

# **Expulsion of Shareholder and Termination of his Participation in Limited Liability Company**

## **Summary**

The goal of my thesis is to analyse the legal regulation regarding expulsion of shareholder and termination of his participation in limited liability company in the Czech Republic and to attempt to address some of its problems and by so doing contribute my part to the general discussion of this topic. I have chosen this subject because I consider it interesting and because it is not given enough attention by legal professionals. The paper analyzes relevant case law, books and articles and makes recommendations for changes of legal regulation and of the approach of courts.

The thesis is composed of five numerated chapters, each of them dealing with one of the methods of cessation of participation, plus Introductory and Closing Chapter.

The Introductory Chapter describes the main purposes of the thesis.

Chapter One is concerned with the introduction to the principles of company law that are important for the ideas of the thesis. Terms “limited liability company”, “articles of association”, “participation in the company” and “creation and cessation of participation” are covered in respective parts of the chapter.

Chapter Two is rather short and deals with the termination of participation of shareholder by agreement of all shareholders.

Chapter Three is one of the main parts and looks at the expulsion of shareholder by the general meeting of the company. This chapter starts with the description of the main ground for expulsion, i.e. the duty of shareholder to provide consideration for shares. Then it discusses the consequences of shareholder’s failure to comply with this duty, the most important of which is the expulsion. Subsequently the chapter shows ideas for the future which are compared with the newly proposed legislation. Finally the duty to pay additional contributions to the company’s capital is addressed.

Chapter Four is also an important part of the thesis and concentrates on expulsion of shareholder by court's decision. Part One of this chapter examines the shareholder's duties and the conditions under which it is possible to expulse a shareholder. The thesis presents opinions of legal authorities and relevant case law. Part Two then focuses on proposal of new legislation.

Chapter Five is an analysis of legal regulation of termination of participation of shareholder by court's decision. At most part it deals with broad case law that is available on the subject. The paper systematizes the court's decisions and extracts the principles governing the application of legal regulation. Attention is also given to the proposal of new legislation and to the termination of participation of heir that inherited a share in the company.

Conclusions are drawn in the Closing Chapter and it is suggested that the courts should better apply the legislation to make it more useful for shareholders and companies.