

Carpathian Foundation - Hungary

DEED OF FOUNDATION

I. The Founder

The 'Carpathian Foundation – Karpatská Nadácia' (Letná 27, 040 01 Kosice, Slovak Republik, Registration Number: 203/Na-96/82; Laura Dittel executive director) in accordance with Articles 74/A-74/F § of the Civil Code of the Hungarian Republic establishes a foundation for an indefinite period in accordance with the letter of intent attached to the present Deed of Foundation.

II. The name and domicile of the Foundation:

1. Name of the Foundation: Carpathian Foundation - Hungary
2. Short name of the Foundation: Carpathian Foundation
3. Seat of the Foundation: 3300 Eger, Felvégi u. 53
4. The Foundation can establish representations in the other countries of the Carpathian Euroregion.

The address of the representation of the Foundation: 4700 Mátészalka, Jármi köz 1.

5. The goal and activities of the Foundation are in line with the sub articles of c/1, c/2, c/5, c/9, c/12, c/16, c/18, c/20 of the Act No. CLXXV of 2011.

Public benefit activities are addressed to meet common interests of the society and individuals.

The Foundation pursues the following public benefit activities in line with the sub article c) of Article 26. of the Act No CLVI. of 1997:

- According to the sub articles a) - b) of Article 6 Act No CLXXXIX of 2011 about local self-governments of Hungary, The Foundation provides services for public benefit organizations, a) the Foundation supports the local grass-root communities, cooperates with them, ensures active participation in local public life; b) the Foundation strengthens the self-supportive ability of the settlement, reveals its opportunities and utilize its own sources;

- According to sub article a) b)/2 of Article 3 Act No CI of 2011 about andragogy, the Foundation enhances the training, education and employment of disadvantaged groups on the labor market, and the Foundation provides that kinds of special services to these kinds of marginalized groups which is out of the public education system and usually help to improve basic skills, competencies and language knowledge.

- According to the 2. §a), b), c), d) of the Act No. CXI. of 2011 about the commissioner for fundamental rights and citizens' rights, the Foundation exerts to defend the rights of those who are in disadvantaged situation and helps them, supports their activities regarding defending, safeguarding and validating their common interests.

- According to the 13. § (1) 11.19. of the Act No. CLXXXIV. of 2011 about local self-governments of Hungary, the Foundation conducts activities regarding environmental and nature protection.

- According to 121.§ a)-b) of the Act No. XX. of 1991 about the local self-governments, and their organs, presidential assignments, and some centrally organized organs' roles and responsibilities, the Foundation conducts cultural activities.

- According to 1.§-6.§ of the Act No. CCXI. of 2011 about the protection of families, the Foundation conducts social activities, provides help for families and elderly people.

- According to 115. § d) of the Act No. CLXXIX. of 2011. about the rights of national minorities, the Foundation conducts activities regarding the interest representation and equal opportunities of national minorities, promotes their autonomy and self-organization, keeping contacts with the non-profit organizations of these communities, the Foundation promotes the preservation of cultural assets of national minorities.
- 6. The Foundation is independent from party functions and shall not provide financial aid to political parties.
- 7. The Foundation shall not be involved in direct political activities.

III. The status of the Foundation:

The Foundation has legal personality and it is a public benefit organization.

IV. The objectives of the Foundation are:

1. To enhance the collaboration of the non-profit or non-governmental organizations and local self-governments, -primarily in the rural areas of North-East Hungary- to protect the intangible, cultural values, and facilitate the regional development and the European integration of it.
2. To provide professional, technical and financial support for non-governmental organizations and local self-governments and other kinds of development institutions for their democratic and cultural initiatives.
3. To maintain counselling services, to organize trainings and conferences, to promote good relations between non-governmental organizations and local self-governments.
4. To establish and develop cross-border and inter-ethnic cooperations.
5. To promote cross-border cooperation, the sharing of information, and the replication of successful practices.
6. To encourage citizens' participation in local and regional development.
7. To promote the inter-ethnic, neighborly relationship between the countries, nations of the Carpathian Euroregion.
8. To establish, designate and grant scholarships for those persons who act in accordance with the objectives of the foundation or who promote the fulfillment of the objects of the Foundation.
9. As a grant-making foundation collaborates in implementing grant programs and in fundraising in order to assist the achievements of the aims above; supports development initiations of civic organizations, local self-governments and institutions.

To accomplish its permanent public benefit purpose the Foundation performs the following concrete activities:

Provides professional, technical and financial support:

1. to the initiatives of non-profit or non-governmental organizations and local self-governments;
2. to the establishment and development of cross-border and inter-ethnic cooperation;
3. to promote rural and regional development;
4. to community economic development programs;
5. it organizes trainings and conferences in the topics mentioned in lines 1-4, performs scientific activity and research;
6. it distributes publications and means of demonstration;
7. it maintains counselling service for non-governmental and non-profit organizations;
8. it co-ordinates and supports the activities of its partner organizations;

9. it performs such activities what are required for the accomplishment of the objectives of the Foundation.

During the above mentioned activities the Board of Directors of the Foundation can decide so that allocations of funds are bound to applications – according to the previously approved rules. In this case the call for proposals cannot include such terms that would predict any predetermined winners (considering all the circumstances of the case).

As a public benefit organization the Foundation does not allocate grants to its chief officers, supporters, volunteers and their close relatives except those services and allowances that are available for anyone without any restriction.

V. Financial sources of the Foundation:

- a) Initial assets of the Foundation
- b) Donations from Hungarian, foreigner, natural and legal person
- c) State support
- d) Incomes from programs and public solicitation
- e) Incomes from the activities of the Foundation
- f) Interest
- g) Incomes from investment activities
- h) Other sources

VI. The initial capital of the Foundation:

The initial capital of the Foundation is 7.000.- seven thousand USD (American dollar) cash money, which is taken into a deposit account of the HVB Bank Rt. Eger within 60 days by the execution of this Deed of Foundation.

Utilization of the incomes and assets:

1. The Foundation can provide financial and moral sources in accordance with the purposes of the Foundation. It may be fulfilled through conduction of tenders, granting or other way.
2. The Foundation is liable to utilize its income and assets for the accomplishment of the purposes described in the Deed of Foundation

VII. The Board

1. The Board with 3 members is the supreme organ of the Foundation.
2. The members and the chairperson are entitled by the Founder at the time of the execution of this Deed of Foundation:

Chairperson: Sándor Köles (1118 Budapest, Törökugrató u. 6.)
Zsolt Szekeres (1126 Budapest, Hollósy Simon u. 10.)
Boglárka Bata (3300 Eger, Tittel Pál u. 2.)

3. The function and competence of the Board:
The Board is the supreme generally prevailing administrative, representative and asset manager organ. The function of it is to accomplish the purposes and to manage the

utilization of the assets in accordance with the object of the Foundation and with the legal prescriptions, and economic laws.

The Board shall decide:

- a) On the utilization and management of the assets of the Foundation. As well as the approval of documents and rules regulating that.
- b) On the conditions and judgement of the tenders and call for proposals to be announced by the Foundation.
- c) The approval of the donations granted to the Foundation.
- d) The approval of the assets and the values of law.
- e) The approval of the annual operational report and the public benefit attachment presented about the preceding year;
- f) Approval of the budget and the strategic plan applicable for the next year;
- g) The establishment of the guidelines for the operation of the staff and the tasks and budget thereof.
- h) Decision in each topic which does not belong to the powers of another organ or person by virtue of the stipulations of the legal regulations in force and/or the prescriptions of the Deed of Foundation or occasionally approved internal statutes.
- i) The approval and establishment of the wage and cost compensation of the Executive Director and the granting of cost compensation to the members of the Board;
- j) The election and dismissal of the Executive Director.
- k) Determine and evaluate the activities of the Executive Director.
- l) Ratify and if necessary modify the programs of the Foundation.

The Board:

- a) Co-operates with the local, national and external organizations.
- b) Promotes the opportunity of joining to and supporting the Foundation.
- c) Co-operates with the local, national and external foundations.
- d) Makes coverage about its functioning.

Calling the Board meeting:

The Board holds its meetings as it is necessary but at least once a year.

It is the liability of the Chairperson of the Board or the Supervisory Board - according to the VIII. of this present deed - to call the meeting in written form and the communication of the agenda and the proposals to the members and other persons who are concerned in advance at least 7 days preceding the planned date of the meeting.

For the request of the 2/3 of the Board, or for the request of at least two members of the Board, the Board meetings must be called by the Chairperson. In these cases the initiators' names, their reasons for the calling must be presented beside the planned agenda.

In urgent cases, the meeting can be also called on telephone or via e-mail.

The quorum of the Board:

The Board has a quorum when more than a half of the members are present at the meeting; otherwise the meeting has to be called again in 8 days.

In hindrance of a member the Chairperson, in hindrance of the Chairperson a requested member or in absence of a request that member whose name comes ahead in word-order is entitled to launch electronic voting about the previously sent agenda without holding a meeting.

The way of the quorum:

The Board meeting is led by the Chairperson. In hindrance of the Chairperson one of the requested members is the expletive person.

The consent of the simple majority of the members present is necessary for passing decisions. The Board decides on the agenda. When new point is initiated to be included into the agenda the Board has to decide with solid vote.

When members cannot decide on a regular meeting then they are obliged to send their written vote within eight days via electronic or surface post to the Chairperson, to the members and to the appointed minutes keeper.

When the Board of Directors has no quorum on a second meeting, the expletive chairperson has to send all the documents that are necessary for the quorum and the minutes to the members electronically and by post within 8 days. Members are obliged to send their votes electronically or by post to the Chairperson, to the members and to the appointed minutes keeper within 8 days after receiving the documents.

The way of electronical voting of the Board:

In a long-lasting hindrance of a member the Chairperson, in hindrance of the Chairperson a requested member or in absence of a request that member whose name comes ahead in word-order is entitled to launch electronic voting about the previously sent agenda.

Chairperson or member who requests electronic meeting is obliged to send all the documents that are necessary for the decision and the quorum and a request for vote electronically or by post.

Members are obliged to send their votes to the Chairperson, to the members and to the appointed minutes keeper electronically or by post within 8 days after receiving the documents.

Recording the resolutions of the Board

A trustee requested by the Chairperson of the Board has to put the resolutions of the meetings and the electronic voting in writing.

The Minutes shall contain:

- a) the place and the date of the meeting,
- b) the names of the attendants,
- c) the quorum and the scope of the resolutions of the Board,
- d) the number and name of the members who vote for or against the proposal,
- e) the name and the signature of the keeper of the Minutes.

The appointed keeper of the Minutes is obliged to record the details of electronic voting that includes:

- a) the reason of electronic voting;
- b) themes;
- c) name of the person who requested the voting;
- d) date of posting and sending the request for vote;
- e) date of receiving the votes;
- f) rates and names of those who vote for or against the proposal;
- g) the quorum and the scope of the resolutions, as well as the date of validation;

h) the name and the signature of the keeper of the Minutes

The Executive Director is responsible for drafting the protocols of the meetings and for putting the resolutions in writing and manages Minutes. The Minutes includes the content, date and scope of the resolutions of the Board, and the number and name of the members who vote for or against the proposal.

Publicity obligations

The meetings of the Board are publicly held. In every case the Chairperson decides on invitations.

Anyone can have a look at paper based documents according to the public benefit status at the seat of the Foundation on the previously agreed time.

The Board informs the persons who are concerned about its decision in written form in 30 days and makes the resolutions public in specialist periodical and on the website of the Foundation.

Membership of the Board

Those people shall be allowed to be the member of the Board, who are Hungarian citizens with a clean record, and are not under the prohibition of practicing public affairs and who are entitled by the Founder in this Deed of Foundation.

Beneficial or his/her close relatives cannot be members of the Board; the Founder and his/her close relatives cannot have majority in the Board.

The members of the Board of Directors are elected for an indefinite period.

The member of the Board is obligated to promote the accomplishment of the purposes of the Foundation, to be impartial in the decisions and take part in the meetings. In case when a member is absent without leave in two meetings of three years, or jeopardize the function or the purposes of the Foundation the Board may initiate the revocation of that member.

All the documents come into being in connection with the operation of the Foundation as a public benefit organization shall be accessible by the member of the Board.

Wages to the members and Chairperson of the Board for the performance of their work shall not be provided but upon the decision of the Board they are entitled for the compensation of such costs that are justified properly as required by the accounting rules.

The membership terminates in the case of:

- renouncement,
- revocation,
- death,
- termination of the Foundation,
- the court delegates a new controlling organ (committee).

VIII. Supervisory Board

The operation and the management of the Foundation are supervised by the Supervisory Board.

The members of the Supervisory Board:

- Benedek Márk Dr. Varsányi (1112 Budapest, Törökbálint út 4.)

- Annamária Uzelmann (1201 Budapest, Átlós utca 80/A)
- Árpád Nemes (1133 Budapest, Visegrádi u. 93 D, II/8.)

The members of the Supervisory Board are elected by the Founder for a 5 year definite period.

- The operation and the management of the Foundation are supervised by the Supervisory Board. The Supervisory Board shall enquire information from the director or the staff of the Foundation about its functioning, and they can examine the documents of the Foundation. The members of the Supervisory Board are allowed to attend on the Board meetings with right of discussion.
- The intervention of the Supervisory Board will be necessary in case of:
 - a) An infringement of the law, collision with the interests of the Foundation or an omission during the operation of the Foundation. To obviate or relieve the effects of these incidents the Board should make a decision.
 - b) A substantiated evidence of the responsibility of executive officers occurs to hand.
- The Board has to hold a sitting within 30 days for the suggestion of the Supervisory Board. If it does not happen in 30 days, the Supervisory Board is liable to call the Board together.
- The Board has to function legally; otherwise the Supervisory Board is liable to inform the organ responsible for the legal supervision.
- The members and the Chairperson of the Supervisory Board are entitled by the Supervisory Board.
- The Supervisory Board holds its sittings when the Board requires it but at least once a year.
- The Chairperson of the Board has to attend on the Supervisory Board meeting with right of discussion.
- The Supervisory Board has a quorum when all of the members are present at the meeting.
- The consent of the simple majority of the members present is necessary for passing decisions.
- A trustee has to take the Minutes which include the number and name of the members and the results of the vote.
- The Chairperson of the Supervisory Board has to sign the Minutes and confirm it with a member.
- The detailed rules of the Supervisory Board are determined by the regulations of the Supervisory Board.

IX. The Executive Director

The election and dismissal of the Executive Director or the establishment of the wage thereof belong to the powers of the Board by virtue of the regulations of sub chapter VII/3. of this deed. The Executive Director may resign from its office with a written statement in any occasion without reasoning and application of notice period.

The Executive Director is responsible for:

- a) the execution of the strategic plan approved by the Board;
- b) the preparing of the draft of the budget of the forthcoming year and presenting that to the Board for the purpose of discussion and approval;
- c) the preparation of a report to the Board made about the operation of the Foundation;

- d) the preparation of the meetings of the Board and the Supervisory Board if it is elected at all and the execution of the resolutions of these organs;
- e) the submitting of the proposals to the Board regarding the staff of the Foundation;
- f) the decision about the wages and cost compensations provided to the members of the staff;
- g) presentation of the proposal to the Board regarding the activity of the Foundation planned to be performed in the forthcoming year;
- h) organization of the fundraising activity of the Foundation;
- i) promoting the accomplishment of the purposes of the Foundation in a general manner;
- j) the accomplishment of such tasks that are prescribed for him by the Deed of Foundation or the resolution of the Board.

X. Conflict of interest of the executive officers (Members of the Board of Directors and Supervisory Board):

An executive officer can be a person of age whose ability to act is not limited.

Who committed crime and sentenced to absolute imprisonment shall not be executive officer until one is released of the consequences of the criminal record.

Who is forbidden from undertaking such occupations shall not be executive officer. Who is banned from any profession by final court, during the scope of the prohibition executive officer of activities specified in the judgment shall not be representative of a legal entity. One cannot be an executive director until the deadline of the prohibition set in the declaration of the decision.

Not allowed to be chairperson, member or accountant of the Supervisory Board who is:

- a) the executive director or the member of the organization,
- b) being employed by the organization,
- c) entitled to get paid grants from the public benefit organization - except non-pecuniary services which may be used by anyone without restriction, and except if this person gets paid grant by virtue of his/her membership in this organization,
- d) close relatives of the persons determined in point a)-c)

A person who has been in a management position, for at least one year within two years prior to the dissolution of a public benefit organization which has left any public debt according to the Act on the Rules of the Procedures of the Taxation, shall not be allowed to take office in a management position of another public benefit organization for two years following the aforementioned dissolution.

An executive officer, or person nominated as such, shall be required to notify all public benefit organizations in advance if he is employed in the same position at another public benefit organization at the same time.

A person who has been in a management position, for at least one year within two years prior to the dissolution of a public benefit organization which has left any public debt according to the Act on the Rules of the Procedures of the Taxation, shall not be allowed to take office in a management position of another public benefit organization for two years following the aforementioned dissolution.

An executive officer, or person nominated as such, shall be required to notify the Board if he is in management position of another public benefit organization at the same time.

Executive officers by right of this Deed of Foundation are: the chairperson and members of the Board and the Supervisory Board.

A person may not take part in a Board resolution, if, by virtue of such resolution, he or a close relative or spouse of his:

- a) is released from obligations or liabilities,
- b) or receives any benefit or otherwise interested in the legal transaction.

Services (other than money) according to the public benefit activities that are available for anyone without any restrictions are not considered as a benefit.

XI. The representation of the Foundation

1. The Foundation is represented by the Chairperson of the Board and the Executive Director elected by the Board with a separate resolution who both can act independently as representatives of the Foundation.
2. The powers pertaining the bank account of the Foundation may be exercised jointly by the Chairperson of the Board and the Executive Director elected by the Board with a separate resolution. The Board with a separate resolution may authorize another employee (in an employment or other related relationship) of the Foundation with the joint exercising of the powers pertaining the bank account.
3. The power of remittance on accounting documents may be exercised independently by the Executive Director elected by the Board with a separate resolution.
4. The employment powers over the members of the staff are exercised by the Executive Director.
5. The Board is entitled to pass resolutions regarding the way and range of the power of representation provided to the Executive Director as an employee of the Foundation and to any other employee of the Foundation.

XII. The public benefit report, attachment and annual report:

The Foundation as a public benefit organization shall prepare an annual report, account and a public benefit attachment on public benefit activities simultaneously upon approval of the annual report until 31 May of the year succeeding the respective year.

The approval of the public benefit report belongs to the exclusive power of the Board.

The public benefit report contains:

- a) accounting statement;
- b) use of support from the state budget;
- c) report on the use of assets;
- d) report on the paid grants;
- e) report on the support from the governmental organizations
- f) report on the allowance for executive officers
- g) report on the public benefit activities

XIII. Reporting obligation:

The Foundation shall make its annual report with the public benefit attachment made regarding the respective year on the website. The annual public benefit report is accessible by

anyone at the office of the Foundation on a previously agreed time, and can make a copy for one's own cost.

XIV. Investment activity of the Foundation:

The Foundation shall intend to engage in investment activity in order to achieve its public benefit purpose without endangering them. Investment activity of the Foundation should be as written in the investment rules approved by the Board of Directors.

XV. The management of the Foundation:

The Foundation is liable to utilize its income and assets for the accomplishment of the purposes described in the Deed of Foundation. The Foundation is authorized to perform business activity secondarily, subordinated to its permanently public benefit purposes and public benefit activities and only to the extent that is considered reasonable for the accomplishment thereof.

The Foundation as a public benefit organization shall conduct entrepreneurial activities solely in the interest of and without jeopardizing its public benefit objectives and shall not distribute its business profits, but rather shall utilize such profits for the activities defined in its instrument of constitution.

The Foundation as a public benefit organization shall register its revenues and expenses derived from public benefit and business activities separately.

The Board shall decide in the utilization of the assets of the Foundation in accordance with the purposes of this Deed of Foundation.

XVI. Termination of the Foundation:

1. The Foundation terminates in case of Articles 3:403§ - 3:403§ of the Civil Code of the Hungarian Republic; also the usage of the financial sources is regulated according to that.
2. When the Foundation terminates without a legal assignee, the Founder decides to transfer the money to Friends of Carpathian Foundation after paying all the holders of debt claim.
3. The Foundation terminate the day of the cancellation of the Court registration.

XVII. Closing provisions:

1. The function of the Foundation is public. All the documents come into being in connection with the operation of the Foundation as a public benefit organization, and the annual report and the public benefit attachment shall be accessible by anyone.
2. The Deed of Foundation is approved by the Founder and come into force on the day of approval.
3. Foundation is established when it has been registered by the Court.

Original date: February 07, 2002

Date of the last modification: September 8, 2015

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Carpathian Foundation – Karpataska Nadacija

Laura Dittel

Director

Founder