

# **Contract to transfer share in limited liability company**

## **Summary**

Purpose of this diploma thesis is to draw attention to selected aspects of a contract to transfer a share in a limited liability company and to outline possible solutions to several interpretation issues arising out of the Act on Business Corporations.

In the first chapter the author describes a change introduced by the Act on Business Corporations that allows creation of different types of shares in a limited liability company. Different rights and obligations may be connected with such shares. The author focuses on the division and description of selected rights and obligations and their impact on the content of the contract to transfer a share in a limited liability company.

In the second chapter the author describes the contract to transfer a share in a limited liability company from the parties' point of view and their motivation to enter into such contract. The author of this thesis also compares the contract to transfer a share in a limited liability company with the acquisition of the company's assets and focuses on their practical advantages and disadvantages. Furthermore, the second chapter outlines possible contract types that may be used for transfers of a share in a limited liability company.

The third chapters deals mainly with common practice that has been established in major deals where the transfer of a share is divided into two steps. Firstly, a long form share purchase agreement is entered into by the contract parties. Such agreement contains the conditions of the transfer of a share and makes the transfer conditional on the conclusion of a short form share purchase agreement by which the obligation to transfer the share is satisfied. The author focuses also on withdrawal from the contract to transfer a share in a limited liability company. The Act on Business Corporations deals with the form of the contract and its effectiveness only with respect to the company. Therefore, a dispute has arisen whether the contract to transfer a share in a limited liability company may be entered into orally with effect only between the parties. The author offers a possible solution to this dispute in the third chapter.

The fourth chapter focuses on the essentials of the contract to transfer a share in a limited liability company. Greater attention is dedicated to issues whether the long form share purchase agreement must contain notarized signatures or whether the short form share purchase agreement must contain the sales price. Furthermore, common provisions of the contract to transfer a share in a limited liability company are also described in this chapter.

The Act on Business Corporations has introduced the option to incorporate its shares in membership certificates. The fifth chapter focuses on individual aspects related to the transfer of membership certificates and their impact on the contract to transfer a share in a limited liability company.

**Keywords:**

Contract to transfer share in limited liability company, limited liability company, share