

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

## **ASSOCIATIONS AND FOUNDATIONS LAW**

### **Division A General Provisions**

#### **Chapter I Basic Regulations**

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

(1) The purpose of this law is to promote the activity of associations and foundations and their long-term development, and to support the strengthening of a democratic civic society.

(2) This law shall regulate the basic principles of the activity of associations and foundations, their organisational structure, liquidation and reorganisation.

##### **Section 2. Concept of associations and foundations**

(1) An association is a voluntary organisation of people, which is founded to achieve the objective set out in its articles of association, which is not of a profit gaining nature.

(2) A foundation, also fund, is a body of assets which has been set aside to achieve the objective determined by the founder, and which is not of a profit gaining nature.

##### **Section 3. Legal status of associations and foundations**

An association or a foundation gains status as a legal person at the time it is entered into the register of associations and foundations.

##### **Section 4. Liability delimitation for associations and foundations**

(1) An association or foundation is liable for all its obligations with all of its assets.

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

(2) An association is not liable for the obligations of a member. A member is not liable for the obligations of the association.

(3) A foundation is not liable for the obligations of its founder. The founder is not liable for the obligations of the foundation.

### **Section 5. Legal address of an association or foundation**

(1) The legal address of an association or foundation is the address which is entered into the register of associations and foundations. The institution of the register of associations and foundations shall be notified of a change of the legal address.

(2) If information, documents or other correspondence is sent to an association or foundation at the legal address registered at the register of associations and foundations, it shall be deemed that the association or foundation has received such documents, information or other correspondence on the seventh day if the sender has proven that such sending has taken place.

### **Section 6. Name of an association or foundation**

(1) The name of an association or foundation shall not be in contradiction to legislative enactments and good morals, i.e., it shall not contain the name of a military group or of an organisation or group which is recognised as criminal or anti-constitutional, it shall not show a positive attitude towards violence etc.

(2) The name of a foundation shall contain the word “nodibinajums” [foundation] or “fonds” [fund].

(3) The name shall clearly and definitely differ from the names of associations or foundations already registered or signed up in the register of associations and foundations.

(4) Only the letters of the Latvian or Latin alphabet shall be used in the name of an association or foundation.

(5) The name shall not contain misleading information about the objective, type of activity or legal form of the association or foundation.

(6) The name of an association or foundation shall not include the names of local government institutions or the words “state” or “local government”.

(7) An association or foundation whose rights have been infringed upon by illegal use of its name may demand from the infringer to stop using the name, and to compensate the association or foundation for the losses incurred by the illegal use of its name.

### **Section 7. The right of associations and foundations to carry out business operations**

(1) An association or foundation has the right to carry out business operations in the form of supplemental activities, which are related to maintaining or utilising its assets, and to carry out other business operations in order to achieve the objectives of the association or foundation.

(2) The income of an association or foundation may be used only for the achievement of the objective set out in the articles of association. The profit which is gained from the business operations that the association or foundation has carried out, shall not be divided amongst the members of the association or the founders of the foundation.

### **Section 8. Volunteer work**

(1) Associations and foundations have the right to engage persons in volunteer work. Volunteer work shall be considered to be work or services provided without pay, which is carried out by a natural person who does not enter into legal employment relations with the association or foundation, and which is directed at achieving the objective of the association or foundation as set out in its articles of association.

(2) At the request of a person, a written agreement may be entered into regarding volunteer work, setting out the work to be done and timeframe for performing it.

(3) A person carrying out volunteer work may request compensation for such expenses as are incurred during the performance of the volunteer work, if this is set out in the articles of association or board decisions of the association or foundation.

(4) An association or foundation is liable for harm caused to a person during the performance of volunteer work if it has taken on such a responsibility or if the harm has been caused due to the fault of the association or foundation.

### **Section 9. Payment for activities in an association or foundation**

If a person receives payment (remuneration) for activity in the association or foundation, this payment (remuneration) shall be set in conformity with the relevant person's scope of duties and the financial situation of the association or foundation.

### **Section 10. Public activities**

(1) In order to achieve the objective set out in the articles of association, an association or foundation has the right to carry out activities which are not contrary to law, especially to freely distribute information on its activities, create its own press publications and other mass media, organise meetings, marches and demonstrations, and other public activities.

(2) In regard to questions relating to the objective of the activities of an association or foundation, the association or foundation may ask state and local government institutions, and may go to court and defend the rights or legally protected interests of its members.

### **Section 11. Prohibition to create armed or militarised units**

An association or foundation is prohibited from arming its members or other persons, to organise military training for them and to create militarised units.

### **Section 12. Laws which regulate the activity of other not-for-profit entity associations and foundations**

The activities of political parties, religious organisations, trade unions, professional organisations, and their associations, who are the autonomous subjects of public law, and the activities of public foundations (funds) shall be regulated by other laws.

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

### **Section 13. Record keeping of the register of associations and foundations**

(1) Information on associations and foundations is recorded in the register of associations and foundations (hereafter also - register).

(2) The register is kept by a state institution (hereafter also - register institution) which is authorised by law to do so.

### **Section 14. Accessibility of the register**

(1) Everyone has the right to access the records of the register and the documents submitted to the register institution.

(2) After submitting an appropriate written application and paying a state fee, everyone has the right to receive an information statement of the records of the register, and an extract or copy of a document in the register files. At the request of the receiving party, the correctness of the extract or copy shall be certified by the signature of an official of the register institution and stamp, showing the date of issue. Information on personal identity codes of board members, liquidators and administrators shall be issued by the register only if the person can justify the reasoning of their interest.

(3) At the request of the receiving party, an official of the register institution shall provide a statement that a specific record in the register has not been altered, or that a specific entry has not been recorded in the register.

### **Section 15. Information to be entered into register**

The following information shall be entered into the register:

- 1) the name of the association or foundation;
- 2) the legal address of the association or foundation;
- 3) the objective of the association or foundation;

- 4) the date of the founding decision and when the articles of association were signed;
- 5) the name, surname and personal identity code of the board members, indicating whether they have the right to represent the association or foundation separately or together;
- 6) the time of operation for the association or foundation if the association or foundation is founded for a period of time;
- 7) information about the prohibition of public activities or other activities, termination or continuation of activities of the association or foundation, and insolvency, liquidation and reorganisation of the association or foundation;
- 8) information on the appointment of a liquidator, indicating his or her name, surname and personal identity code;
- 9) information on the appointment of an administrator in an insolvency case, indicating the name, surname and personal identity code of the administrator;
- 10) the date the entry is made; and
- 11) other information as provided for by law.

#### **Section 16. Documents to be submitted to the register institutions and their maintenance**

(1) Documents which justify entries to be made in the register (Section 15) and their amendments, and other documents as specified by law (Section 52, Paragraph three; Section 95, Paragraph four; and Section 102) shall be submitted to the register institution. The original or an appropriately certified copy of the document shall be submitted to the register institution. Public documents which have been issued abroad, shall be legalised in the procedure set out in international agreements, and a notarised translation into Latvian shall be attached to them.

(2) At the request of the register institution, the association shall provide information on the number of its members.

(3) The documents submitted to the register institution shall be kept in the file of the relative association or foundation, if on their basis an entry has been made in the register.

### **Section 17. Making an entry in the register**

(1) An entry is made in the register on the basis of an application or court decision. The application forms shall be approved by the Cabinet.

(2) An application to enter an association into the register shall be signed by all founders or at least two persons authorised at the founding meeting; to enter a foundation (fund) into the register – all founders; and in regard to a foundation based on a will – the executor of the will, heir or guardian.

(3) The decision to make an entry in the register, a refusal to make an entry or postponement of making an entry shall be made by a register institution official within seven days of receiving the application. Within the same period of time, a register institution official shall take a decision regarding making an entry in the register on the basis of a court decision.

(4) A decision to postpone making an entry shall be taken by a register institution official if:

1) in drafting the articles of association or in selecting a name, the requirements of this law or other laws have not been taken in to consideration; or

2) all documents, as required by law, have not been submitted.

(5) A decision to refuse to make and entry shall be taken by a register institution official if:

1) the objective set out in the articles of association is in contradiction to the Constitution, laws or other international agreements binding to Latvia;

2) the procedure for founding an association or foundation as set out in this law has been breached; or

3) after a decision has been taken to postpone making an entry has been taken, the shortcomings in the articles of association of the name have not been eliminated within the set period of time.

(6) The decision to refuse to make an entry in the register or to postpone the entry shall be justified. In the decision to postpone making an entry, a period of time shall be set to eliminate the shortcomings.

(7) A register institution official shall send the decision mentioned in Paragraph three of this Section to the applicant within three days of the day the decision is taken.

(8) The applicant has the right to contest and appeal the decision of the register institution official in accordance with procedures proscribed by law.

(9) The entry shall be made in the register on the same day when the decision is taken to make the entry.

### **Section 18. Certificate of registration**

(1) After the association or foundation is registered in the register, a certificate of registration shall be issued which is issued and stamped by a register institution official.

(2) The certificate of registration shall contain:

1) name;

2) registration number;

3) place of registration; and

4) date of registration.

### **Section 19. Deletion of an association or foundation from the register**

An association or foundation is deleted from the register based on:

1) an application from the liquidator of the association or foundation;



- 2) an application from the administrator of an insolvent association or foundation;
- 3) an application from the association or foundation to make a reorganisation entry; or
- 4) a court decision.

#### **Section 20. State fee**

(1) A state fee shall be paid for making an entry in the register, the amount of which shall be determined by the Cabinet.

(2) A state fee in the amount set out in legislative enactments shall be paid for the issuing of an extract from the register or an extract or copy of a document from a register file.

(3) A state fee for an entry in the register, for issuing an extract or copy, or for providing information shall not exceed the administrative costs related to taking a decision regarding registration and making the appropriate entry, or for searching for a document or information, processing it and copying it.

#### **Section 21. Time period to provide information**

Information on the basis of which new entries in the register are made, and documents required by law shall be submitted to the register institution within 14 days of the relevant decision being taken, if not otherwise specified in this Law.

#### **Section 22. Liability for providing false information to the register institution**

The relevant persons shall be held liable according to law for providing false information to the register institution.

## **Division B Associations**

### **Chapter III Founding an association**

#### **Section 23. Founders**

- (1) The founders of an association may be natural or legal persons, or partnerships with legal status.
- (2) The number of founders may not be less than two.

#### **Section 24. Decision to found an association**

- (1) In order to found an association, the founders shall take a decision to found the association.
- (2) In the decision to found the association shall be indicated:
  - 1) the name of the association;
  - 2) the objective of the association;
  - 3) the name, surname and personal identity code of the founders, and for a legal person or partnership — the name, registration number and legal address;
  - 4) the rights and responsibilities of the founders if the founders have agreed on such;
  - 5) the authorisation (if such is given) to individual founders to sign the articles of association and application for the register institution; and
  - 6) other information which the founders consider to be necessary.
- (3) After the decision to found an association has been taken, the founders approve the articles of association, elect the association's executive body (hereafter – board), which may be collegial or consist of one person, and other bodies if such are provided for in the articles of association.

(4) The decision to found an association is prepared in written form, and it is signed by all the founders of the association. The decision may be signed on behalf of a founder by a person authorised by him, who has participated in the taking of the decision. A written authorisation shall be attached to the decision.

## **Section 25. Articles of association of an association**

(1) The articles of association of an association shall be prepared in writing.

(2) The articles of association shall indicate:

1) name of the association;

2) objective of the association;

3) term of operation of the association (if the association is founded for a certain period of time);

4) prerequisites for members to join or leave the association;

5) rights and responsibilities of the members;

6) procedure by which the rights and responsibilities of territorial and other units of the association (if such are founded) shall be determined;

7) procedure for calling a general meeting and taking decisions;

8) name of the executive body, and its numerical composition, denoting the rights of the members of the executive body to represent the association individually or together;  
and

9) structure of the auditing body of business and financial operations, procedure for elections, competence, procedure for taking decisions and term of office, or the procedure by which a sworn auditor is appointed and terms authority.

(3) The articles of association may provide for other regulations which are not in contradiction to the law. If the articles of association are in contradiction to the law, the provisions of the law shall be applicable.

(4) The articles of association shall be signed by all founders or at least two of their authorised representatives, and the date of approval shall be indicated in the articles of association.

### **Section 26. Application for an association to be entered in the register**

(1) The founders shall submit an application to the register institution to enter the association in the register. The application shall indicate the information mentioned in Section 15, Clauses 1-6 of this Law.

(2) Attached to the application shall be:

1) decision to found the association;

2) articles of association; and

3) list of board members.

(3) The application shall be signed by all founders or at least two of their authorised representatives.

### **Section 27. Liability for obligations which have come about before the association is registered in the register**

(1) A founder, who has acted on behalf of the association to be founded before the association is registered in the register, is liable for obligations which have arisen from these actions. If several founders have acted on behalf of the association to be founded, they shall be jointly liable.

(2) The obligations mentioned in Paragraph one of this Section shall be transferred to the association from the time it is registered in the register if the founders had the right to act on behalf of the association to be founded.

(3) If a founder did not have the right to act on behalf of the association, the obligations, which have arisen from such actions, shall be transferred to the association if a general meeting definitely approves such obligations.

## **Chapter IV Members**

### **Section 28. Minimum number of members**

(1) An association shall consist of at least two members if the articles of association do not provide for a larger number of members. After the association is registered in the register, the founders of the association gain the status of members of the association.

(2) Each association shall keep a register of its members which shall indicate the name, surname, personal identity code and home address (name and address of a legal person) of each member. Information about member of the association shall be accessible only to the members of the relevant association, and to controlling and law enforcement institutions.

### **Section 29. Membership in an association**

(1) The board shall take a decision for a member to join an association, unless otherwise provided for in the articles of association.

(2) If the board or other body (except a general meeting), responsible for the joining of members, shall take a decision to refuse to accept a member, the person, who wishes to become a member, has the right to request a review of the matter according to the procedure provided for by the articles of association.

(3) Responsibilities for members shall be determined only in accordance with the procedure provided for by the articles of association.

(4) A member's participation in an association shall not be transferable to a third party or inheritable unless otherwise provided for by law. The member's participation shall end with leaving or being removed from the association, and also the death of a member - natural person, or the dissolution of a member - legal person.

(5) A member's — legal person's participation shall continue if the legal person is reorganised, altering it in accordance with procedures provided for by law. If a legal person is reorganised by merging it with another subject or by dividing it, this person's participation in the association shall end.

(6) When a member - legal person is reorganised through separation, the participation in the association of the legal person to be separated shall continue.

(7) A legal person within the meaning of Paragraphs four, five and six of this Section, shall be understood to also be a partnership with legal status.

(8) Persons with special status (nominee members, honorary members, associated members, long-standing members etc.) whose rights and responsibilities shall be determined by the articles of association.

### **Section 30. Leaving the association**

A member may leave the association at any time by submitting a written announcement to the board of the association, unless it is provided for in the articles of association that such announcement shall be submitted to a different administrative body.

### **Section 31. Exclusion from the association**

(1) A member may be excluded from the association based on a decision of the board or a decision of another body in accordance with the cases and procedures prescribed by law. The articles of association may also provide that a member may be excluded from an association based on a decision of a meeting of the members.

(2) A member may be excluded from an association, regardless of the regulations of the articles of association, with good reason. A gross violation of the articles of association or committing a significant harm to the association shall be considered to be good reason in any situation.

(3) The board of the association is obliged to inform a member in writing within five days of the decision to exclude him or her from the association and the reasoning (justification) for this decision.

(4) If the decision to remove a member is taken by the board or another body, the member has the right to request a review of the matter at a general meeting.

### **Section 32. The consequences of the end of a member's participation**

(1) If a member's participation in an association comes to an end, the membership fee provided for in the articles of association and which has been paid shall not be repaid.

(2) A person, whose participation in an association has ended, does not have the right to the association's assets.

(3) The association does not have the right to collect an unpaid membership fee from a member.

## **Chapter V Organisational Structure of an Association**

### **Section 33. Administrative bodies of an association**

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

(2) The articles of association may also provide for other administrative bodies and determine the procedure for their creation and their competence.

### **Section 34. General meeting**

(1) The highest body of an association is a general meeting.

(2) All members of an association have the right to participate in general meeting, unless otherwise provided for by law. A member may also participate in a general meeting with the intermediation of a representative, unless otherwise provided for by law. An authorisation to participate and vote in a general meeting shall be issued in writing.

### **Section 35. Competence of a general meeting**

(1) The competence of a general meeting shall include:

- 1) amending the articles of association;
- 2) the election and removal of members of the board and audit bodies, if such rights are not granted to another administrative body by the articles of association;
- 3) taking a decision to terminate, continue or reorganise the activities of the association;  
and
- 4) other issues which in accordance with the law or the articles of association are within the competence of the general meeting.

(2) A general meeting has the right also to take such decisions as are within the competence of the board and other bodies as provided for by the articles of association, unless otherwise provided for by the articles of association.

### **Section 36. Calling a general meeting**

(1) The board shall call a general meeting in accordance with the procedures prescribed by law or the articles of association in the cases determined by law or the articles of association, or if the calling of a general meeting is necessary in the interests of the association.

(2) The board shall call a general meeting immediately (without delay to be found fault with) if such is requested in writing by no less than one tenth of the members and if the articles of association do not provide for a smaller number of members.

(3) If the board does not call a general meeting based on Paragraph two of this Section, the members who are requesting a general meeting, may call a general meeting independently, observing the procedures set out to call a meeting.

(4) The board shall inform members of calling a general meeting, if it is intended to take decisions on issues mentioned in Section 35, Paragraph one, Clauses 1-3 at the meeting, and shall announce its agenda no later than 14 days before the meeting unless the articles of association provide for a longer time period.

### **Section 37. General meeting proceedings**



(1) The general meeting is able to take decisions if more than half of the members participate in it and if the articles of association do not provide for a larger quorum.

(2) If the general meeting does not have the right to take decisions in accordance with Paragraph on of this Section, the board, not later than three weeks later, shall again call a general meeting with the same agenda. The meeting thus called shall be able to take decisions regardless of the number of members present, but only if at least two members participate in the general meeting.

(3) If in calling a general meeting, the regulations of law or the articles of association regarding the procedure or date for calling a meeting have been violated, the general meeting shall not have the right to take decisions, except in cases when all members participate in the general meeting.

(4) The general meeting shall be chaired by the chairperson of the board if the members do not elect a different chairperson for the meeting. Minutes shall be taken of the proceedings of the general meeting. The minutes shall be signed by the chairperson of the meeting and the minute taker.

(5) General meetings are open if the meeting does not take a reasoned decision for a different procedure for the meeting.

### **Section 38. Decisions of the general meeting**

(1) A decision of the general meeting is adopted if more than half of the member present vote in favour of it, unless the law or articles of association provide for a larger number of votes.

(2) Each member of the general meeting shall have one vote. A member shall not have the right to vote if the general meeting is voting on signing a transaction with this member or on raising a claim or ending a claim against such member.

(3) In order to amend or terminate the rights of a member, which are different from the rights of other members, or to determine obligations of a member which are different from the obligations of other members, the consent of this member is required.

### **Section 39. Adopting a decision to amend the articles of association**

(1) A decision to amend the articles of association is adopted if not less than half of the members present vote in favour of it, if the articles of association do not provide for a larger majority of votes.

(2) Amendments to the articles of association shall come into force at the time they are adopted if the articles of association or the decision do not provide otherwise, and in regard to third parties - only after the amendments to the articles of association are registered in the register.

(3) Notification of amendments to the articles of association shall be submitted to the register institution, attaching an extract of the minutes of the general meeting or an extract of the minutes of the voting with the decision on amendments to the articles of association and the full revised text of the articles of association.

#### **Section 40. Finding the decision of a general meeting to be invalid**

(1) A court, based on the application of a member, board member, or auditor (also of another body if so indicated in the articles of association) of the association, may find a decision of the general meeting to be invalid if such decision or its adopting procedure is in contradiction with the law or the articles of association, or if significant violations have taken place in the calling of the meeting or in taking the decision. A claim may be raised within three months from the day the relevant person came to know, or should have come to know of the decision of the general meeting, but not later than one year from the day the decision was adopted.

(2) In accordance with the regulations of Paragraph one of this Section, the court may find the decisions of other bodies of the association also to be invalid.

#### **Section 41. Meeting of proxies**

(1) The articles of association may provide that the responsibilities of the general meeting within the scope provided for by the articles of association, are carried out by a meeting of proxies elected from the total number of members. The representation quota, and the procedure for nominating and electing proxies shall be determined by the board if the articles of association do not provide otherwise. All members of the association have the right to participate in proxy elections.

(2) The provisions of this law regarding the general meeting shall be applicable to the meeting of proxies if not otherwise provided by law.

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

(1) The board shall manage and represent the association.

(2) The board may consist of one member or more members. The general meeting shall elect a chairperson of the board from the board members unless otherwise provided for by the articles of association.

(3) Board members shall be natural persons with legal capacity.

(4) Not less than half of the board members shall be persons whose place of residence is Latvia.

#### **Section 43. Competence of the board**

(1) The board shall administrate and manage the affairs of the association. It shall administrate the assets of the association and shall deal with its funds in accordance with laws, the articles of association, and decisions of the board or other bodies.

(2) The board shall organise bookkeeping accounts for the association in accordance with legislative enactments and shall carry out other responsibilities in accordance with its competence as set out in the articles of association.

#### **Section 44. Right of representation for the board**

(1) All board members have the right of representation. The board members represent the association jointly, unless otherwise provided for by the articles of association.

(2) The right of representation for the board in regard to third parties shall not be limited. The right of board members to represent the association jointly or individually as set out in the articles of association shall not be considered to be a limitation of the right of representation for the board within the meaning of this Section.

(3) In relation to the association, the board shall observe limitations of representation as prescribed in the articles of association, decisions of the general meeting and other bodies as provided for by the articles of association.

#### **Section 45. Election, removal and right to leave office of board members**

(1) Board members shall be elected by a decision of the general meeting unless otherwise provided for by the articles of association.

(2) A board member may be removed by the body which has elected the board member or by the general meeting.

(3) The articles of association may provide for a board member to be removed only if there is good reason to do so. Such a reason shall be considered to be, in any case, non-performance or inadequate performance of responsibilities, inability to manage the association, harm done to the interests of the association and loss of trust.

(4) A board member does not have the right to transfer his or her authority to third parties.

(5) A board member may at any time submit an announcement to the association regarding leaving the office of board member.

(6) The election of a board member or the end of his or her term of office shall be announced for entry in the register, and the announcement shall be accompanied by an extract of the minutes of the general meeting, or other body provided for by the articles of association, with the decision regarding the election or recall of the board member.

#### **Section 46. Adopting of decisions of the board**

(1) The board has decision taking rights if its meeting is attended by more than half of the board members and unless the articles of association provided for a larger quorum.

(2) If the board consists of several members, a decision shall be adopted with a simple majority of votes of the board members present, unless the articles of association provide for a larger majority of votes.

(3) Regardless of the provisions of Paragraphs one and two of this Section, the board has the right to take decisions without calling a meeting if all board members vote in written form for taking the decision and unless otherwise provided for by the articles of association.

(4) Minutes shall be taken at board meetings of the association. It shall be mandatory to record in the minutes the decisions taken, indicating the vote of each board member “for” or “against” each decision.

#### **Section 47. Payment and covering of expenses**

(1) A board member shall carry out his or her responsibilities without pay unless otherwise provided for by the articles of association.

(2) If the articles of association provide for a board member to have the right to receive pay, its amount and procedures for payment shall be determined by a decision of the general meeting, unless otherwise provided for by the articles of association.

(3) A board member may request the covering of such expenses as are incurred during the carrying of his or her responsibilities, unless otherwise provided for by the articles of association.

#### **Section 48. Other bodies of the association**

The articles of association may provide that in addition to the board another body may be created to carry out separate activities according to the procedures provided for in the statutes for appointment (election).

#### **Section 49. Liability of members of the board and other bodies**

(1) Members of the board and other bodies are jointly liable for losses arising to the association through their fault.

(2) An association may raise a claim against a member of the board or other body within five years, counting from the day the rights were violated or the day when violation of rights became known.

## **Section 50. Units of the association**

(1) An association may have its territorial and other organisationally independent units. Units of the association are not legal persons.

(2) If a unit of an association has its own general meeting and board, then the provision of Sections 33, 34, 36-38, 40-43, 45-47 and 49 of this Law shall be applicable in regard to them.

## **Section 51. Right of control of the general meeting**

(1) The board shall ensure that the members of the association have all necessary information and documents in regard to the operations of the association and shall also prepare a relevant report at their request.

(2) The general meeting shall control the activities of all administrative bodies. For this purpose, the general meeting has the right to determine an internal audit.

(3) Board members have the responsibility to provide all information and documents necessary for the audit to the auditing body.

(4) The auditor shall prepare an opinion on the results of the audit which shall be presented to the general meeting.

## **Section 52. Annual report of an association**

(1) At the end of a reporting year, the board shall prepare an annual report of the association in accordance with the Law on Accounting and other regulatory enactments.

(2) The annual report of the association shall be reviewed by the auditing body of the business and financial operations or a sworn auditor. Members of the association have the right to familiarise themselves with the annual report.

(3) Every year, not later than by 31 March, the annual report shall be submitted by the association to the State Revenue Service and the register institution.

## **Chapter VI Termination of activities of an association and liquidation**

### **Section 53. Basis for the termination of activities for an association**

The activities of an association shall be terminated:

- 1) with a decision of the general meeting;
- 2) by starting bankruptcy proceedings of the association;
- 3) when the number of members is decreased to one member or another number as provided for by the articles of association;
- 4) when the time period set out in the articles of association has ended (if the association is founded for a period of time);
- 5) with a court decision; or
- 6) on a different basis as set out in law or in the articles of association.

### **Section 54. Terminating the activities of an association with a decision of the general meeting**

A decision of the general meeting to terminate the activities of an association is considered adopted if two thirds of the members present vote in favour of it and if the articles of association do not provided for a larger majority of votes.

### **Section 55. Terminating the activities of an association by starting bankruptcy proceeding**

The procedure by which the operations of an association shall be ended in case of bankruptcy shall be regulated by a separate law.

### **Section 56. Terminating the activities of an association with a decision of the board**

If the number of members is decreased to one member or another number as provided for by the articles of association, or if the time period set out in the articles of

association, for which the association was founded, has ended, the decision to terminate activities shall be taken by the board of the association.

### **Section 57. Terminating the activities of an association with a court decision**

(1) The activities of an association, based on a court decision, may be terminated:

- 1) if the operations of an association are in contradiction to the Constitution, laws or other regulatory enactments;
- 2) if business operations, of a profit-gaining nature, have become the main operations of the association;
- 3) if the board of the association has not submitted an application to terminate the activities of the association in accordance with this Law; or
- 4) in other cases as provided for by law.

(2) A prosecutor or a State Revenue Service Territorial Institution may submit an application in court if the association:

- 1) after receiving a warning in writing, has not eliminated violations during the time period specified in the warning. The time period for eliminating violations shall be set as not less than 15 days and not longer than three months; or
- 2) within a year of having received the warning, repeatedly commits a violation, especially in its public activities.

(3) At the request of the applicant, the court may prohibit the association from carrying out public activities or other activities until the final decision is taken in the matter. The decision may be appealed in accordance with the procedure set out in the Civil Law.

(4) The decision regarding the prohibition of public activities of the association or other activities shall be sent to the register institution in order for an entry to be made in the register.



(5) The court, taking into account the severity and consequences of the violation committed by the association, and evaluation the objective and activities of the association overall, may limit itself to issuing a warning to the association, and not terminating its activities.

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

(1) When the operations of an association are ended, liquidation of the association takes place unless otherwise provided for by law.

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

### **Section 59. Liquidators of the association**

(1) The liquidation is carried out by members of the board unless otherwise provided for by the articles of association, a decision of the general meeting or court decision.

(2) If a liquidator is appointed by the general meeting, it will determined the amount of his or her payment and procedures for paying.

(3) If the operations of an association are ended based on a court decision, a liquidator is appointed and the amount of his or her payment and procedure for paying shall be determined by the court.

(4) A liquidator may be a legally competent natural person whose place or residence is in Latvia.

### **Section 60. Notification of terminating the activities of an association and its liquidation**

(1) If the activities of an association are terminated in relation to the conditions mentioned in Section 53, Clauses 1, 3 and 4 of this Law, the board shall submit a notification to the register institution regarding the termination of activities of the association. Attached to the notification shall be:

1) an extract of the minutes of the general meeting with the decision to terminate the activities of the association if the activities of the association have been terminated with a decision of the general meeting; and

2) information about the liquidator's name, surname and personal identity code.

(2) If the activities of an association are terminated based on a court decision, the court shall send the respective decision for entry into the register. Within three days of the decision coming into force, the liquidator shall submit the information mentioned in Paragraph one, Clause 2 of this Section to the register institution.

(3) If the liquidation is carried out by the members of the board, this fact is indicated in the notification or in the court decision and the information mentioned in Paragraph one, Clause 2 of this Section shall not be attached.

### **Section 61. Recalling of the liquidator**

(1) A liquidator may be removed by a decision of the general meeting, at the same time appointing a different liquidator.

(2) A liquidator may be removed by a decision of the court, based on the application of a member or other concerned party, with good reason to do so.

(3) A court appointed liquidator may be removed only by a court decision based on the application of a member or other concerned person, with good reason to do so, and a different liquidator is appointed at the same time.

(4) The decision to recall a liquidator shall be submitted by the new liquidator to the register institution within three day of the decision being taken.

### **Section 62. Rights and responsibilities of a liquidator**

(1) A liquidator has all the rights and responsibilities of the board and other bodies provided for by the articles of association (except the general meeting) which are not in contradiction to the aim of liquidation.

(2) A liquidator shall collect debts, sell the assets of the association, settle creditor claims and after covering the costs of the liquidation and settling the claims of the creditors divide the remaining assets of the association among the persons who have rights to this assets.

(3) A liquidator may conclude only such deals as are necessary for the liquidation of the association.

### **Section 63. Right of representation of the liquidator**

(1) If the liquidation of an association shall be carried out by several liquidators, they have the right to represent the association only jointly unless otherwise provided for by the statutes, a decision of the general meeting or court decision. The provision for individual representation shall be valid only in relation to third parties if so registered in the register.

(2) The liquidators may authorise one or several persons from amongst themselves to carry out separate legal activities.

### **Section 64. Submitting notification of insolvency**

If during the proceedings of the liquidation it is found that the assets of the association to be liquidated are not sufficient to settle all the justified creditor claims, the liquidator shall have the responsibility to submit a notification of insolvency in accordance with the procedures prescribed by law.

### **Section 65. Informing creditors and raising claims**

(1) The liquidator shall announce notification of the termination of activities of the association and its liquidation in the newspaper “Latvijas Vēstnesis” within 15 days after the respective decision has come into force.

(2) The liquidator shall send a notification of the initiation of liquidation to all known creditors of the association.

(3) In the notification mentioned in Paragraphs one and two of this Section, creditors of the association shall be asked to raise their claims within three months after the day of

publication of the claim if a decision of the general meeting or court decision regarding the termination of activities of the association does not prescribe a longer period of time to raise claims.

(4) Within the set period of time, creditors shall notify the liquidator of their claims against the association. The claim shall state the content of the claim, basis and amount and documents which justify the claim shall be attached to it.

### **Section 66. Financial report at the beginning of liquidation**

After the end of the time period for creditors to make claims, the liquidator shall prepare a financial report of the beginning of the liquidation.

### **Section 67. Creditor protection**

(1) If a known creditor does not make a claim, does not accept fulfilment or the obligation cannot be fulfilled yet, the amounts which they are entitled to shall be deposited in court.

(2) if there is a controversial creditor claim, the assets of the association shall be divided only if the respective creditor has been provided for.

### **Section 68. Closing financial report of the association and division of assets**

(1) After settling the claims of the creditors, or depositing the money intended for them, and covering the costs of liquidation, the liquidator shall prepare a closing report of the association in accordance with regulatory enactments and shall divide the remaining assets of the association among the persons who have a right to these assets in accordance with the statutes or law.

(2) The articles of association may prescribe that before dividing the assets of the association, a general meeting shall designate the persons who have the right to these assets unless otherwise provided for by law. Such rights may not be indicated for the founders of the association, members of the board or other bodies, or for other persons with a similar material interest, especially spouses, relatives and in-laws, with a kinship to the second degree and affinity to the first degree.

(3) If the articles of association or decisions of the general meeting do not provide for persons who have a right to the remaining assets, they shall be divided in equal shares among the persons who were members of the association at the time of terminating activities unless otherwise provided for by law.

(4) If the assets of the association cannot be divided in accordance with the procedure set out in Paragraphs one, two and three of this Section, the assets of the association shall transfer to the State.

(5) If the operations of the association have been ended in accordance with the provisions of Section 57, Paragraph one, Clauses 1 and 2 of this Law, after covering the costs of the liquidation and settling the claims of the creditors, the remaining assets shall transfer to the State.

(6) The assets of the association shall be divided not sooner than six months after the day when the notification of terminating the activities of the association was published. The court may allow the remaining assets of the association to be divided before the designated time period if losses will not be incurred by the creditors.

#### **Section 69. Storing of documents of the association**

The liquidator shall carry out the necessary actions to put the documents of the association in order and to deposit them at the state archives. The costs of putting the documents in order and depositing them at the archives shall be covered from the assets of the association to be liquidated.

#### **Section 70. Continuing the operations of the association**

(1) If the termination of activities of the association is provided for by the statutes or if the decision to the operations of the association is adopted by the general meeting, until the commencement of the division of the assets, the members may take a decision to continue the operations of the association or to reorganise the association. The decision shall be considered to be adopted if more than two thirds of the members present vote in favour of it.

(2) When the decision to continue the operations of the association is taken, a board and other bodies provided for by the articles of association shall be created at the same time.

(3) A liquidator shall submit notification to the register institution regarding the continuation of operations of the association. The decision to continue operations of the association shall come into force after it is registered in the register.

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

(1) After the remaining assets of the association are divided, the liquidator shall submit a notification to the register institution regarding the end of liquidation. The closing financial report of the association shall be attached to the notification.

(2) In the notification the liquidator shall certify that:

1) the closing financial report of the association has not been contested in court or that the respective claim has been denied;

2) all creditor claims have been settled or that money intended for them has been deposited; and

3) the documents of the association have been deposited for storage at the state archive.

### **Section 72. Liability of the liquidator**

(1) The liquidator shall be liable for losses occurring due to his or her fault.

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

## **Chapter VII Reorganisation of Associations**

### **Section 73. Reorganisation**

(1) An association may be reorganised through joining or division.

(2) Only associations may take part in the reorganisation process unless otherwise provided for by law.

(3) The articles of association may provide that reorganisation is permissible or not permissible upon certain preconditions

#### **Section 74. Joining**

(1) The association may be joined with another association through acquiring or merging.

(2) Acquiring is a process in which the association (association being acquired) transfers all of its assets to another association (acquiring association).

(3) Merging is a process where two or more associations (associations being acquired) transfer all of their assets to the association being founded (acquiring association).

(4) In the event of joining, the association to be acquired ceases to exist without liquidation proceedings.

(5) In the event of joining, the rights and obligations of the association being acquired are transferred to the acquiring association. Members of the association being acquired shall become members of the acquiring association.

(6) In regard to the association being founded, the provisions of this Law on founding an association shall be applicable to the association being founded, insofar as is not prescribed otherwise in this chapter. The associations being acquired shall be considered to be the founders of the association.

#### **Section 75. Division**

(1) Division is a process when the association (association being divided) shall transfer its assets to one association or several different associations (acquiring associations) through splitting or partition.

(2) In the event of splitting, the association being divided shall transfer all of its assets (rights and obligations) to two or more acquiring associations and cease to exist without liquidation proceedings.

(3) In the event of splitting, the members of the association being divided become members of the acquiring association in accordance with the agreement or decision of reorganisation.

(4) In the event of partition, the association being divided shall transfer part of its assets (rights and obligations) to one acquiring association or several such associations. In the event of partition, the association being divided shall continue to exist.

(5) In the event of partition all members of the association being divided or part of them become members of the acquiring associations in accordance with the agreement or decision of reorganisation.

(6) The acquiring association may be an existing association or an association being founded. In regard to the association being founded the provisions of this Law on founding an association shall apply insofar as this Chapter does not prescribe otherwise.

## **Section 76. Agreement of reorganisation**

(1) If two or more existing associations participate in the process of reorganisation, they shall enter into an agreement of reorganisation. The agreement shall be entered into in writing.

(2) The agreement shall set out:

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

2) the rights which the acquiring association shall grant to the members of the association being acquired or divided;

3) the consequences of reorganisation for the employees of the associations involved in the reorganisation process;



4) in the event of division - the material and non-material rights and obligations to be transferred to each acquiring association;

5) in the event of merging - the further utilisation of the non-material rights of each association.

(3) In the event of merging associations, in addition to the information mentioned in Paragraph two of this Section, the name and legal address of the acquiring association (association being founded) shall also be noted in the reorganisation agreement.

(4) If another already existing association is not involved in the division process, the association being divided shall adopt a decision on division which shall replace the agreement mentioned in this Section. In addition to the information mentioned in Paragraph two of this Section, the name and legal address of the acquiring association and information on the division of the assets of the association being divided shall be set out in the decision on division. The assets division document may be attached to the decision as a separate document.

### **Section 77. Decision on reorganisation**

(1) The draft agreement on reorganisation shall be reviewed and the decision on reorganisation shall be adopted by the general meeting of each association involved in the reorganisation process.

(2) Not less than one month before the day when the general meeting to approve the agreement is planned, all members of the association shall be given the opportunity to familiarise themselves with the draft agreement according to their legal addresses.

(3) The decision on reorganisation shall be considered to be adopted if more than two thirds of the members present vote in favour of it and if the articles of association do not prescribe a greater majority of votes.

(4) The decision on reorganisation shall be prepared as a separate document.

(5) If the acquiring association is a newly founded association, the general meeting of each association involved in the reorganisation process shall review the draft articles of association of the association being founded. At the same time as the decision on

reorganisation is adopted, the articles of association of the association being founded shall be approved.

(6) Based on the decision on reorganisation, the relevant association enter into an agreement.

### **Section 78. Protecting the interests of the creditors**

(1) Within fifteen days from the day a decision is adopted for reorganisation, each association involved in the reorganisation process shall inform all known creditors in writing who had claim rights against the association up to the adoption of the decision for reorganisation.

(2) Each association involved in the reorganisation process has the responsibility to publish an announcement in the newspaper “Latvijas Vēstnesis” that a decision for reorganisation has been adopted. The announcement shall state:

- 1) the name, registration number and legal address of the association;
  - 2) the name, registration number and legal address of the other associations involved in the reorganisation;
  - 3) the fact that a decision for reorganisation has been adopted, indicating the type of reorganisation; and
  - 4) the place and time, which may not be less than one month from the date of the publication, of claims to be made by creditors.
- (3) An association being acquired or divided shall secure a creditor’s claim if it is requested and if it is submitted within the time set out in Paragraph two of this Section. A creditor of an acquiring association may request securing of a claim only if it is proved that joining will threaten the settlement of his claim.
- (4) A secured creditor may request securing only for the amount of the unsecured part of the debt.

### **Section 79. Dispute of a decision to reorganise**

(1) Based on the claim of a member or board member of an association involved in reorganisation, a court may adjudicate that a decision for reorganisation is not valid, if it has been adopted by violation of the law or articles of association and it is not possible to eliminate these violations or they are not eliminated within the time period set by the court.

(2) The time period to raise a claim is three months after the date of publication of the announcement mentioned in Section 78 of this Law.

(3) The association, whose general meeting decision on reorganisation has been deemed to be invalid, shall have the responsibility to publish an announcement regarding this in the newspaper "Latvijas Vēstnesis" within 15 days of the date of court decision coming into force.

(4) If the decision for reorganisation is adjudged to be invalid, it shall not affect the obligations which the association has taken on in regard to third parties during the process of reorganisation.

### **Section 80. Application to the register institution**

(1) Each association involved in the reorganisation process shall submit to the register institution, not earlier than three months after the date of publication of the announcement, an application to register the reorganisation. Attached to the application shall be:

1) the agreement for reorganisation or an appropriately certified copy of it;

2) an extract of the minutes and decision for reorganisation;

3) articles of association of the acquiring association (if a new association is being created as a result of the reorganisation); and

4) a list of the members of the board of the acquiring association if a new association is being created as a result of the reorganisation).

(2) In the application the association shall certify that creditor claims, which have been submitted within the prescribed time period, are secured or settled and that the decision

for reorganisation has not been contested in court or that the respective claim has not been satisfied.

(3) In the event of associations being merged, the associations being acquired shall submit to the register institution a joint application for the association being founded to be registered in the register.

### **Section 81. Name of the acquiring association**

The acquiring association may continue its operations using the name of the acquired association.

### **Section 82. Entry to be made in the register regarding reorganisation**

(1) An entry regarding the association being acquired shall be made after entries have been made regarding all acquiring associations.

(2) After an entry is made in the register regarding the acquiring of the association, the file of the association being acquired is added to the register file of the acquiring association, and the acquired association is deleted from the register.

(3) After an entry has been made in the register regarding the reorganisation of an association being divided, the appropriate extracts from the file of the association being divided are attached to the files of the acquiring associations, and in cases when the division takes place by way of splitting, the association being divided is deleted from the register.

### **Section 83. Legal meaning of the entry made in the register regarding reorganisation**

(1) Reorganisation shall be deemed to be in force from the moment entries are made in the register regarding all of the associations involved in the reorganisation process, including newly founded associations.

(2) From the moment the reorganisation comes into force:

1) the assets of the association being acquired shall be considered to be transferred to the acquiring associations; and

2) the assets of the association being divided shall be considered to be transferred to the acquiring associations.

(3) Upon the deletion of the association from the register, this association shall be considered to be liquidated.

#### **Section 84. Liability of the associations involved in the reorganisation process**

(1) The acquiring association shall be liable for all of the obligations of the association being acquired.

(2) All the associations involved in a division, including newly founded associations, shall be jointly liable for the obligations of the association being divided, which have arisen until the time the reorganisation has come into force.

(3) If the obligations of an association involved in a division are not set out in the agreement, it is jointly liable together with the other associations involved in the division for the obligations of the association being divided which have arisen up to the time the reorganisation has come into force and whose time of discharge is five years from the time of the reorganisation coming into force.

#### **Section 85. Liability of board members**

(1) The board members of the associations involved in reorganisation shall be jointly liable for losses which have been incurred by the association during the reorganisation proceeding due to their fault.

(2) The limitation period of the claim set out in Paragraph one of this Section shall set in within five years from the day the reorganisation shall come into force.

## **Division C Foundations**

### **Chapter VIII Founding a Foundation**

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

- (1) A foundation may be founded by one or more persons.
- (2) If a foundation has several founders, they shall realise their founder rights only jointly.
- (3) Persons who have granted assets to the foundation, after it has been registered in the register, shall not be considered founders.
- (4) The status of founder shall not be inherited and it may not be transferred to third parties. If a founder has undertaken obligations before the foundation is registered in the register, the provisions of Section 27 of this Law shall be applicable.

#### **Section 87. Basis for founding**

A foundation is founded based on the decision of a person to found a foundation or on a will.

#### **Section 88. Decision to found a foundation**

The provisions of Section 24 of this Law shall apply to a decision to found a foundation.

#### **Section 89. Founding of a foundation on the basis of a will**

- (1) When a foundation with generally useful and charitable objectives is founded based on a will (foundation based on a will), the provisions of the Civil Law shall be applicable insofar as this Law does not prescribe otherwise.
- (2) If a will does not include the information mentioned in Section 24 of this Law, the articles of association for the foundation being founded have not been drafted, or board members have not been appointed, the executor of the will, heir or guardian (Section

496 of the Civil Law) shall carry out the appropriate actions (drafting of articles of association, appointing board members). In carrying out the actions mentioned in this Section, the executor of the will, heir or guardian shall take in to consideration the wishes of the testator as far as possible.

(3) Until the board members are appointed, the executor of the will, heir or guardian shall utilise the rights of a founder, administer the assets which have been transferred to the foundation being founded, and shall carry out other activities as prescribed by Law.

(4) The authority of the executor of the will, heir or guardian as set out in this Section shall end on the day that the foundation is registered in the register.

### **Section 90. Articles of association of the foundation**

(1) The articles of association of the foundation shall set out:

1) the name of the foundation;

2) the objective of the foundation;

3) the procedure according to which assets shall be transferred to the foundation;

4) the procedure according to which the funds of the foundation shall be used;

5) the period of operation of the foundation (if the foundation is set up for a specific time period;

6) the procedure for division of assets in the case of liquidation of the foundation;

7) the procedure for appointing and recalling board members and the term of office;

8) the procedure for appointing and recalling members of other administrative bodies (if such are provided for) and the term of office;

9) the structure of the business and financial operations auditing body, procedure for election, competence, procedure for adopting decisions and term or office, or the procedure for appointing a sworn auditor and term of office; and

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

(2) The articles of association may prescribe other provisions which are not in contradiction to the law. If the articles of association are in contradiction to the law, the provisions of the law shall apply.

### **Section 91. Beneficiary and restrictions of the operations of the foundation**

(1) The articles of association may prescribe a set of beneficiaries. In case of doubt, a beneficiary shall be considered to be a person to whom funds may be paid from the assets of the foundation in accordance with the articles of association of the foundation.

(2) The foundation is prohibited to grant funds, offer guarantees, issue bills of exchange, or otherwise fund the founders, members of the board or other administrative bodies (if such have been created), or other persons who have similar material interests, especially spouses, relatives, and in-laws, in kinship to the second degree and affinity to the first degree.

### **Section 92. Application to register the foundation in the register**

(1) A founder shall submit an application to the register institution to register the foundation in the register. The application shall set out the information mentioned in Section 15, Clauses 1-6 of this Law.

(2) The application shall be signed by the founder, and when founding a foundation based on a will, the executor of the will, heir of guardian.

(3) Attached to the application shall be:

1) the founding decision;

2) the articles of association;

3) the written consent of each board member to be a board member.

(4) When founding a foundation based on a will, instead of attaching the founding decision, an appropriately authenticated copy of the will shall be attached as well as



documents which certify the authority of the guardian (Section 496 of the Civil Law) and the coming into legal force of the will.

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

### **Section 93. Administrative bodies of a foundation**

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

(2) The articles of association may provide for the creation of other administrative bodies, prescribing the procedure for their creation and their competence, and the granting of administrative competence to other subjects or their bodies (hereafter - other administrative bodies).

### **Section 94. Board**

(1) The provisions of Section 42-45 and Section 49 of this Law shall be applicable in regard to the board of a foundation insofar as this Chapter does not prescribe otherwise.

(2) The articles of association may prescribe restrictions in regard to members of the board. Board members may not be persons mentioned in Section 89, Paragraph two of this Law, if the will does not prescribe otherwise.

(3) The board shall consist of at least three members. If the articles of association do not prescribe otherwise, the board members shall elect a chairperson of the board from among themselves, who shall organise the work of the board.

(4) In its activities, the board shall observe the objective of the foundation, the wishes of the testator, and the instructions of other administrative bodies (if the articles of association provide for such instructions to be given) as set out in the decision of the founder and in the articles of association, and also the competence prescribed by law and in the articles of association.

### **Section 95. Appointing and removing board members and their right to leave office**

(1) If the foundation is founded during the lifetime of the founder, the board members are appointed by the founder. If a foundation is founded based on a will, the board members are appointed by the persons listed in Section 89, Paragraph two of this Law, except in cases when the board members are appointed by the will.

(2) Decisions on further changes in the composition of the board, and the removal of board members shall be adopted according to the procedures set out in the articles of association.

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

(4) The appointment of a board member or the end of his or her term of office shall be announced for entry into the register. If in accordance with the articles of association, the decision of appointing or removing a board member is adopted by a different administrative body, the respective decision of the body shall be attached to the application, as well as the written consent of the board member to be a board member. If a board member leaves office in accordance with Paragraph three of this Section, the respective announcement of the board member shall be attached to the application.

### **Section 96. Payment and reimbursement of expenses**

(1) A board member shall carry out his or her responsibilities without pay unless the articles of association prescribe otherwise.

(2) If the articles of association provide for payment to a board member, the amount and procedure for paying shall be determined by the person or body who has the right to appoint board members in accordance with the articles of association.

(3) A board member may request reimbursement for such expenses as he has incurred during the carrying out of his or her responsibilities if the articles of association do not provide otherwise.

### **Section 97. Adopting of board decisions**

(1)The board has the right to adopt decisions if more than half of the board members are present in its meeting.

(2) The board shall adopt its decisions with a simple majority vote of the board members present, if the articles of association do not prescribe a greater majority vote.

(3) Minutes shall be taken at board meetings. The minutes shall set out:

1) the name of the foundation;

2) the place and time of the board meeting;

3) participants of the meeting;

4) items of the agenda;

5) the procedure and proceedings of discussing the items of the agenda;

6) results of voting, indicating the vote of each board member “in favour” or “against” for each decision; and

7) the decisions adopted.

(4) If a board member does not agree with a board decision and votes against it, the differing opinion of the board member shall be recorded in the minutes of the board meeting at his or her request.

(5) Minutes of board meetings shall be signed by the board members present at the meeting.

### **Section 98. Other administrative bodies**

(1) If the articles of association provide for the creation of another administrative body or granting administrative competence to another subject or its body, then such subject or its body may adopt decisions only for issues which are not in the competence of the board in accordance with the law or the articles of association.

(2) In regard to a collegial administrative body, the provisions of Section 97 of this Law shall be applicable.

## **Section 99. Restriction for members of the board and other administrative bodies**

(1) If the interests of the foundation are in conflict with the interests of a member of the board or other administrative body, his or her spouse, relative or in-law, with kinship to the second degree and affinity to the first degree, the issue shall be decided at a meeting of the body at which the member concerned of the administrative body may not participate in discussions of the issue, and also shall not have voting rights, and such shall be recorded in the minutes of the meeting of the administrative body. A member of the administrative body has the responsibility to announce such interests before the start of the respective meeting. A member of the administrative body has the responsibility to announce such interests to the administrative body after the body meeting as well.

(2) A member of the administrative body who has violated the provision of Paragraph one of this Section, is responsible to compensate the losses incurred by the foundation.

## **Chapter X Revoking or amending the founding decision and the articles of association**

### **Section 100. Revoking or amending the founding decision and the articles of association before the foundation is registered in the register**

(1) The founder may revoke or amend the decision on founding or the articles of association.

(2) In the case of death of a founder - natural person, or closing of a founder - legal person, the other founders do not have the right to revoke the founding decision, if the founding decision or other agreement of the founders does not provide otherwise.

### **Section 101. Amending the articles of association after the foundation is registered in the register**

(1) After the foundation is registered in the register, amendments to the articles of association may be made only by the board. The board may make amendments to the articles of association only in the cases provided for by the articles of association, or if the need for amendments is justified by the fact that the conditions, from which the objective of the foundation arose, have changed.

(2) The articles of association may provide that amendments to the articles of association require the consent of another administrative body.

(3) Amendments to the articles of association shall come into force from the time they are adopted unless the decision provides otherwise, and in regard to third parties, only after the articles of association are registered in the register.

(4) When applying for amendments to the articles of association to be entered into the register, the minutes of the board meeting with the decision to amend the articles of association, a document which certifies the consent of another administrative body to the amending of the articles of association (if so prescribed by the articles of association) and the full text of the revised articles of association shall be attached.

## **Chapter XI Annual report and control of a foundation**

### **Section 102. Annual report of a foundation**

At the end of the reporting year, the board shall prepare and submit an annual report in accordance with the provisions of Section 52 of this Law.

### **Section 103. Rights of control of donors**

Persons who donate to the foundation may at any time find out about the activities of the foundation, and familiarise themselves with all documents, except accounting documents and information on other persons who have made donations to the foundation.

## **Chapter XII Termination of activities, liquidation and reorganisation of a foundation**

### **Section 104. Basis for termination of activities of a foundation**

The activities of a foundation shall be terminated:

1) with a court decision;

- 2) when the term of operation ends (if the foundation is founded for a specific period of time);
- 3) upon initiating bankruptcy proceedings for the foundation; or
- 4) on the basis prescribed by another law or the articles of association.

**Section 105. Termination of activities of a foundation with a court decision**

(1) The activities of a foundation shall be terminated, based on a court decision:

- 1) if the objective of the foundation has been achieved or its achievement has become impossible, and the articles of association do not prescribe the right for the board to change the objective of the foundation, or the board has not received the consent of other administrative bodies to change the objective (if so provided for in the articles of association);
- 2) if the operations of the foundation are in contradiction to the Constitution, laws or other regulatory enactments;
- 3) if the operations of the foundation are not in accordance with the objective set out in the articles of association;
- 4) if business operations with a profit gaining nature have become the basic activity of the foundation; or
- 5) in other cases prescribed by law.

(2) In the case set out in Paragraph one, Clause one of this Section, the application for terminating the activities of the foundation shall be submitted by the board.

(3) In the cases set out in Paragraph one, Clauses 2-5 of this Section, the application shall be submitted in court by a prosecutor or a State Revenue Service Territorial Institution if the foundation:

1) after receiving a written warning, has not eliminated the violations within the time period set out in the warning. The time period for eliminating violations shall be not less than 15 days and not longer than three months; or

2) repeatedly commits a violation within one year of receiving a warning, especially in its public activities.

(4) At the request of the applicant, the court may prohibit the foundation to carry out public activities or other activities until the final decision is adopted. The decision may be appealed in accordance with the procedure prescribed by the Civil Law.

(5) The decision to prohibit the public activities or other activities of the foundation shall be sent to the register institution in order for an entry to be made in the register.

(6) The court, taking into consideration the severity and consequences of the violation, and also evaluating the overall objective and activities of the foundation may limit itself to issuing a warning but not terminating its activities.

#### **Section 106. Termination of activities of a foundation upon initiating bankruptcy proceedings**

The procedure according to which activities of a foundation shall be terminated in the event of bankruptcy shall be regulated by a separate law.

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

(1) The provisions of Chapter VI of this Law on the liquidation of an association shall be respectively applicable to foundations insofar as is not otherwise prescribed in this Chapter.

(2) Liquidation shall be carried out by members of the board if the articles of association do not prescribe otherwise. If liquidation is carried out by other persons who are not board members, the articles of association shall prescribe the procedure for appointing such liquidators.

(3) If the activities of a foundation are terminated when the conditions set out in Section 104, Clauses 2 o4 4 set in, the board shall submit a notification to the register institution

regarding the termination of activities of the foundation. The name, surname and personal identity code of the liquidator shall be attached to the notification.

(4) If the activities of a foundation are terminated based on a court decision, the court shall send the respective decision for registration in the register. Within three days of the decision coming into force, the liquidator shall submit to the register institution the information set out in Paragraph three, sentence of two of this Section.

(5) If the liquidation is carried out by board members, this fact shall be indicated in the notification or in the court decision and the information set out in Paragraph three, sentence of two of this Section shall not be attached.

(6) A liquidator may be removed by a court decision, based on the application of an interested person, with good reason, and another liquidator shall be appointed at the same time.

(7) The decision to continue operations of the foundation shall be adopted by the board or other administrative bodies provided for by the articles of association.

### **Section 108. Closing financial report of the foundation and division of assets**

(1) After satisfying the claims of creditors or depositing money intended for them, and covering the costs of liquidation, the liquidator shall prepare a closing financial report in accordance with regulatory enactments and shall divide the remaining assets of the foundation among the persons who have a right to these assets in accordance with the articles of association, if not provided otherwise by law. The assets shall be divided among these persons in equal parts unless otherwise prescribed by the articles of association.

(2) If the activities of a foundation are terminated in accordance with the provisions of Section 105, Paragraph one, Clauses 2-5 of this Law, then after covering the costs of liquidation and satisfying creditor claims the remaining assets shall be transferred to the State, for utilisation for similar objectives, except in cases when the donor has prescribed other procedures for the use of the assets in the case of liquidation.

(3) The assets of a foundation shall not be divided among the founders, members of the board or other administrative bodies, or among other persons with similar material



interests, especially spouses, relatives and in-laws, with kinship to the second degree and affinity to the first degree.

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

(1) The provisions of this Law on the reorganisation of associations shall be respectively applicable to foundations insofar as this Section does not prescribe otherwise.

(2) Reorganisation may be carried out only in the cases set out in the articles of association. The reorganisation of a foundation based on a will is not permitted.

(3) The decision for reorganisation shall be adopted by the board of each foundation involved in the reorganisation. The articles of association may prescribe that a decision for reorganisation shall require the consent of another administrative body. The decision for reorganisation shall be considered adopted if more than two thirds of the board members vote in favour of it, and if the articles of association do not prescribe a greater majority of votes. The decision shall be prepared as a separate document.

(4) The reorganisation agreement shall set out:

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

2) the consequences of reorganisation for the employees of the foundations involved in the reorganisation proceedings; and

3) in the case of division, the assets to be transferred to each foundation.

(5) If another already existing foundation is not involved in the division proceedings, the foundation being divided shall adopt a decision on division, which shall replace the agreement mentioned in this Section. In the decision on division, in addition to the information mentioned in Paragraph three of this Section, the name and legal address of the acquiring foundation and information on the division of the assets of the foundation being divided shall be set out in the decision on division. The document on the division of assets may be attached to the decision as a separate document.

(6) A document which certifies the consent of other administrative bodies to the reorganisation (if such consent is prescribed by the articles of association) shall be additionally attached to the application for registering reorganisation in the register.

### **Transitional Provisions**

1. The coming into force of this Law shall be determined by a special law.

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

This Law shall come into force on 1 April 2004.

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

President

V.Vīķe-Freiberga

Riga, 14 November 2003