

Law firm KAŇKA & ŠAFKA, advokáti s.r.o. wishes to inform you about select changes in legal regulations concerning limited liability companies ("SRO") effective from 1st January 2014.

SRO CHAINING

The new legislation lifts the ban on SRO chaining. It will newly be possible for an SRO with a single shareholder to be the sole founder and shareholder of another SRO.

SHARE CAPITAL

Minimum share capital of SRO (CZK 200,000 today) will be no longer required. Minimum deposit of a shareholder will be CZK 1.

SHARE

It will be possible for one shareholder to own more than one share in one SRO. It will also be possible to establish various kinds of shares, by allowing it in Memorandum of Association (Establishment Deed). Besides the basic share (i.e. the share with no special rights or obligations attached) it will be possible to issue for example

- share with a priority right to the share of profits payment or with a fixed share of profits (for such share the right for payment of profits will arise every year, provided that the company generated a profit, regardless of whether the General Meeting decided on the distribution of profit or not);
- share, which will be associated with an obligation to participate actively in the business of the company, etc.

The prevailing legal opinion is that for other types of shares it will be possible to add specific rights and obligations but not withdraw them. It will also be necessary to maintain the prohibition of undue favoring / discrimination.

SHARE AND JOINT PROPERTY OF SPOUSES

If a shareholder of company becomes the shareholder in the duration of marriage, the share will become part of joint property of spouses. It is deduced from the new legislation that it is not only the part of share as a property value, but both spouses will become a joint shareholder. It is also deduced, that this rule shall also apply to shares established before January 1, 2014.

SHARE AND KMENOVÝ LIST

It will be possible to arrange for a shareholders share to be represented by a specific security ("kmenový list") in Memorandum of Association / Establishment Deed. Kmenový list will be a physical security and it will be possible to issue it only to a share which transferability will not be limited or conditional.

ADDITIONAL CONTRIBUTION

The shareholder will be entitled to provide a so called voluntary additional contribution outside the share capital, without requiring an approval decision of the General Meeting, which was drawn up by notarial deed. Henceforth only the consent of the executive director will be required. High costs often associated with the drafting of a notarial deed will therefore not occur. It will also be possible to provide the additional contribution in non-monetary form, whereas the provisions on non-monetary deposit shall similarly apply.

REZERVNÍ FOND

Current legal regulation of reserve fund is cancelled; henceforth the SRO won't be required to create a reserve fund. It is however deduced, that it will be possible to cancel the existing reserve fund

only if the reserve fund is not included the in Memorandum of Association (Establishment Deed); or rather when it will be removed by the decision to amend the Memorandum of Association (Establishment Deed).

CHANGE OF MEMORANDUM OF ASSOCIATION

Please note, that the General Meeting will be able to change the Memorandum of Association only if it will be explicitly permitted in the Memorandum of Association. Otherwise, it will be possible to change the Memorandum of Association only by an agreement of all shareholders (unanimous consent will therefore be required). We therefore recommend to change the Memorandum of Association adequately before 31.12.2013.

REPRESENTATION AT THE GENERAL MEETING

Representation of shareholder at the General Meeting by proxy will still be possible. We would like to, however, draw attention to the problematic provision whereby apparently, if the decision of the General Meeting will require to be documented by a notarial deed, the proxy will also have to be granted in the form of a notarial deed.

WITHDRAWAL OF A SHAREHOLDER

The shareholder will be newly entitled to withdraw from the company under certain conditions. These are mainly (i) disagreement with the imposition of additional contribution obligation or (ii) disagreement with the change in the predominant nature of the company's business.