

# **BUSINESS LAW**

## **Company law II**

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**BME**  
**Gazdaság- és**  
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A company may be established in the form of a

- general partnership
- limited partnership
- limited liability company
- company limited by shares (stock corporation)

# General partnership **RISKY!**

- def.: members of the partnership shall undertake to make monetary or in-kind contributions to the partnership for the purposes of its economic activities, and to bear unlimited, and joint and several liability for the obligations of the partnership not covered by its assets
- members have **joint and several liability** for the obligations of the partnership not covered by its assets
- members may be sued in court together with the partnership
- if there is judgement, first enforced against the partnership, and only if not successful, enforced against the members

# General partnership

- **supreme body** of the general partnership is the meeting of members
- each member has an equal vote when adopting resolutions
- meeting of the members adopts its resolutions by a majority of all votes that can be cast
- unanimous vote of all members required for resolutions amending the memorandum of association, and resolutions on transformation, merger, division or termination without succession

# General partnership

**Management** is performed by one or more managing directors appointed or elected from among the members

- if not elected, all members act as managing directors
- each managing director may act independently (in urgent measures)
- managing directors may object to the measures planned or taken by other managing directors >> meeting of the members may overrule the measure concerned
- planned measures should be approved by the meeting of members in advance



# General partnership

**Termination of the membership** (in addition to the cases determined among the common rules):

- a) upon the mutual agreement of the members
- b) upon its unilateral termination by the member
- c) upon the transfer of the partnership share
- d) upon the death or termination of the member
- e) upon the occurrence of any grounds for exclusion or conflict of interests
  - when settling accounts, the commercial value of his share should be paid to the former partner within three months from the date of termination of the membership
  - the former member is liable within a term of preclusion of five years following termination, for the debts of the partnership incurred prior to termination of membership in the same manner as the member during his membership

# Limited partnerships

- members of the partnership undertake to make monetary or in-kind contributions to the partnership for its economic activities, and at least one of the partners (**general partner**) assumes joint and several liability together with the other general partners for the obligations of the partnership not covered by the assets of the partnership, while there shall be at least one other partner (**limited partner**) who is not liable for the obligations of the partnership, unless otherwise provided by the law
- rules on general partnerships shall apply accordingly to limited partnerships

# Limited liability company

- a limited liability company is a company formed through the provision of an initial capital
- the liability of the members against the company is limited to the provision of their capital contributions and other contributions of pecuniary value specified in the memorandum of association
- unless otherwise provided by the law, members of the company are not liable for the obligations of the company
- it can be established by a single person (single-member company)



# Limited liability company

## Foundation

- members may not be solicited by public invitation (prohibition of public invitation)
- capital contribution of members is provided in the form of core deposits
- each member has one core deposit
- core deposits together comprise the initial capital, not less than HUF 3 million
- if the value of asset contributions exceeds  $\frac{1}{2}$  of the initial capital, it shall be made available before the registration

# Limited liability company

**Business share:** the whole of rights and obligations arising in connection with the core deposit

- consistent with their respective capital contributions
- may be owned by more than one person (jointly owned business shares) > appoint their representative
- may be transferred to third persons only if the member has paid up his capital contribution
- right of pre-emption: before the transfer the share should be offered to:
  - (1 st) to the members,
  - (2 nd) the company, or
  - (3 rd) a person designated by the company (in this order)
- transfer of business shares is executed in writing; but the memorandum of association need not be amended

# Limited liability company

**Members' meeting:** the supreme body of a limited liability company

- appoints the management
- exclusive competence for the approval to conclude contracts which take place between
  - the company and one of its members,
  - its managing director, supervisory board member, auditor, or their close relatives

# Limited liability company

## Management

- the management of a company is provided for by one or more managing directors
- any restriction or division of the power of representation vested upon the managing director, or rendering such managing director's actions conditional or subject to approval are not be effective as against third parties.

# Company limited by shares

- a company, the operations of which is based on share capital consisting of shares of a predetermined number and nominal value, where the obligation of shareholders against the company limited by shares is limited to the provision of the nominal value or issue price of the shares
- shareholders are not liable for the obligations of companies limited by shares

In Hungary two types:

- company limited by shares whose shares are listed on a stock exchange shall > public company limited by shares (20 mil. HUF)
- company limited by shares whose shares are not listed on a stock exchange > private company limited by shares (5 mil. HUF)



# Company limited by shares

- on founding a company limited by shares, no shareholders shall be recruited and no share capital shall be raised by means of public offer
- when in-kind contributions are provided, a report by an auditor or expert qualified to appraise the asset in question shall be attached to the articles of association

**stocks (shares):** equity securities representing membership rights in the issuing company, they 1) are registered, 2) have a nominal value, and 3) tradable

**dividend:** a share from the limited company's taxed profit that is available and has been ordered for distribution by the general meeting in the percentage consistent with the nominal value of their shares

# Company limited by shares

## **General meeting**

- supreme body of the company

## **Management**

- companies limited by shares are managed by boards of directors
- the board of directors it is made up of three natural persons

# Company limited by shares

- public companies limited by shares shall establish, beyond the cases specified in the common rules on companies, a **supervisory board**
- in private companies limited by shares, a supervisory board shall be established at the request of a group of shareholders jointly holding at least five per cent of the voting rights.
- public companies limited by shares shall be required to set up **audit committees** to assist the supervisory board or management board in the supervision of the financial reporting regime, selection of the auditor and in its cooperation with the auditor.

# Thank you!



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