Section 31, or has disclosed false data, even if he is not employed thereby, or has no other legal relationship aimed at performance of work or membership relationship with the debtor any more, or his appointment as a senior employee has been terminated.

n58 Established by Subsection (3) of Section 7 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) The director specified in Subsection (1) may be ordered by the court to bear the costs incurred by having performed the duties contained in Section 31 by the expert commissioned by the liquidator.

(3) If the expert commissioned by the liquidator establishes discrepancies, influencing the company's order of accounting, at the debtor or differences between the balance-sheet, the ledger accounts, the general ledger and the analytical records, the liquidator shall be informed thereof in writing and without delay.

(4) The liquidator shall report any criminal acts he has become aware of - indicating the name of the perpetrator, if known - in writing to the authority of competence to file charges.

Section 34.

(1) n59 The rights of the founder connected with the economic organization, as defined in separate legal

regulations, shall cease upon initiation of liquidation.

n59 Established by Subsection (1) of Section 8 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) As of the initial date of liquidation only the liquidator shall be authorized to issue legal declarations in connection with the assets of the economic association. As of the initial date of liquidation the name of the debtor company shall be used complemented by the words "under liquidation", and/or the mark "u. 1." ("f.a.").

(3) n60 The liquidator shall, upon such request, furnish the representative of the organizations defined in Subsection (1) of Section 8 with information disclosing who has filed a creditor's claim and the amount of such, whether the liquidator has accepted such claim and how these have been classified by him, as well as information on the amounts and the parties entitled to the claims listed in Paragraphs a) and c) of Subsection (1) of Section 57. The power of attorney for representation shall be submitted to the liquidator in form of a public document or a private document with full probative force.

n60 Established by Subsection (2) of Section 8 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 35.

(1) All debts of the economic organization expire (fall due) on the initial date of liquidation.

(2) n61 For pecuniary debts, the following can be enforced

a) contractual interest up to the date of original expiration; and

b) default interest and late charges, as well as surcharge and fines claims from the original date of expiration through the date of settlement, or up to the date of preparing of the closing liquidation balance-sheet at the latest.

n61 Established by Section 9 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 36. n62

n62 Established by Section 10 of Act XXVII of 1997. Effective as of 6 August 1997.

In course of liquidation, only such claims can be included which have been registered by the liquidator as acknowledged and have not been assigned subsequent to the initial date of liquidation, or, if the claim has occurred at a later date, subsequent to its occurrence.

Section 37.

(1) n63 Claims against the debtor reported after 40 days of the publishing of liquidation, but within one year, shall be registered and be satisfied by the liquidator, if there is sufficient funding remaining available following the settlement of the debts specified in Subsection (1) of Section 57. The general regulations on the order of satisfaction (Sections 57 and 58) shall be applied to the creditors reporting late.

n63 Amended by Section 16 of Act LXXXI of 1993 and Section 11 and Subsection (1) of Section 34 of Act XXVII of 1997.

(2) n64 In respect of claims, incurred in course of liquidation and not qualified as liquidation expenses, if the final liquidation balance-sheet has not yet been submitted, creditors' claim shall be announced to the liquidator within 40 days of the date when the claim falls due, and the liquidator shall register the claim as a creditors' claim duly submitted within the time limit set forth in Paragraph f) of Subsection (2) of Section 28. Registration and satisfaction of claims submitted after the 40 day period, but within 1 year, at least prior to submission of the closing liquidation balance-sheet, shall be subject to Subsection (1).

n64 Inserted by Section 11 of Act XXVII of 1997. Effective as of 6 August 1997.

(3) n64 In the cases set forth in Subsections (1) and (2), failure to observe the time limit of one year shall result in a forfeiture of rights.

n64 Inserted by Section 11 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 38. n65

n65 Established by Section 12 of Act XXVII of 1997. Effective as of 6 August 1997.

(1) Execution proceedings in progress against the debtor at the initial date of liquidation in connection with property falling under the sphere of liquidation shall be abated by the court enforcing the execution (authority) without delay, and assets seized and funds, received but not yet paid, shall be transferred to the appointed liquidator. The right of execution on the debtor's real estate shall cease at the initial date of liquidation.

(2) Contentious and non-contentious proceedings commenced prior to the initial date of liquidation shall continue before the court acting previously. Proceedings, initiated prior to the initial date of liquidation in order to enforce money claims, shall not exempt creditors from fulfillment of the obligations set forth in paragraph f) of Subsection (2) of Section 28 and in Subsection (7) of Section 46. In the event the creditor loses a lawsuit, the amount paid on the basis of Subsection (7) of Section 46 - upon request by the creditor - shall be refunded within 30 days. In the event the creditor partially loses a lawsuit, the amount in excess of that paid according to the adjudicated claim - upon request by the creditor - shall be refunded within 30 days.

(3) Following the initial date of liquidation, any claim against the economic organization in connection with property falling under the sphere of liquidation may only be enforced in the framework of liquidation, on the condition that the creditor - in the proceedings brought by the economic association - may enforce his claim existing at the initial date of liquidation against the economic organization as a set-off claim, provided however, that the party entitled to the claim was a creditor at the initial date of liquidation as well.

(4) The prohibition of alienation and mortgage in respect of the debtor's real estate and other assets shall cease at the initial date of liquidation, while right of repurchase and purchase, as well as mortgage shall cease upon the sale of assets. In the event the person entitled to repurchase and purchase buys the assets by a unilateral declaration after the initial date of liquidation, he may not enforce a set-off against the debtor. The cancellation, necessary in the land register, based on the minutes of sale or sale contract sent by the liquidator, shall be performed by the land office or

other organization keeping records on the mortgage.

(5) In the event the debtor has provided a collateral for securing any obligations prior to the initial date of liquidation, the agreement relating to the collateral shall be terminated when liquidation is announced and the property representing the collateral shall be released to the liquidator.

Section 39.

(1) n66 For the purpose of establishing a creditors' committee, the liquidator shall convene all registered creditors within 90 days following the date of publishing of the liquidation order.

n66 Established by Subsection (1) of Section 13 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) n67 The liquidator may refrain from calling the creditors' committee to convene if it becomes obvious during liquidation that the announcement of a simplified liquidation, as described in Section 63/A, is required.

n67 Established by Section 18 of Act LXXXI of 1993. Effective as of 2 September 1993.

(3) n68 The liquidator shall inform the committee at least 15 days in advance of any contracts which exceed the scope of day-to-day management to be concluded by him, upon termination of valid contracts, and upon discarding the stocks, provided however, that it may submit statements regarding such within 8 days of such notice. In exceptional cases, the liquidator may deviate from these time limits. The liquidator shall send a settlement of account and a report on liquidation expenses to the creditors' committee every six months.

n68 Established by Subsection (2) of Section 13 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 40.

(1) n69 The creditor may, within 90 days from the date of publication of the liquidation order, and the liquidator may, within 90 days from the initial date of liquidation, contest contracts concluded by the debtor within one year preceding the date of receipt by the court of the petition aimed at conducting the liquidation proceedings or thereafter, or his other legal declarations in an action before the court [Subsection (1), Section 6], if the subject thereof include:

a) alienation of the debtor's assets without compensation, and/or undertaking of obligations encumbering the assets without compensation, or

b) a commulative legal transaction concluded in favor of a third person with a remarkably disproportionate difference in value;

c) other legal transactions serving for deception of the creditor or creditors, decreasing the debtor's assets.

n69 Established by Section 14 of Act XXVII of 1997. Effective as of 6 August 1997.

(2)-(3) n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

(4) The liquidator, upon gaining knowledge of the legal transactions described in Paragraph a) or b) of Subsection (1) within the 90-day period, shall inform the creditors' committee or the creditor without delay and shall simultaneously present the evidence thereof. The creditor shall remain to be entitled to contest the contract within 15 days of receipt of the notice, if the 90-day period has already passed, or less than 15 days remained.

Composition Agreement in Liquidation

Section 41.

(1) n70 Following a period of 40 days subsequent to the publication of the liquidation order, the creditors and the debtor may, at any time, conclude a composition agreement, up until the submission date of the closing liquidation balance-sheet. Parties which failed to announce themselves as creditors in the liquidation proceedings may not enforce claims, in the event of a composition agreement, subsequent to the closing of the proceedings.

n70 Established by Section 15 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) n70 In the case of preparing and concluding the composition, the rights to which the economic organization is entitled, shall be exercised by the organizations listed in Subsection (1) of Section 8. These organizations shall pass their resolutions on the terms of the composition within the framework of a procedure which is prescribed in a separate legal regulation, pertaining to the economic organization, for such resolution of termination. The representative of the organizations listed in Subsection (1) of Section 8 shall act in the course of the composition negotiation and signing of the document containing the composition. The power of attorney for representation shall be established in a public document or in a private document with full probative force. In order to prepare the conclusion of composition, the organization specified in Subsection (1) of Section 8 may also request further information in addition to the data specified in Subsection (3) of Section 34.

n70 Established by Section 15 of Act XXVII of 1997. Effective as of 6 August 1997.

(3) The parties entitled to the claims specified in Paragraphs a) and c) of Subsection (1) of Section 57 may not take part in the conclusion of the composition agreement.

(4) The debtor shall prepare, for the composition agreement negotiations, a program for restoring solvency and a composition proposal.

(5) n71 Upon the debtor's request, the court shall hold composition negotiations within 60 days following receipt of the petition, and serve a notice to the debtor, the liquidator, and the creditors entitled to conclude the composition to appear by sending the program suitable for the restoration of solvency and the composition proposal, as well as the list of creditors.

n71 Inserted by Section 15 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 42. n11

n11 Amended by Subsection (5) of Section 44 of Act LXXXI of 1993.

In the course of composition negotiations, the extent of the property to be included in the scope of the composition agreement shall be defined in a court order on the basis of the proposal of the liquidator, also taking into consideration the claims specified in Paragraphs a) and c) of Subsection (1) of Section 57.

Section 43.

(1) In the course of composition negotiations, the economic organization under liquidation and the creditors may agree on

- a) the order of satisfying the debts,
- b) the amendment of the deadline for debt payments,
- c) the ratio and manner of the satisfaction of debts, furthermore,
- d) in all that is considered necessary by the parties for the purpose of restoring the solvency of debtor, or otherwise, with special regard to the measures aimed to increase revenues.

(2) The creditors may designate one or more creditors or outside parties to monitor the observation of the composition agreement.

Section 44.

(1) n72 A composition agreement may be reached upon the consent of at least half of the creditors entitled to conclude a composition agreement in every group [Paragraphs b), d), e), f) and g) of Subsection (1) of Section 57], provided that their claims account for two-thirds of the total claims of those entitled to conclude the composition agreement. In this case the scope of the composition agreement shall apply to all creditors (forced agreement), with the exception of the parties entitled to the claims specified in Paragraphs a) and c) of Subsection (1) of Section 57.

n72 Numbering amended pursuant to Section 16 of Act XXVII of 1997.

(2) n73 The liquidator shall prepare the closing liquidation balance-sheet set forth in Subsection (3) of Section 52 and the statements of revenues and expenditures set forth in Subsection (4) of Section 52 by the date of settlement of the composition, and hand the same over to the tax authority within 30 days of conclusion of the composition agreement.

n73 Inserted by Section 16 of Act XXVII of 1997. Effective as of 6 August 1997.

(3) n73 The amount, due to a creditor having a disputed claim at the date of conclusion of the composition, corresponding to the satisfaction level of its own group, shall be managed separately. Such creditor may not participate in settlement of the composition, and his claim is not required to be considered when computing the claims, which may be considered when concluding the composition, according to Subsection (1), however, if his claim is finally established by the court finally as existing, he shall also be affected by forced composition.

n73 Inserted by Section 16 of Act XXVII of 1997. Effective as of 6 August 1997.

(4) The proportion of assets, falling on the creditor under Subsection (3) having a disputed claim, shall be released subsequent to final closure of the action, provided however, that the existence of the claim has been established by a final court decision. Costs connected with management of such proportion of assets, if any, shall be covered from the proportion of assets. When releasing the proportion of assets, a settlement of account is to be handed over to the creditor on the revenues and expenses associated with the property. In the event it turns out after settlement of the composition that the claim of the creditor was unjustified, so the proportion of assets managed separately shall be distributed among other creditors within the group pro-rata to their claims to the extent of their full satisfaction. The economic organization shall be held responsible for such a distribution.

Section 45.

(1) If the insolvency of the economic organization ceases during the course of the composition, and the composition is in conformity with legal regulations, it shall be approved by the court [Subsections (2) and (3) of Section 60], otherwise the court shall pass an order of refusal.

(2) n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

Proceedings by the Liquidator

Section 46.

(1) The liquidator shall survey the financial standing of the economic organization and the claims against it.

(2) n74 The liquidator shall establish the costs and timetable necessary for executing liquidation, including the duties and financial conditions required to the rational completion of economic activities, as well as to conservation, with particular regard to the reduction of superfluous employees. Upon request the liquidator shall present the timetable to the creditors' committee or to any of the creditors entitled to object to such in court (Section 51).

n74 Amended by Subsection (2) of Section 34 of Act XXVII of 1997.

(3) n75 In the event that creditors have formed a committee, the debtor shall be required to obtain the consent of the committee for continuing to pursue his economic activity under liquidation within 120 days of the publication of the liquidation. If the committee is established at a later date, such consent is to be obtained within 60 days of publication of the committee's establishment.

n75 Inserted by Subsection (1) of Section 17 of Act XXVII of 1997. Effective as of 6 August 1997.

(4) n75 The committee's consent under Subsection (3) shall be valid for one year. If the liquidator desires to continue to pursue the activity after the period of one year, he shall be required to obtain the committee's consent, no later than within 30 days preceding this one year.

n75 Inserted by Subsection (1) of Section 17 of Act XXVII of 1997. Effective as of 6 August 1997.

(5) n76 The liquidator shall enter the following in a separate register:

- a) n14
- b) claims reported prior to the deadline specified in Paragraph f) of Subsection (2) of Section 28, and
- c) claims reported subsequent to the deadline specified in Paragraph f) of Subsection (2) of Section 28, but within one year.

n76 Numbering amended and the former Subsection (5) repealed by Subsection (1) of Section 17 of Act XXVII of 1997.

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

(6) n77 The liquidators shall review the claims described in Paragraphs a) and b) of Subsection (5), within 45 days of the date of notification, conciliate with the parties concerned, send the claims deemed disputable to the court ordering liquidation for consideration within 15 days, and include the results of the above review in the interim balance-sheet prescribed in Subsection (2) of Section 50.

n77 Numbering and text amended by Subsection (1) of Section 17 and Subsection (1) of Section 34 of Act XXVII of 1997.

(7) n78 With the exception of the claims set forth in Paragraphs a) and c) of Subsection (1) of Section 57, registration of claims defined in Subsection (5) shall be subject to payment by the creditor of 1% of the claim, but not less than 1,000 HUF and not more than 100,000 HUF to a separate account managed by the Economic Office of the court, with reference to the court case number, and to verification of such to the liquidator. The amount paid by the creditors shall be ranked as creditors' claims under Paragraph f) of Subsection (1) of Section 57. The Economic Office shall inform the liquidator every six months regarding the amount held on the account.

n78 Inserted by Subsection (2) Section 17 of Act XXVII of 1997. Effective as of 6 August 1997.

(8) n78 If the registered claim is acknowledged by the liquidator, however, the entitled person does not wish to pay the amount set forth in Subsection (7) to the separate account, upon request of the entitled person, the liquidator shall immediately issue the declaration upon the acknowledged claim set forth under Point 5 of Section 4 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax, provided however, that the registered claim has been assigned following the initial date of liquidation.

n78 Inserted by Subsection (2) Section 17 of Act XXVII of 1997, Effective as of 6 August 1997.

Section 47.

(1) n28 The liquidator shall terminate, with immediate effect, the contracts concluded by the debtor, or if none of the parties rendered services, the liquidator may withdraw from the contract. The claim due to the other party owing to

the above may be enforced by notifying the liquidator within 40 days of publishing the withdrawal or termination.

n28 Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

(2) n11 The liquidator shall withdraw, with immediate effect, the declaration given for the economic work group for assumption of responsibility if no agreement was concluded within 60 days of the initial date of liquidation.

n11 Amended by Subsection (5) of Section 44 of Act LXXXI of 1993.

(3) n79 The liquidator may not exercise the right of cancellation or withdrawal with immediate effect as set forth in Subsection (1) with regard to the tenancy agreements of natural persons, with the exception of company residences and garages, the contracts concluded with a school or student for the organization of practical training, labor contracts, loan contracts not connected with business activities, the contracts of members of cooperatives in connection with their legal relationship of business nature, as well as the collective bargaining agreement.

n79 Established by Section 20 of Act LXXXI of 1993. Effective as of 2 September 1993.

(4) In the event that an alimony or a life-annuity contract is terminated, the other party shall be entitled to appropriate compensation.

(5) n80 From the initial date of liquidation, employer's rights shall be exercised and obligations shall be fulfilled by the liquidator within the framework of legal regulations, the collective contract, as well as internal regulations and employment contracts.

n80 Inserted by Section 18 of Act XXVII of 1997. Effective as of 6 August 1997.

(6) n80 In respect of wage increases after the initial date of liquidation, the liquidator may only assume any new obligations with the committee's consent.

n80 Inserted by Section 18 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 48. n81

n81 Established by Section 21 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The liquidator shall collect the claims of the debtor at the time of maturity, enforce his claims and dispose of his assets. If an agreement is reached among creditors in the ratio defined in Section 44, the liquidator may make the assets available, for the purpose of achieving better sales terms, to limited liability companies, companies limited by shares or cooperi, lives as non-pecuniary deposit (contribution).

(2) n30

n30 Repealed by Subsection (3) of Section 34 of Act XXVII of 1997. Repealed as of 6 August 1997.

(3) In the course of liquidation, the liquidator shall take measures for the protection and maintenance of the debtor's assets, particularly the maintenance of the productivity of arable lands, the performance of forest rehabilitation and forest stock growing work, furthermore, the observation of environmental protection requirements, nature conservation and protection of historical monuments, the settlement of proven environmental damages and environmental hazards originating from the period preceding the initial date of liquidation, which also means the prevention of environmental damages and hazards in the course of the proceedings, as well as the sale of the property items with environmental hazards.

(4) The requirements of environmental protection, nature conservation and protection of historic monuments to be observed during liquidation, including the definition of the content of the declaration prescribed in Paragraph c) of Subsection (1) of Section 31 and the eventuality of obligation to the status survey of the environment, the requirements and manner of the settlement of environmental damages and hazards, furthermore, the sphere of costs originating from the above, qualified as liquidation costs in accordance with Subsection (2) of Section 57, are regulated in a Government Decree. n82

n82 See Government Decree 106/1995 (IX. 8.) Korm.

(5) The competent authority may issue an order directing the debtor to observe environmental protection requirements, nature conservation and protection of historic monuments, regarding the activities pursued during the proceedings and to remedy environmental damages and hazards.

Section 49. n83

n83 Established by Subsection (1) of Section 19 of Act XXVII of 1997. Effective as of 6 August 1997.

(1) The liquidator shall publicly dispose of debtor's assets, at the highest price that can be obtained on the market. The liquidator shall carry out the sale by tenders or auctions. The liquidator may only forego application of such procedures if the committee approves thereof, or if the prospective receipts shall not cover costs and expenses of the sale, or if the difference between prospective proceeds and prospective expenditures of the sale is less than 100,000 HUF. In this case the liquidator may apply other public forms of sale for the purpose of achieving a more favorable result.

(2) Unless otherwise provided for by the committee, the sale shall be commenced within 120 days of publication of the liquidation.

(3) The liquidator, the trustee in bankruptcy, the owner (member, shareholder, founder) or the senior executive thereof, and their close relatives [Paragraph b) of Section 685 of the Civil Code] may not acquire any ownership or any other rights representing asset value.

(4) The party, acquiring ownership or any other rights representing asset value, may not apply a set-off at the public sale against the debtor.

(5) Should the liquidator fail to comply with the provisions relating to the forms of sale and employment of a notary as set forth in this Act in course of sale of the assets, the party concerned may contest the sale contract signed as a result of the sale, specifically of the tender or the auction, within 30 days of the date of sale by a court action

[Subsection (1) of Section 6]. Any failure to observe this time limit shall result in a forfeiture of rights.

(6) If the liquidator fails to comply with the obligation relating to taking into account of preemptive rights in the course of sale of the assets, the person having the pre-preemptive right shall be entitled to bring the case to court within the time limit set forth in Subsection (5) [Subsection (1) of Section 6].

Section 49/A. n84

n84 Inserted by Subsection (2) Section 19 of Act XXVII of 1997. Effective as of 6 August 1997.

(1) At least 15 days prior to the initial date fixed for presentation of bids the liquidator shall publish the invitation to public tender in the Company Gazette which should contain:

- a) description of the assets to be sold,
- b) terms and conditions of sale,
- c) manner and date of submission of bids, method of acceptance and evaluation,
- d) manner of acquiring of the document containing the detailed terms of tender, and of soliciting information.

(2) The liquidator shall open the offers in the presence of a notary. The notary shall draw up minutes on this procedure. The liquidator shall draw up minutes on evaluation and results of evaluation of the tender which shall be sent to the committee.

(3) Upon request any creditor shall be allowed to inspect such minutes.

(4) In the absence of appropriate bids, the liquidator may declare the tender unsuccessful, and may announce a new tender. In the event several tenders having the same value (which, in respect of the purchase price, deviate from each other by not more than 10% are submitted, the liquidator shall hold public price negotiations between the bidders regarding whose conditions he shall inform the parties prior to commencement of the price negotiation.

Section 49/B. n84

n84 Inserted by Subsection (2) Section 19 of Act XXVII of 1997. Effective as of 6 August 1997.

(1) Time of auctions shall be set by the liquidator by an auction advertisement, indicating

- a) name and registered office of the debtor;
- b) place and time of the auction;
- c) the assets under auction, and their estimated value;
- d) in the case of auctions for movable property, the place and time where and when the movable property can be inspected before the auction;
- e) in the case of auctions for real estates,
- ea) data of the real estate register,

- eb) accessories to the real estate, characteristics features of buildings, as well as whether it is vacant or occupied,
- ec) amount of auction advance, and
- f) other significant circumstances.

(2) The liquidator shall publish the auction advertisement in the Company Gazette at least 15 days prior to the auction.

(3) In the event the offered purchase price does not reach the estimated value in the auction, the liquidator may make a decision on holding a new auction, or may decrease the purchase price by not more than up to the half of the estimated value. If no offer is received at this price either, the liquidator shall declare the auction unsuccessful.

(4) Bids may be submitted for the real estate by parties who deposit 5% of the estimated value of the real estate no later than at the beginning of the auction at the liquidator. The buyer shall pay the full purchase price under the conditions disclosed in the auction advertisement to debtor's account. Should the buyer fail to do so, he shall forfeit the advance. Sale of the real estate by an auction -- unless otherwise provided by law -- shall not affect third persons' rights registered at the date of auction in the real estate and those beyond the real estate register. In the event an action has been initiated in accordance with provisions of Subsections (5) and (6) of Section 49, the amount paid up shall be kept on a separated interest-bearing account up to the final closing thereof.

(5) In case of sale of movable property by auction, the bidder offering the highest price shall immediately pay the purchase price. Should the buyer fail to pay the purchase price, the movable property shall be offered for sale in a further auction, unless the purchase price exceeds 1 million HUF. In this case, the liquidator may set a time limit of not more than 60 days for payment. Buyers who fail to fulfill payment may not attend the further or new auction for the assets.

(6) The liquidator shall carry out the auction in the presence of a notary, and the notary shall draw up minutes a copy of which shall be made available to buyers at the auction.

Section 49/C. n84

n84 Inserted by Subsection (2) Section 19 of Act XXVII of 1997. Effective as of 6 August 1997.

(1) In the case of sale of territories protected under environment protection under environment and of historic buildings, Ministry of Environment Protection and Regional Development shall have right of preemption before every other person.

(2) The person, having a right of preemption, shall exercise his such right at a public auction in a manner that he declares his purchasing intention in acknowledgement of the finally set purchase price.

Section 50.

(1) n85 If an amount of money sufficient to cover the claims of creditors was received during liquidation, the liquidator may prepare an interim liquidation balance-sheet (hereinafter referred to as "interim balance-sheet") following the expiration of the deadline set for reporting the claims. The interim balance-sheet shall contain the data of the balance-sheet, closing the activities of the economic organization. The interim balance-sheet shall be prepared in the division set forth in Subsection (3) of Section 52, and the statement of revenues and expenditures as set forth in Subsection (4) of Section 52. The text report shall contain detailed explanation of differences of the balance-sheet, closing the activities, and the interim balance-sheet, and of revenues and expenditures figures.

n85 The last three sentences inserted by Subsection (1) of Section 20 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) n28 The interim balance-sheet shall be prepared annually after the initial date of liquidation.

n28 Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

(3) Reserves shall be established on the basis of the interim balance-sheet to cover the expected costs of liquidation and disputed creditors' claims.

(4) The creditors' claims based on final court orders and those which are not disputed may be satisfied partially or fully, in the order of satisfaction defined in Section 57, to the debit of the financial assets above the reserves.

(5) n86 The liquidator shall send the interim balance-sheet, the statement of revenues and expenditures, and the proposal for partial distribution of assets, containing the order and amount of partial satisfaction of creditors' claims, to the creditors -- if a committee is established, also to the committee -- with a view that they may make a statement regarding such within 15 days. The files, defined in Subsection (1), shall be presented to the court for approval, by attaching also the opinion of creditors (creditors' committee).

n86 Established by Subsection (2) of Section 20 of Act XXVII of 1997. Effective as of 6 August 1997.

(6) n86 The court shall approve or refuse the interim balance-sheet or the proposal for partial distribution of properties in an order within 30 days. The appeal against the order of approval shall have no delaying force. The court shall instruct in the order to disburse 4% -- if debtor's activities are performed during the liquidation, 1% of the revenues therefrom -- of the amount received collectively from the assets sold and claims collected up to the preparing of the interim balance-sheet, but at least 50,000 HUF from the amount kept on the separate account, managed by the Economic Office, if the aforementioned sum is available from payments of debtor's creditors. In the event the aforementioned sum is not available on the separate account, but is available on the account of the debtor company, this fee shall be disbursed to the liquidator from this account.

n86 Established by Subsection (2) of Section 20 of Act XXVII of 1997. Effective as of 6 August 1997.

(7) The liquidator shall inform all creditors of the debtor, indicating the exact amounts, regarding the satisfaction of the claims on the basis of the interim balance-sheet approved by the court.

Section 51.

(1) n87 The injured party may object to actions or omission of actions by the liquidator violating the law within 8 days from the date of obtaining knowledge of such, at the court which has ordered liquidation. The representative of the organizations specified in Subsection (1) of Section 8 may submit objections on behalf of the debtor.

n87 Established by Section 21 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) n28 The court shall pass a decision on the objection in preferential proceedings. If the hearing of the parties or

the admission of other evidence becomes necessary during the evaluation of the objection, the court shall order suspension of the measures which have been objected to.

n28 Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

(3) If the objection is found legitimate by the court, it shall cancel the measures of the liquidator and restore the original conditions, or shall prescribe new measures for the liquidator, otherwise the court shall reject the objection.

(4) n36 The liquidator may appeal the order accepting the objection, while the party filing the objection may appeal the order refusing the objection, within 15 days of the date of publishing.

n36 Amended by Subsection (4) of Section 44 of Act LXXXI of 1993.

(5) n88 If the liquidator fails to conform to the final court order accepting the objection, the court, upon request of the party filing the objection, may appoint a new liquidator, and may order the liquidator bear the costs involved and may reduce his fee.

n88 Amended by Subsection (3) of Section 34 of Act XXVII of 1997.

(6) n30

n30 Repealed by Subsection (3) of Section 34 of Act XXVII of 1997. Repealed as of 6 August 1997.

Section 52.

(1) n89 At the end of liquidation, the liquidator shall prepare the closing liquidation balance-sheet, the statement of revenues and expenditures, the closing tax returns, the closing report and a proposal for distribution of assets, and shall send the same to the court and the tax authorities, and shall arrange for the placement of the economic organization's documents.

n89 Established by Subsection (1) of Section 22 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) n90 After passage of two years from the initial date of liquidation, preparation of the closing liquidation balance-sheet shall be mandatory, unless, in the case that the creditor prevails in a pending lawsuit against the debtor, with regard to the place of the creditor in the succession of satisfactions, there is a possibility to satisfy this creditor's claim at least partially.

n90 Established by Subsection (2) of Section 22 of Act XXVII of 1997. Effective as of 6 August 1997.

(3) n74 The closing liquidation balance-sheet shall contain the:

a) financial assets,

- b) remaining (unsold) property items at market values,
- c) uncollected claims,
- d) unpaid debts, including the debts due to the costs of liquidation, at book values,
- e) indivisible assets,
- f) divisible assets.

n74 Amended by Subsection (2) of Section 34 of Act XXVII of 1997.

- (4) The statement prepared on revenues and expenditures shall contain:
- a) the sales revenues and expenses in connection with business operations,
 - b) the price and book value of property items in connection with the sale of property items,
 - c) claims collected during liquidation if a simplified final balance-sheet is prepared,
 - d) costs of liquidation already paid.

(5) n74 With respect to the uncollected claims indicated in the liquidation balance-sheet, transfer may take place up to the value of the creditors' claims (Sections 328 to 330 of the Civil Code) stipulating that the provisions of Section 331 of the Civil Code shall be applied to the claims described above.

n74 Amended by Subsection (2) of Section 34 of Act XXVII of 1997.

Section 53. n91

n91 Established by Section 23 of Act LXXXI of 1993. Effective as of 2 September 1993.

- (1) The liquidator shall transfer
- a) the documents of historical value of the economic organization to the competent archives,
 - b) n92

n92 Repealed by Subsection (7) of Section 30 of Act CXV of 1993. Repealed as of 1 January 1994.

(2) n93 The liquidator, as part of disclosure of information for the pension insurance fund, shall furnish the responsible main administrative office of the National Pension Insurance Fund -- or, with regard to railroad workers, the MAV Pension Fund -- the wage -- income certificates of employees, as prescribed by a separate legal regulation, on the wages (income) received between 1 January 1988 and 29 February 1992.

n93 Inserted by Subsection (8) of Section 30 of Act CXV of 1993. Effective as of 1 January 1994.

(3) n94 The liquidator shall provide for dismissal from use of the remaining part of the files, and/or their safekeeping for the period of time defined in legal regulations.

n94 Numbering amended by Subsection (8) of Section 30 of Act CXV of 1993.

(4) n94 In the event that the liquidator is terminated, the responsible archives office shall take over the documents and duties described in Subsection (2).

n94 Numbering amended by Subsection (8) of Section 30 of Act CXV of 1993.

Section 54. n95

n95 The last two sentences inserted by Subsection (1) of Section 23 of Act XXVII of 1997. Effective as of 6 August 1997.

In the course of liquidation, the liquidator shall act with the care that may be generally expected in the given situation, and shall be liable for any damages caused by violating his obligations in accordance with the general regulations of civil law. The liquidator's responsibility shall extend to the assets of the debtor existing at the initial date of liquidation, or acquired in course of liquidation [Subsection (2) of Section 4]. It falls within the sphere of due diligence of the liquidator that, in the event that, in the period prior to the determination of insolvency by the court, any removal of assets is carried out in violation of the law, and the liquidator is of the opinion that, by contesting such removal of assets, the assets of liquidation can be increased, he shall be obliged to initiate the procedures, while informing also the creditors' committee thereof.

Section 55. n14

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

Completion of Liquidation Proceedings

Section 56.

(1) n96 The court shall send the liquidation balance-sheet and the proposal for the distribution of assets to the creditors, within 30 days of the date of receipt. Any creditor may object in writing to the content of the liquidation balance-sheet or the proposal for property distribution within 30 days from the receipt thereof. Failure to meet the deadline available for submitting the objection shall result in forfeiture. The court shall also send the objection to creditors not raising objection so that they can present remarks thereon within 8 days. The court shall set a date for negotiations to which the creditors raising the objection or presenting remarks thereon, as well as the liquidator shall be summoned. The court shall pass a decision on the objection in the course of the negotiation, and as a result thereof, the objection shall be accepted or refused. No separate appeal may be lodged against the refusal of the objection.

n96 Established by Section 24 of Act LXXXI of 1993. Amended by Subsection (2) of Section 34 of Act

XXVII of 1997.

(2) n97 If the closing liquidation balance-sheet and the proposal for the distribution of the assets were prepared due to the passage of 2 years from the commencement of liquidation, and the legal situation of the uncollected claims indicated in the closing balance-sheet was not settled as a result of Subsection (5) of Section 52, the court shall distribute the uncollected claims and the sold property items among the creditors, according to their respective claims, taking into consideration the order of satisfaction prescribed in Section 57. The provisions of Section 60 shall apply to further proceedings.

n97 Established by Section 24 of Act LXXXI of 1993. Effective as of 2 September 1993. Amended by Subsection (2) of Section 34 of Act XXVII of 1997.

(3) n98 If at the end of the proceedings assets encumbered with mortgage are found among unsold assets, such mortgage shall be released by the order becoming final which orders the distribution of assets among creditors becoming final. The necessary procedure shall be conducted ex officio on the basis of the court order.

n98 Established by Subsection (2) of Section 23 of Act XXVII of 1997. Effective as of 6 August 1997.

(4) n36 Property acquisition subsequent to the distribution of the unsold property items among the creditors, also including the case of simplified liquidation (Section 63/A), is exempted from duty and value added tax.

n36 Amended by Subsection (4) of Section 44 of Act LXXXI of 1993.

(5) The provisions of Section 61 shall be applied to the distribution of uncollected claims exceeding total creditors' claims.

Section 57.

(1) The economic organization shall satisfy the debts from the assets falling under the sphere of liquidation, taking into account the following order:

a) costs of liquidation described in Subsection (2),

b) n99 claims secured by mortgage or collateral, also including lien rights, up to the value of the mortgaged article (collateral), provided that security was stipulated at least 6 months prior to the commencement of liquidation; if the mortgaged article is encumbered by several mortgages, the provisions of Subsection (2) of Section 263 of the Civil Code shall apply to the order of satisfaction. The provisions applied to claims secured by mortgage or collateral shall also apply to the claims for which the writ of execution has been registered before the initial date of liquidation [Paragraph e) of Subsection (2) of Section 28],

c) alimonies, life-annuity payments, compensation benefits, supplements to mining earnings payable by the economic organization, furthermore, monetary contributions granted to members of agricultural cooperatives instead of household land or crops which the beneficiary is entitled to receive for his/her lifetime,

d) other claims of private individuals not originating from economic activities, with the exception of the claims based on bonds, in particular claims resulting from insufficient performance or compensation for damages, also

including the amount of the guarantee obligations ordinarily expected in the given trade, as calculated by the liquidator,

e) n28 social insurance debts, taxes, with the exception of the tax debts described in Paragraph c) of Subsection (2), and public debts collectable as taxes, as well as water and sewage connection charges,

f) other liabilities,

g) n100 irrespective of the time and grounds of occurrence, default interests and late charges, as well as surcharges and debts.

n28 Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

n99 Established by Subsection (1) of Section 2 of Act LX of 1996. Effective as of 25 July 1996.

n100 Established by Subsection (1) of Section 24 of Act XXVII of 1997. Effective as of 6 August 1997.

(2) The costs of liquidation are as follows:

a) n101 wages and other personnel costs payable by the debtor, also including severance pay due at the termination of employment, if the wages and other personnel costs becoming due prior to the initial date of liquidation were paid after the initial date of liquidation along with all applicable tax and contribution obligations (also including social security contributions);

b) n102 subsidies, received from the Wage Guarantee Fund, debited to the debtor;

c) n103 costs in connection with the rational completion of the economic activities of the debtor following the initial date of liquidation, furthermore, the costs in connection with the protection and maintenance of his assets, including the costs of settling environmental damages and hazards, as well as the credit debts, tax and contribution payment and compensation obligations of the debtor which originated from economic activities following the initial date of liquidation, with the exception of the taxes to be paid from profits;

d) n104 verified costs in connection with the sale of the assets and the enforcement of claims;

e) n104 costs incurred during the court proceedings in connection with liquidation, payable by the economic organization;

f) n104 costs in connection with the arrangement, placement and safeguarding of the debtor's documents;

g) n105 liquidator's fee (Subsection (4) of Section 60) which contains expenditures incurred in connection with the co-operation of the executive assistant employed by the liquidator.

n101 Established by Section 5 of Act LXXXIX of 1996. Effective as of 1 January 1997.

n102 Inserted by Subsection (1) of Section 15 of Act LXVI of 1996. Effective as of 17 November 1994.

n103 Established by Subsection (1) Section 25 of Act LXXXI of 1993. Effective as of 2 September 1993.
Numbering amended by Subsection (1) of Section 15 of Act LXVI of 1994.

n104 Numbering amended by Subsection (1) of Section 15 of Act LXVI of 1994.

n105 Established by Subsection (2) of Section 24 of Act XXVII of 1997. Effective as of 6 August 1997.

(3) n106 In the event of ordinary termination by the employer, the average salary for the period of exemption from performance of work and the severance payment may be taken into account as liquidation expenditures to the extent of the amount which is due to the employee on the basis of Subsection (2) of Section 92, Subsection (3) of Section 93, and Section 95 of the Labor Code.

n106 Established by Subsection (3) of Section 24 of Act XXVII of 1997. Effective as of 6 August 1997.

(4) If the assets are insufficient to cover the cost of the creditors' claims secured by mortgage or collateral as well as all the other debts, the creditors specified in Paragraph c) then d) of Subsection (1) shall be first satisfied in proportion to their respective claims, following the satisfaction of the cost and the guaranteed creditors.

(5) If the funds available are insufficient for satisfying the creditors indicated in Paragraphs e)-g) of Subsection (1), the creditors in the certain groups, first those indicated in Paragraphs e), f) then g), shall be satisfied in proportion to their respective claims.

(6) If the funds available are insufficient for the complete satisfaction of the creditors listed under Paragraph e) of Subsection (1), within the group first social insurance debts shall be satisfied in full, followed by the other creditors in proportion to their respective claims.

(7) n107 Transfer of the claims registered by the liquidator shall not effect the place of such claims in the order of satisfaction.

n107 Inserted by Subsection (3) of Section 2 of Act LX of 1996. Effective as of 25 July 1996.

Section 58.

(1) The claims specified in Paragraphs a) and c) of Subsection (1) of Section 57 shall be satisfied at the time of becoming due, the claims listed in Paragraph b) shall be satisfied -- taking the provisions of Paragraph a) into account -- at the time of the sale of the mortgaged article, while the claims listed in Paragraphs d)-g), within 30 days of the approval of the closing balance-sheet or the simplified closing balance-sheet. The claims described in Paragraphs d)-f) may also be satisfied, as prescribed in Section 57, on the basis of the interim balance-sheet.

(2) n108 Repayment of subsidies granted to an economic organization under liquidation by the Wage Guarantee Fund shall become due when sufficient funds are received, as described in Subsection (1) of Section 48, subsequently of receiving the grant to cover the amount of subsidy in full or in part. Until such subsidy is repaid in full, the liquidator shall not issue payment for other purposes, with the exception of wages.

n108 Inserted by Subsection (2) of Section 15 of Act LXVI of 1994. Effective as of 17 November 1994.

(3) n109 The liquidator may reach an agreement with the beneficiaries on the payment of the contribution type claims described in Paragraph c) of Subsection (1) of Section 57, in one lump sum; if no agreement is reached, the liquidator shall conclude a contribution insurance contract, with a single fee clause included, in favor of the beneficiaries.

n109 Numbering amended by Subsection (2) of Section 15 of Act LXVI of 1994.

(4) n109 The liquidator shall commission another economic organization for the settlement of the future guarantee, warranty and compensation obligations considered customary in the trade, while simultaneously transferring the amount allocated for this purpose in accordance with Paragraph d) of Subsection (1) of Section 57, and shall make it public or shall grant a single fee compensation to the beneficiaries.

n109 Numbering amended by Subsection (2) of Section 15 of Act LXVI of 1994.

Section 59.

(1) n110 Liquidator's fee shall amount to 5 % of the total amount of the sales revenues of the assets sold in the course of liquidation and the financial incomes from claims received, but no less than 100,000 HUF. If the debtor pursues activities during the liquidation, 2 % of the sales revenues arising therefrom can be taken into account as a fee. The court may deviate therefrom in particularly complicated cases. In the case of a simplified liquidation liquidator's fee shall amount to 300,000 HUF. In the case of a composition, liquidator's fee shall amount to 5 % of the net value of the assets.

n110 Established by Section 25 of Act XXVII of 1997. Effective as of 6 August 1997. Concerning liquidation proceedings initiated after 2 September 1993 for which a final judgment has already been passed at the time of entering into effect, with respect to liquidation fees under 4% see Subsection (3) of Section 33 of Act XXVII of 1997.

(2) n111 If the amount of the fee actually payable to the liquidator exceeds 4 %, the part of the fee exceeding 4 % shall be paid to a fee supplement account kept by Economic Office of the Municipal Court of Budapest, provided that the fee amount, set forth in Subsection (1), exceeds 100,000 HUF. In the event the fee set forth in Subsection (1) exceeds 100,000 HUF, but does not exceed 125,000 HUF, only the amount in excess of 100,000 HUF shall be paid to

the fee supplement account. In the event the debtor pursues activities during liquidation, if the actually payable fee exceeds 1%, the amount in excess of 1% shall be paid to the fee supplement account kept by Economic Office of the Municipal Court of Budapest. No set-off may be made in respect of the amount to be paid to the fee supplement account.

n111 Established by Section 25 of Act XXVII of 1997. Effective as of 6 August 1997.

(3) n111 In the event the actually payable liquidator's fee does not reach 4 %, the court shall inform Economic Office of the Municipal Court of Budapest subsequent to the order becoming final, indicating name and registered office of the liquidator, and the sum to be transferred to him which is the difference between the fee actually received and the 4 %. If the fee, defined in Subsection (1), does not reach 100,000 HUF, Economic Office shall complete actually received liquidator's fee to 100,000 HUF.

n111 Established by Section 25 of Act XXVII of 1997. Effective as of 6 August 1997.

(4) n112 The Economic Office of the Municipal Court of Budapest shall disburse the difference within 15 days of receipt of the notice, unless the necessary amount is not available in the fee supplement account at the date of receipt of the notice. In this case, Economic Office shall satisfy liquidators' claims indicated in the notice, provided funds are available, in the order of arrival of such notices.

n112 Inserted by Section 25 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 60.

(1) n113 Based on the closing liquidation balance-sheet and the proposal for property distribution the court shall issue an order on bearing the costs, fee of the liquidator, satisfaction of the claims of creditors and closing of the bank accounts, furthermore, it shall order the liquidator to take the measures yet required. It shall simultaneously decide regarding the conclusion of liquidation and the dissolution of the debtor, and shall also resolve the dissolution of the subsidiary company, or in the case of trusts, the trust company of the debtor.

n113 Established by Section 27 of Act LXXXI of 1993. Amended by Subsection (2) of Section 34 of Act XXVII of 1997.

(2) If an agreement was concluded by the parties, the court shall issue an order of approval on the conclusion of liquidation, the fee of the liquidator, the bearing of the costs, as well as the satisfaction of the claims of creditors excluded from the agreement.

(3) The court shall order the publishing of the final orders specified in Subsections (1) and (2) in the Company Gazette, and shall send them to the organs indicated in Section 29.

(4) n114 Liquidator's fee, defined as per Subsection (1) of Section 59, shall be paid first of all from the amount available on the separate account managed by the Economic Office. In the event the amounts paid in by the debtor's creditors are less than the fee that can be determined as per Subsection (1) of Section 59, the liquidator may enforce claim for the difference as liquidation expenditure [Paragraph g) of Subsection (2) of Section 57].

n114 Inserted by Section 26 of Act XXVII of 1997. Effective as of 6 August 1997.

(5) n114 In the event the fee actually payable to the liquidator according to provisions of Subsection (4), taking into account the provisions of Subsection (2) of Section 59, exceeds 4 %, or 1%, the court shall order the transfer of the part of amount in excess of 4 % or 1% from the account managed by the Economic Office or from debtor's account to the fee supplement account managed by Economic Office of the Municipal Court of Budapest [Subsection (2) of Section 59]. By sending its order, the court shall inform both the Economic Office and the Economic Office of the Municipal Court of Budapest.

n114 Inserted by Section 26 of Act XXVII of 1997. Effective as of 6 August 1997.

(6) n114 In the event the amount available on the separate account maintained by the Economic Office exceeds liquidator's fee, the difference shall be refunded to debtor's creditors pro-rata to their payments. Should the amount to be refunded not reach HUF 300 in respect of a part of creditors, this amount shall be transferred to the fee supplement account managed by the Economic Office of the Municipal Court of Budapest.

n114 Inserted by Section 26 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 61.

(1) If the debtor is liquidated, that portion of assets remaining after the satisfaction of creditors' claims shall be distributed among the holders of property notes in proportion to the subscribed capital property note indicated in the closing balance-sheet [Paragraph a) of Section 31].

(2) n115 Companies of certain legal entities (Section 70 of the Civil Code), subsidiary companies and with regard to companies operating as trusts, the founding (establishing) organ, shall dispose over the assets -- also including property items which cannot be sold -- remaining after satisfaction of creditors' claims.

n115 Amended by Subsection (5) Section 44 of Act LXXXI of 1993.

(3) n116 With respect to the liquidation of cooperatives, the provisions of Subsection (1) of Section 91 of Act I of 1992 shall be applied mutatis mutandis for the distribution of property remaining after satisfaction of creditors' claims.

n116 Established by Section 28 of Act LXXXI of 1993. Effective as of 2 September 1993.

(4) n116 The regulations prescribed in Act VI of 1988 on Economic Associations shall apply mutatis mutandis, unless otherwise so provided for in the articles of association, to the dissolution of economic associations by liquidation, and the division of the assets remaining after the dissolution of unlimited partnerships, limited partnerships, trade associations, joint enterprises, limited liability companies and companies limited by shares.

n116 Established by Section 28 of Act LXXXI of 1993. Effective as of 2 September 1993.

(5) n116 Following liquidation of the debtor, assets remaining in the possession of the state shall be managed by the state properly management organization which exercised owner's rights in respect of the debtor which has been liquidated.

n116 Established by Section 28 of Act LXXXI of 1993. Effective as of 2 September 1993.

(6) n117 Assets which cannot be involved in liquidation, as defined in Paragraphs b) and d) of Subsection (3), and in Subsection (4) of Section 4, shall be transferred to the Property Directorate of Treasury, free of charge, at book value, at the latest within 30 days of approval of the closing liquidation balance-sheet. If, based on its responsibility defined in Subsection (1) of Section 62, the state refunds the value of assets prior to this date, the liquidator shall transfer the assets over to Property Directorate of Treasury immediately after transfer of the funds.

n117 Established by Section 27 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 62.

(1) n36 The state shall not be liable for the fulfillment of creditors' claims not satisfied from the assets of the debtor; it shall, however, assume responsibility for the contribution type claims -- upon such becoming due -- described in Paragraph c) of Subsection (1) of Section 57, furthermore, for all claims up to the value of the property items of the economic organization which do not constitute, in accordance with Paragraphs b) and d) of Subsection (3) and Subsection (4) of Section 4, the assets of the economic organization to be included in liquidation, or are non-marketable due to the provisions of legal regulations.

n36 Amended by Subsection (4) of Section 44 of Act LXXXI of 1993.

(2) n118 In the event the state, based on its responsibility set forth in Subsection (1), effects payment to the persons entitled to claims of annuity character in course of liquidation, this amount shall be recorded and satisfied -- as a state claim -- as a debt on loan falling under Paragraph c) of Subsection (2) of Section 57, if it is covered by sufficient funds.

n118 Inserted by Section 28 of Act XXVII of 1997. Effective as of 6 August 1997.

(3) n119 The provision of Subsection (1) shall not affect the claims against economic organizations for the fulfillment of which the state is liable in accordance with a separate legal regulation.

n119 Numbering amended by Section 28 of Act XXVII of 1997.

(4) n119 The state may satisfy its liabilities -- irrespective of their nature -- in cash as well.

n119 Numbering amended by Section 28 of Act XXVII of 1997.

(5) n119 The interests of creditors for whose claims the state shall be liable, shall be represented by the liquidator.

n119 Numbering amended by Section 28 of Act XXVII of 1997.

Section 63.

Natural or legal entities assuming liability on the basis of separate legal regulations, shall be liable for the claims not satisfied from the assets of the companies of certain legal entities (Section 70 of the Civil Code), the subsidiary companies, the companies operating within a trust, unlimited partnerships, limited partnerships, trade associations, and joint enterprises.

Simplified Liquidation n120

n120 Inserted by Section 29 of Act LXXXI of 1993. Effective as of 2 September 1993.

Section 63/A. n120

n120 Inserted by Section 29 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) If the assets are not sufficient even to cover the expected costs of liquidation, or the proceedings are technically non-executable due to discrepancies in the records or in the books, the court shall issue an order, upon the request of the liquidator and his written preparation, within 15 days of receipt of such request, the distribution of the assets and uncollected claims of the debtor among the creditors, in accordance with Subsection (1) of Section 57, along with the dissolution of the debtor. The court shall order publishing of the final, non-appealable order in the Company Gazette, and shall send it to the organs described in Section 29.

(2) The written preparation shall contain the summary of creditors' claims, the statement of the liquidator's costs, as well as a proposal concerning the distribution of uncollectable claims, and the remaining money and assets.

(3) n121 In course of written preparation, the liquidator shall inform the creditors, having registered creditors' claims, (the committee) upon his intention to file with the court a petition for simplified liquidation. He is required to invite creditors, if they are aware of any assets of the debtor to be found anywhere or they are able to render assistance in carrying out the proceedings according to ordinary rules, to announce the same to the liquidator within an appropriate time limit.

n121 Inserted by Section 29 of Act XXVII of 1997. Effective as of 6 August 1997.

Divergent Provisions pertaining to the Liquidation of Housing Cooperatives

Section 64.

(1) With respect to the liquidation of housing cooperatives (Section 1 of Law-Decree No 12 of 1977) the real property owned by the cooperative, unless otherwise agreed by the owners of the property and the members entitled to permanent or temporary use, shall be transferred to and become the joint property of the owners or members in proportion to the interest of the individual owners or members.

(2) The provisions of Subsection (1) shall be applied mutatis mutandis with respect to the property remaining after the fulfillment of creditors' claims.

Chapter IV.**Voluntary Dissolution****Section 65.**

(1) n122 In the event of dissolution of an economic organization without legal successor, with the exception of liquidation and unless otherwise ordered by law, voluntary dissolution shall be conducted.

n122 Established by Subsection (1) of Section 16 of Act LXII of 1995. Effective as of 30 July 1995. It is to be applied for the cases initiated subsequently.

(2) The resolution announcing dissolution of the economic organization without legal successor shall specify:

a) with regard to trusts, the dissolution of the trust company;

b) the dissolution of its subsidiary companies;

c) n123 the party in charge of voluntary dissolution;

d) the withdrawal of the assumption of responsibility with respect to economic work group(s) operating under the responsibility of a legal entity.

n123 Established by Section 30 of Act LXXXI of 1993. Effective as of 2 September 1993.

(3) The director of the economic organization shall send the resolution announcing dissolution without legal successor [Paragraph d) of Section 3] to the Court of company registration without delay, no later than within 8 days. Such director shall be liable for failure to meet the aforementioned deadline in accordance with the general rules of civil law, furthermore, the Court of Company Registration may impose a fine as specified in Subsection (1) of Section 33 against the director of the economic organization.

(4) n124 No decision may be made regarding dissolution without a legal successor subsequent to receipt of the petition for the conduct of liquidation proceedings.

n124 Inserted by Section 30 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 66.

(1) n125 The initial date of voluntary dissolution is the date established in the resolution ordering the dissolution without a legal successor, which may not be earlier than the date of the resolution. The Court of Company Registration shall order publishing of the order of voluntary dissolution in the Company Gazette.

n125 Established by Subsection (1) of Section 31 of Act LXXXI of 1993. Effective as of 2 September 1993.

(2) The publication notice shall contain the:

- a) n126 names, registered offices and tax identification numbers of the debtor, its subsidiary companies and trust companies, and, if legal succession took place within two years prior to the publishing of the proceedings, the name, registered office and tax identification number of the legal predecessor shall also be indicated;
- b) name, registered office and the date of the resolution of the organ ordering voluntary dissolution;
- c) n127 a notice to the creditors to report their known claims to the party in charge of voluntary dissolution within 40 days of publishing;
- d) name and address of the party in charge of voluntary dissolution;
- e) other important circumstances.

n126 Established by Subsection (2) of Section 31 of Act LXXXI of 1993. Effective as of 2 September 1993. Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

n127 Amended by Subsections (1) and (3) of Section 34 of Act XXVII of 1997.

(3) n128 With respect to the dissolution of a trust or a founding company, the Court of Company Registration shall order publishing of the commencement of voluntary dissolution in a separate order, based on the resolution described Subsection (2) of Section 65, with respect to trust companies and subsidiary companies.

n128 Established by Subsection (3) of Section 31 of Act LXXXI of 1993. Effective as of 2 September 1993.

Section 67.

Within 8 days of the initial date of voluntary dissolution, the party in charge of voluntary dissolution shall inform the following organs regarding voluntary dissolution: n36

- a) land office competent for the location of the real estate affected by voluntary dissolution;
- b) competent tax and customs authority, duty office, as well as the social insurance administration organ;
- c) state labor market office competent for the area;
- d) the competent environmental protection supervisory body;
- e) all financial institutions maintaining the bank accounts of the economic organization;
- f) n129 the archives competent for the registered office of the debtor.

n36 Amended by Subsection (4) of Section 44 of Act LXXXI of 1993.

n129 Inserted by Section 32 of Act LXXXI of 1993. Effective as of 2 September 1993.

Section 68.

(1) n28 Creditors of the economic organization shall file their claims within 40 days following the publishing of voluntary dissolution.

n28 Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

(2) If the party in charge of voluntary dissolution disputes the claim, he shall inform the party filing the claim within 45 days of receipt of such.

Section 69.

(1) The party in charge of voluntary dissolution is entitled to cancel the contracts concluded by the economic organization with immediate effect, or withdraw from a contract, if no services were rendered by either of the parties.

(2) The other party may submit his claim for damage compensation caused by cancellation or withdrawal within 30 days.

(3) n130 The party in charge of voluntary dissolution may not exercise the right of cancellation or withdrawal with immediate effect defined in Subsection (1) concerning the tenancy agreements of natural persons, with the exception of company residences and garages, the contracts concluded with a school or a student for the organization of practical training, labor contracts, loan contracts not connected with business activities, the contracts of members of cooperatives in connection with their legal relationship of business nature, as well as the collective bargaining agreement.

n130 Established by Section 33 of Act LXXXI of 1993. Effective as of 2 September 1993.

(4) In the event that an alimony or a life-annuity contract is terminated, the other party shall be entitled to appropriate compensation.

(5) n131 The provisions of Subsection (2) of Section 58 shall apply to the satisfaction of other contribution type obligations, while the provisions of Subsection (4) of Section 58 shall apply to the settlement of the obligations of guarantee, warranty and other kinds of compensation.

n131 Amended by Subsection (3) of Section 15 of Act LXVI of 1994.

Section 70.

The director of the economic organization shall:

a) n132 prepare, on the date preceding the initial date of voluntary dissolution, final inventory, balance-sheet in conclusion of business activities, tax returns and closing balance-sheet following the distribution of profits, and shall deliver such documents to the tax authority and -- if the party in charge of voluntary dissolution is not the director of the economic organization -- to the party in charge of voluntary dissolution, within 30 days of the initial date of voluntary dissolution;

b) prepare a list of documents that cannot be discarded, or are classified as confidential and deliver such documents and the archive material along with the files and the information on the matters in progress to the party in charge of

voluntary dissolution, if the party in charge of voluntary dissolution is not the director of the economic organization;

c) n133 the party in charge of voluntary dissolution and the competent environmental protection body shall issue declarations within 30 days of the initial date of voluntary dissolution, stating whether any environmental damages and hazards remain, from which fine payment or other payment obligations, and costs necessary for settling the damages and hazards may originate;

d) n133 employees, and/or members of cooperatives, as well as the trade unions defined in Section 18 of LC, employee councils (employee delegates) shall be immediately informed regarding the commencement of voluntary dissolution.

n132 Amended by Subsection (4) of Section 44 of Act LXXXI of 1993 and Subsection (2) of Section 34 of Act XXVII of 1997.

n133 Established by Section 34 of Act LXXXI of 1993. Effective as of 2 September 1993.

Section 71.

The party in charge of voluntary dissolution shall fulfill the obligations of the economic organization -- regardless of the date of becoming due -- collect the claims, assert the demands and sell the assets thereof, if required.

Section 72. n134

n134 Established by Section 35 of Act LXXXI of 1993. Effective as of 2 September 1993.

(1) The party in charge of voluntary dissolution shall prepare the opening balance-sheet of voluntary dissolution based on the balance-sheet prepared in accordance with Section 70 and on the list of creditors, which shall be submitted to the organ resolving dissolution without legal successor, within 45 days of the initial date of voluntary dissolution.

(2) n135 If the party in charge of voluntary dissolution so finds that assets of the economic organization are not sufficient even for satisfying known creditors' claims, it shall put forward the petition for conducting the liquidation proceedings immediately, and, if liquidation is ordered, shall perform -- on the day preceding initial date of liquidation -- the tasks defined in Subsection (1) of Section 75. In this case, approval by organizations specified in Subsection (1) of Section 8 need not be obtained.

n135 Established by Section 31 of Act XXVII of 1997. Effective as of 6 August 1997.

(3) n136 If liquidation proceedings have been initiated after voluntary dissolution was started, the court shall inform Court of Company Registration, in the case of ordering of liquidation, in order to cancel the voluntary dissolution proceedings.

n136 Inserted by Section 31 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 73.

(3) n137 In the course of voluntary dissolution, the party in charge of voluntary dissolution shall take measures for the protection and maintenance of the debtor's assets, particularly the maintenance of the productivity of arable lands, the performance of the works of forest rehabilitation and forest stock growing, furthermore, the observation of the requirements of environmental protection, nature conservation and protection of historical monuments, the settlement of proved environmental damages and environmental hazards originating from the period preceding the initial date of liquidation, which also means the prevention of environmental damages and hazards in the course of the proceedings, as well as the sale of the property items with environmental hazards.

n137 Established by Subsection (1) of Section 36 of Act LXXXI of 1993. Effective as of 2 September 1993. Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

(2) n138 The competent authority may issue an administrative order requiring the economic organization to observe the requirements of environmental protection, nature conservation and protection of historic monuments, regarding the activities pursued during the proceedings and to remedy the environmental damages and hazards.

n138 Inserted by Subsection (2) Section 36 of Act LXXXI of 1993. Effective as of 2 September 1993. Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

(3) n139 In the course of its activities, the party in charge of voluntary dissolution shall act with the diligence generally expected in the given situation and shall be held in liability for damages caused by violating its obligations in accordance with the general provisions of civil law.

n139 Numbering amended by Subsection (2) of Section 36 of Act LXXXI of 1993.

(4) n140 After one year has elapsed following the commencement of the voluntary dissolution, the party in charge of voluntary dissolution shall compile information in which it is to present the position of the economic organization under voluntary dissolution, and the reasons for not completing the proceedings, as well as provide information on the expected date of completing the proceedings. The information shall be sent by the party in charge of voluntary dissolution to the court, to the organization announcing the dissolution without a legal successor, and to the creditors of the economic organization (committee).

n140 Inserted by Subsection (1) of Section 32 of Act XXVII of 1997. Effective as of 6 August 1997.

(5) n141 The provisions relating to furnishing organizations with information, and those defined in Subsection (1) of Subsection 8 of Section 34, and of Subsections (1) and (2) of Section 33 and the provisions of Section 51, shall be applied mutatis mutandis in the course of the voluntary dissolution proceedings. The Court of Company Registration shall be entitled to adjudicate complaints.

n141 Inserted by Subsection (2) of Section 32 of Act XXVII of 1997. Effective as of 6 August 1997.

Section 74. n142

n142 Established by Section 37 of Act LXXXI of 1993. Amended by Subsection (1) of Section 34 of Act XXVII of 1997.

The provisions of Subsection (5) of Section 47 shall apply to exercising the rights in connection with the employment of the employees employed by the debtor, and in the case of cooperative membership in connection with the employment-type legal relationship.

Section 75.

(1) n143 The party in charge of voluntary dissolution shall prepare annual reports, separately for each year, at the end of voluntary dissolution, a closing balance-sheet (simplified closing balance-sheet) of voluntary dissolution following the division of profits registered in the annual report of the last year, a final report and a proposal for asset distribution, and shall take measures for the placement of the economic organization's files. Based on the closing balance-sheet (simplified closing balance-sheet), corporate taxes and other taxes shall be settled with the tax authority, and closing tax returns as prescribed by the provisions on taxation are to be prepared.

n143 Established by Paragraph b) of Section 19 of Act CVI of 1995. Effective as of 1 January 1996.

(2) The party in charge of voluntary dissolution shall send the annual report, the closing balance-sheet of voluntary dissolution (simplified closing balance-sheet), and the closing tax returns to the tax authority.

(3) The party in charge of voluntary dissolution

a) n144 shall present the closing balance-sheet, the simplified closing balance-sheet, the proposal for the distribution of profits to the board or organization adopting the resolution on the dissolution without legal successor, for approval, and

b) shall report the conclusion of the proceedings to the Court of Company Registration together with the documents described in Paragraph a) which shall order the economic organization to be removed from the trade register.

n144 Established by Subsection (1) of Section 38 of Act LXXXI of 1993. Effective as of 2 September 1993.

(4) n145 If the economic organization has a supervisory committee or an auditor, the closing balance-sheet shall be submitted together with their reports. The board (organization) of the economic organization adopting the resolution establishing the dissolution without legal successor, shall resolve, simultaneously with the approval of the closing balance-sheet, on dismissal of the party in charge of voluntary dissolution, the director, the managing director, members of the supervisory committee and the auditor.

n145 Established by Subsection (2) of Section 38 of Act LXXXI of 1993. Effective as of 2 September 1993.

Section 76.

The provisions of Section 53 of this Act shall apply to the placement of the files of the economic organization.

Section 77. n146

n146 Established by Section 39 of Act LXXXI of 1993. Effective as of 2 September 1993.

The organization passing the resolution of dissolution without legal successor may, during the course of voluntary dissolution, resolve to terminate voluntary dissolution and to continue operations, prior to making the decision described in Subsection (3) of Section 75.

Section 78.

(1) Verified costs of voluntary dissolution shall be borne by the economic organization.

(2) n147 If the party in charge of voluntary dissolution is not an employee (senior official) of the economic organization, its fee shall amount to 1.5 per cent of the book value of the assets included in the economic organization's annual report (simplified annual report) as described in Paragraph a) of Section 70. The Court of Company Registration may, in justified cases, depart from the above if so requested by the party in charge of voluntary dissolution.

n147 Established by Section 40 of Act LXXXI of 1993. Effective as of 2 September 1993.

Section 79. n148

n148 Established by Section 41 of Act LXXXI of 1993. Effective as of 2 September 1993.

The provisions of this Act shall be applied during voluntary dissolution unless separate legal regulations on individual economic organizations provide otherwise.

Chapter V.

Miscellaneous Provisions

Section 80. n149

n149 Established by Section 3 of Act LX of 1996. Effective as of 25 July 1996.

In the proceedings regulated by this Act, the organization entitled to collect claims due to the central budget, to off-budget state funds, the Pension Insurance and Health Insurance Fund or to local governments may cede the collection of such claims, including also the assignment of such.

Section 81. n36

n36 Amended by Subsection (4) of Section 44 of Act LXXXI of 1993.

The provisions of Subsection (3) of Section 13 of Act I of 1987 on Land and Subsection (1) of Section 22 of Act LIV of 1992 on the Sale, Utilization and Protection of the Assets Temporarily Owned by the State shall not apply to the liquidation proceedings regulated by this Act.

Chapter VI.

Closing Provisions**Entry into Effect****Section 82.**

(1) This Act shall enter into effect on 1 January 1992.

(2) n150 Subsection (1) of Section 50, Subsections (2) and (5) of Section 52, Section 53 and Section 55 shall also apply to liquidation proceedings in progress. Otherwise, prior legal regulations shall govern proceedings in progress at the time of this Act entering into effect. Following the entry into effect of Act LXXXI of 1993 on the amendment of Act IL of 1991 on Bankruptcy Proceedings, Liquidation Proceedings and Voluntary Dissolution, the liquidation order shall be published in the Company Gazette.

n150 Amended by Section 43 of Act LXXXI of 1993.

Amended Legal Regulations**Sections 83.**

Simultaneously upon this Act entering into effect

a) n151

b) n14

c) n152

d) n153

e) n154

f) the text "(simplified liquidation proceedings)" in Subsection (2) of Section 10, and "(of simplified liquidation proceedings)" in Subsection (1) of Section 22 of Law-Decree No 23 of 1989 on the Registration of Companies by the Court and the Legal Supervision of Companies shall be repealed.

n151 Repealed by Subsection (4) of Section 2 of Act LXXV of 1993. Repealed as of 20 August 1993.

n14 Repealed by Subsection (5) of Section 44 of Act LXXXI of 1993. Repealed as of 2 September 1993.

n152 Adopted into Paragraph a) Subsection (2) of Section 23 of Act XCI of 1990.

n153 Adopted into Section 44-44/B of Act VI of 1977.

n154 Adopted into Subsection (7) of Section 72 of Act IV of 1959.

Legal Regulations to be Repealed

Section 84.

Simultaneously upon this Act entering into effect, the following provisions shall be repealed:

- a) Law-Decree No. 11 of 1986 on Liquidation Proceedings and Law-Decree No. 26 of 1988 in amendment thereof, as well as Section 63 of Act XXII of 1990 on the Repeal and Amendment of Certain Acts and Law-Decrees;
- b) the second sentence of Section 47 of Act VI of 1988 on Economic Associations;
- c) MT Decree No. 79/1988 (XII. 7.) on Reorganization by the State;
- d) n155
- e) MT Decree No. 80/1988 (XII. 7.) on the Establishment of the Reorganization Fund;
- f) MT Decree No. 27/1986 (VII. 16.) on Matters in Connection with the Employment and Membership of the Employees of Economic Organizations under Liquidation Proceedings;
- g) MT Decree No. 1044/1986 (VIII. 16.) on Matters in Connection with Liquidation Proceedings;
- h) PM Decree No. 20/1986 (VII. 16.) on Determining the Costs Incurred in the Course of Liquidation Proceedings, and PM Decree No. 49/1988 (XII. 22.) in amendment thereof;
- i) PM Decree No. 50/1988 (XII. 22.) on the Operation of the Organization of Reorganization, and PM Decree No. 38/1989 (IX. 28.) in amendment thereof.

n155 Repealed by Subsection (4) of Section 13 of Act LV of 1992. Repealed as of 27 August 1992.

Authorizations

Section 85.

(1) n156 The Minister of Finance is hereby authorized to issue a Decree for the regulation of the duties in connection with the completion of the state reorganization proceedings in progress, and the closing of the Reorganization Fund, and to take measures for the execution thereof. n157

n156 Numbering amended pursuant to Subsection (2) of Section 16 of Act LXII of 1995.

n157 See PM Decree 28/1992 (XII. 4)

(2) n158 The Minister of Justice is hereby authorized to issue a Decree for the detailed regulation of the operation of the Reorganization Insurance Fund and for disbursements from the Fund.

n158 Inserted by Subsection (2) of Section 16 of Act LXII of 1995. Effective as of 30 July 1995. It is to be applied for the cases initiated subsequently.