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ACT No. 248/1995 Coll. of 28th September 1995 on
Public Benefit Corporations and on the Change and Amendment of Some
Laws

in the text of amendments by Acts No. 288/2002, 328/2002, 437/2003,
296/2007, 126/2008, 227/2009, and 231/2010

The Parliament has enacted the following law of the Czech Republic:

PART ONE

SECTION I

CHAPTER I

BASIC PROVISIONS

Article 1

This Act regulates the status and legal relations of the Public Benefit Corporation.

Article 2

- 1) The Public Benefit Corporation shall be a juridical person,
 - a) which has been established under this Act,
 - b) which renders generally beneficial services to the general public under predetermined and to all clients identical conditions and
 - c) the economic result (profit) of which must not be used for the benefit of its Founders, members of its bodies or employees and must be used to rendering the generally beneficial services for which the Public Benefit Corporation has been established.
- 2) The name of the Public Benefit Corporation shall have to include the text: 'obecně prospěšná společnost [Public Benefit Corporation]' or its abbreviation 'o.p.s.'. No other persons shall be entitled to use this identification in their name or business firm name.

CHAPTER II

ESTABLISHMENT AND INCORPORATION OF A PUBLIC BENEFIT CORPORATION

Establishment of a Public Benefit Corporation

Article 3

The Founders of the Public Benefit Corporation may be natural persons, the Czech Republic or juridical persons.

Article 4

- 1) The Public Benefit Corporation is established by the Agreement on Establishment

signed by all Founders. Signatures of all founders shall be made under office. In the case of a single Founder, the Agreement on Establishment shall be replaced by the Deed of Establishment drawn up in the form of a public notary record.

2) The Deed of Establishment or the Agreement on Establishment (hereafter only "the Deed of Establishment") shall include the following:

a) the name, seat and identification number of the Founder, be it a juridical person or the name or names and family names, birth number eventually the birth date of a foreigner, if the birth number was not issued, and the permanent address of the Founder be it a natural person,

b) the name and seat of the Public Benefit Corporation,

c) the sort of publicly beneficial services the Public Benefit Corporation is envisaged to render,

d) the terms and conditions applicable for rendering of particular sorts of publicly beneficial services,

e) the period of time for which the Public Benefit Corporation is being established, unless it is being established for an indefinite period of time,

f) the name or names and family names, birth numbers eventually the birth date of a foreigner, if the birth number was not issued and permanent addresses of the members of the Board of Directors,

g) the name or name and family name, birth number and permanent address of the Executive Director of the Public Benefit Corporation (hereafter only "the Director"); in case of a foreigner, the name eventually names and family name, the birth number or the birth date, if the birth number was not issued, permanent addresses abroad and address of dwelling on the territory of the Czech Republic,

h) the names or names and family names, birth numbers and permanent addresses of the members of the Supervisory Board; in case of a foreigner, the name eventually names and family name, the birth number or the birth date, if the birth number was not issued, permanent addresses abroad and address of dwelling on the territory of the Czech Republic,

i) the value of and description of property contributions of individual founders, if contributed; in case of a non-monetary contribution determination of its character and value assessment prepared by a licensed assessor,

j) determination of the possibility to provide remuneration to members of the Board of Directors and Supervisory Board with the manner of deciding about the value of the remuneration,

k) the value and description of the assets endowed by individual Founders; in the case of a non-monetary endowment, the specification of the property object and the its evaluation rendered by an authorized expert,

3) The Deed of Establishment may further determine in particular

a) conditions for making changes in given sort of rendered publicly beneficial

services,

b) manner in which act the Board of Directors and the Supervisory Board,

c) manner in which a given number of members of the Board of Directors, eventually of the Supervisory Board are elected or appointed upon proposal of a certain circle of citizens or upon proposal of a certain juridical person, an authority of the territorial unit self-government or an authority of the state administration,

d) determination of the possibility of a repeated membership in the Board of Directors,

e) reasons applicable by a founder in case of recalling a member of the Board of Directors,

f) conditions under which the property contributed or donated by a founder may be alienated or mortgaged.

4) The Deed of Establishment may also specify a receiving Public Benefit Corporation entitled to take over the liquidation balance, which remains after winding-up the Public Benefit Corporation with liquidation; it may also specify that such a receiving Public Benefit Corporation shall be determined by the Board of Directors in its resolution on winding up the Public Benefit Corporation. The Deed of Establishment may also exclude the transfer of rights and obligations of the founder on another person.

Incorporation of the Public Benefit Corporation

Article 5

1) The Public Benefit Corporation comes into existence by the date of incorporation in the Public Benefit Corporations Register (hereafter only "the Register"). The Register shall be maintained by the court charged under the special law [1] with maintaining the Commercial Register (hereafter only "the Registering Court").

2) The Proposal of Incorporating the Public Benefit Corporation in the Register (hereafter only "the Incorporation Proposal") shall be submitted by a Founder or a person authorized in written to do so. To the Incorporation Proposal must be attached the Deed of Establishment and the document showing the incorporation and continuing existence of the Founder, be it a juridical person. The Incorporation Proposal has to be submitted not later than 90 days after the establishment of the Public Benefit Corporation.

3) The data entered into the Register [upon incorporation] shall include the following items:

a) the business name, the seat and the identification number [2] of the Public Benefit Corporation; the identification number shall provide to the Register the custodian of the Basic Register of Persons [2].

b) the name, seat and the identification number of the Founder be it a juridical person or the name eventually names and family name, the birth number, eventually the birth date of a foreign founder, if the birth number was not issued, and the permanent address of the Founder, be it a natural person,

- c) the name eventually names and family name, the birth numbers and the permanent addresses of the members of the Board of Directors; in case of a foreigner, the name eventually names and family name, the birth number or the birth date, if the birth number was not issued, permanent addresses abroad and address of dwelling on the territory of the Czech Republic,
- d) the name or name and family name, birth number and permanent address of the Director; in case of a foreigner, the name eventually names and family name, the birth number or the birth date, if the birth number was not issued, permanent addresses abroad and address of dwelling on the territory of the Czech Republic,
- e) the sort of publicly beneficial services for the rendering of which the Public Benefit Corporation has been established, and the subject of complementary activities if these are to be pursued (Article 17),
- f) the name eventually names and family name, the birth numbers and the permanent addresses of the members of the Supervisory Board; in case of a foreigner, the name eventually names and family name, the birth number or the birth date, if the birth number was not issued, permanent addresses abroad and address of dwelling on the territory of the Czech Republic,
- 4) If the Public Benefit Corporation is envisaged to pursue operations for the pursuance of which special preconditions are required to be met, or the manner in which such operations shall be pursued must be specified, the Founder shall be obliged to prove fulfillment of these facts [2a].
- 5) Unless stipulated otherwise by this Law, the relevant Articles of the Commercial Code [3] and the Civil Court Rules Code [4] related to the Commercial Register maintenance regulate the matters concerning the Register.

Article 6

- 1) The Founder of the Public Benefit Corporation shall act in all matters related to the establishment of the Public Benefit Corporation and on its behalf until its incorporation. If there is more than one Founder, they shall act jointly or the one of them who was authorized to do so in writing.
- 2) The obligations resulting from the acts of the Founder according to above Par. 1 shall be transferred to the Public Benefit Corporation from the moment of its incorporation. Within the term of three months, the Public Benefit Corporation may reject such obligations that would prevent it from fulfilling the purpose for which it was founded. In such a case, the Founder or the Founders shall be made liable for the rejected obligations jointly and severally.

CHAPTER III

WINDING UP, LIQUIDATION AND CANCELLATION OF THE PUBLIC BENEFIT CORPORATION

Article 7

- 1) The Public Benefit Corporation shall be considered cancelled beginning from the date it has been erased from the Register.
- 2) The cancellation of the Public Benefit Corporation shall precede its winding up with or without liquidation. ~~No liquidation is required if the Public Benefit Corporation is being dissolved by amalgamation, merger or split-up; for the dissolution of the wound-up Public Benefit Corporation and the cession of rights and duties the Article 69 of the Commercial Code shall apply accordingly.~~
- 3) **The domestic unification by merging of a Public Benefit Corporation is possible only with another Public Benefit Corporation; cross-boarder unification is not allowed. Split of a Public Benefit Corporation is allowed only when it results in new Public Benefit Corporations; other legal forms resulting from a split are not allowed. When processing according to the first and second sentence, the provisions regulating domestic unifications and splits of the Act on Changes of Legal Forms of Commercial Companies and Cooperatives shall be applied.** ~~Public Benefit Corporation may amalgamate or merge with another public benefit corporation, only. The Public Benefit Corporation may split up to form other public benefit corporations, only.~~

Article 8

- 1) The Public Benefit Corporation is wound up
 - a) upon the expiration of the time for which it was established,
 - b) upon accomplishment of the purpose for which it was established,
 - c) by the date specified in the Board of Directors resolution on winding up the Public Benefit Corporation,
 - d) **by domestic unification by merging or by splitting,** ~~amalgamation or merger with another public benefit corporation or by splitting up into two or more public benefit corporations,~~
 - e) by the date specified in the Court Ruling on the wind up of the Public Benefit Corporation, otherwise by the date such Ruling becomes legally effective,
 - f) by the date of proclamation of bankruptcy procedures related to its assets. ~~or rejection thereof on grounds of insufficient assets.~~
- 2) The Board of Directors must inform in writing the Founder on the resolution referred to under Par. 1, Item c) in less than two (2) months before the date on which the Public Benefit Corporation is to be wound up. In the case, when this condition is not met, the aforesaid resolution is considered ineffective. Before the Public Benefit Corporation is wound up according to the resolution of the Board of Directors, the Founder may modify or cancel that resolution. However, when doing so, the Founder has to make arrangements allowing for the continuation in operations of the Public Benefit Corporation at least in the scope **that allows fulfilling the obligations of the Public Benefit Corporation.** ~~, which corresponds to the reasons for which the resolution of the Board of Directors was modified or cancelled.~~
- 3) If the resolution of the Board of Directors was modified or cancelled by the

Founder in the time when the decision has already been reported to the Registering Court, the Court must be also notified about that Founder's decision. Under such circumstances, the previous motions of the Board of Directors of the Public Benefit Corporation for liquidation or appointments of the Liquidating Officer are considered ineffective.

4) Acting upon the motion of a governmental agency, the Founder or the person proving legal interest, the Court shall decide on winding up of the Public Benefit Corporation and on its liquidations if:

a) no meeting of the Board of Directors of the Public Benefit Corporation took place in the last year;

b) no bodies of the Public Benefit Corporation were appointed and the term of office of the lastly appointed bodies of the Public Benefit Corporation had expired by over a year ago;

c) the Public Benefit Corporation has failed to render the publicly beneficial services specified in its Deed of Establishment for over six (6) months;

d) the quality, scope and availability of the publicly beneficial services for the rendering of which the Public Benefit Corporation was established has been repeatedly jeopardized during the last six (6) months by pursuing the complementary activities;

e) the Public Benefit Corporation uses the income from its operations and assets it manages in conflict with this Act;

f) the Public Benefit Corporation has violated the provisions of this Act.

5) The court may set a date by which the cause for which the motion for winding up the Public Benefit Corporation was made is to be remedied.

6) If the Founder ceases to exist, the Founder's legal successor shall assume the Founder's rights and duties.

7) In the case when the single Founder ceases to exist without a legal successor or a single Founder dies, The Board of Directors shall decide about transfer of the rights and duties specified by this Act on another person within six (6) months from the day of being informed about non-existence or death of the Founder, unless otherwise specified by this Act. The Supervisory Board must express its consensus with the above transfer. If the Board of Directors does not decide within the term in the first sentence on the transfer of rights and duties of the Founder on another person, it is the Court who shall decide upon the proposal of a member of the Supervisory Board of the Public Benefit Corporation or a person that proves legal interest, or without any proposal. The person on whom the rights and duties of the Founder are to be transferred must express consensus with this transfer.

Article 9

1) For the execution of the liquidation the Board of Directors shall appoint the Liquidating Officer.

2) When the Board of Directors fails to appoint the Liquidating Officer, such an

officer shall be appointed without unreasonable delay by the Court competent to do it according to the seat of the Public Benefit Corporation.

3) The Liquidating Officer shall start the liquidation by:

a) verifying that the Founders of the Public Benefit Corporation had been advised of the liquidation in due time;

b) by calling upon the creditors and other persons concerned by the liquidation to claim their respective title rights and receivables by the time which shall not be shorter than three (3) months;

c) by advertising the commencement of liquidation of the Public Benefit Corporation in the Bulletin "Obchodni vestnik" [the Official Commercial Journal of the Czech Republic];

d) by notifying the municipality in which the Public Benefit Corporation has its seat and the competent Financial Office about the beginning of liquidation.

4) The procedure of the liquidation shall be designed so that only the assets necessary for meeting the liabilities of the Public Benefit Corporation are changed into cash money.

5) The property held by the Public Benefit Corporation constitutes the separate estate in the liquidation and it shall be used for satisfying the creditors' claims in the sequence corresponding to that of liabilities payable after the declaration of bankruptcy [5]. The Liquidating Officer's remuneration shall be settled at the order **as defined in the special law** [5]. ~~for the Estate Trustee according to the Bankruptcy and Settlement Act [5].~~

6) If the situation is other than that referred to under Article 4 Paragraph 4) above, **and the Founder of the Public Benefit Corporation is not the Czech Republic or the Region**, the liquidation balance shall be offered for transfer onto the municipality in which the Public Benefit Corporation in liquidation has its seat. ~~The property may be transferred onto the municipality free of charge only if the municipality enters into a contract obliging it to use such property in full extent for rendering the publicly beneficial services for provision of which the Public Benefit Corporation had been established.~~

7) If it is not the case as specified in Article 4, Par. 4 and the Founder of the Public Benefit Corporation is the Region, the Liquidating Officer shall offer the liquidation balance to the Region.

8) If the Founder of the Public Benefit Corporation is the Czech Republic, the liquidation balance shall be transferred to the Czech Republic.

9) If one of more Founders of the Public Benefit Corporation is a municipality, a voluntary union of municipalities, a Region or the Czech Republic, the Liquidation Officer shall offer a part of the liquidation balance to each and every of the Founders according to the value of contributions endowed by them or their donations; if there

were neither contributions nor donations, all these Founders shall receive the equal part.

10) If within thirty (30) days from reception of the offer made by the Liquidating Officer the municipality or the Region fails to acknowledge in writing its intention to take over the property offered, the said property shall be transferred by the Liquidating Officer onto the Office for Representing the State in Property Matters. District Administration Office competent as of the registered address of the Public Benefit Corporation. The District Administration Office. The Czech Republic shall use the property for rendering publicly beneficial services.

8) Within thirty (30) days after completing the liquidation procedure, the Liquidating Officer shall submit to the Registering Court the proposal for erasing the Public Benefit Corporation from the Register.

Article 9a

The Director

- 1) The Director is the statutory Representative of the Public Benefit Corporation, who manages the activities of the Public Benefit Corporation and acts on its behalf. The Board of Directors appoints and recalls the Director.
- 2) Only an impeccable natural person eligible to make legal acts can serve as the Director; as regards the impeccability, the provisions of Article 10, Par. 3 shall be applied similarly.
- 3) The Director may not serve as a member of the Board of Directors or Supervisory Board, he or she is nevertheless authorized to participate in proceedings of the Board of Directors and Supervisory Board with an advisory vote.
- 4) The Director shall execute his or her function according to a contract. As regards the way in which the Director executes the function, the Article 10, Par. 5 applies similarly
- 5) All matters concerning the relation of the Director to the Public Benefit Corporation are in exclusive competence of the Board of Directors.

CHAPTER IV

BODIES OF THE PUBLIC BENEFIT CORPORATION

Board of Directors

Article 10

- 1) The Board of Directors is the statutory body of the Public Benefit Corporation.

- 1) The Board of Directors shall have at least three (3) ~~and at most fifteen (15)~~ members. **The number of members of the Board of Directors must be divisible by tree.**
- 2) Only an impeccable natural person eligible to make legal acts can serve as a member of the Board of Directors. ~~That person and persons closed to it shall not be in the working or similar relation to the Public Benefit Corporation.~~ **In a working relation with the Public Benefit Corporation may be up to one third (1/3) of the members of the Board of Directors.**
- 3) For the purposes of this Act, as impeccable is considered the person, which was not lawfully sentenced for a deliberate criminal act.
- 4) The membership in the Board of Directors of the Public Benefit Corporation is incompatible with membership in the Supervisory Board of the same Public Benefit Corporation. ~~The members of the Board of Directors shall not be entitled to receive any royalty for the performance in the capacity. The Public Benefit Corporation shall be entitled to compensate the expenditures of the members of its Board of Directors and Supervisory Board up to the limit set under the applicable regulations [7].~~
- 5) **The members of the Board of Directors are obliged to serve as careful managers and to keep discretion as regards important information and facts, disclosure of could cause damage to the Public Benefit Corporation. In case of doubt about acting of the member of the Board of Directors as a careful manager, such a member has to prove that he acted as a careful manager. Those members of the Board of Directors, who by a collective action caused damage to the Public Benefit Corporation, are liable for the damage collectively and indivisibly. Any agreement between a member of the Board of Directors and the Public Benefit Corporation excluding or limiting the liability of the member of the Board of Directors is deemed invalid.**

Article 11

- 1) The term of office of the members of the Board of Directors shall be three (3) years.
- 2) **Repeated membership in the Board of Directors is possible, unless the Deed of Establishment specify otherwise.** ~~No member of the Board of Directors shall serve in the office for over two subsequent terms of office. After having served as a member of the Board of Directors for six (6) years, the same person may become a member of the board again after no less than one (1) year.~~
- 3) The members of the Board of Directors shall elect from amongst themselves the Chairman of the Board of Directors who shall convene and chair the meetings of the Board of Directors.
- 4) In decision-making, the voting rights of all members of the Board of Directors shall be equal. **Unless the Deed of Establishment or the Statutes stipulate otherwise, in the case of the tie vote, the vote of the Chairman of the Board of Directors shall decide.** ~~Unless the Deed of Establishment or the Statutes stipulate otherwise, the Board of Directors shall have reached its quorum if over one half of its members are present and the majority of all present votes shall be necessary for a decision to be passed.~~

Article 12

- 1) The Founder shall appoint the members of the Board of Directors, unless stipulated otherwise in the Deed of Establishment.
- ~~2) Following the appointment of the first members of the Board of Directors, the names shall be drawn in lots of one third of the members whose term of office shall be ended after one year and one third of the members whose term of office shall end after two years.~~
- 2) The membership in the Board of Directors shall expire
 - a) by expiration of the term of office,
 - b) by death,
 - c) by resignation,
 - d) by recall.
- 3) The Founder shall recall a member of the Board of Directors, if the member ceases to fulfill conditions as required by Article 10, Par. 3, or if he or she has violated in a serious manner or repeatedly the Deed of Establishment or Statute of the Public Benefit Corporation **or due to other reasons specified in the Deed of Establishment.**
- 4) The Founder shall recall the member of the Board of Directors within one (1) month since the day when he or she has been informed about the cause for recalling, but not later than six (6) months from the day, when that reason has arisen. If the Founder shall not recall the member of the Board of Directors in the given period of time or if there is no Founder and the Founder's rights have not been transferred to another person, the member of the Board of Directors shall be recalled by the Court based upon a proposal of a member of the Board of Directors or upon proposal of the Supervisory Board, or a person proving legal interest. ~~District Administration Office competent to do it, according to the registered address of the Public Benefit Corporation.~~
- 6) To fill the vacancies in the Board of Directors new members of the Board of Directors shall be within sixty (60) days appointed or otherwise co-opted in a manner specified in the Deed of Establishment. After idle expiration of this term, **the Court shall appoint new members of the Board of Directors based upon the proposal of a member of the Board of Directors or upon the proposal of the Supervisory Board or without any proposal.** ~~the Municipality Office with state administration rights as corresponds to the seat of the Public Benefit Corporation on the proposal of the statutory body, respectively supervisory body.~~

Article 13

- 1) **The Board of Directors provides preliminary written consensus to a legal act, by which the Public Benefit Corporation**
 - a) assumes rights to, alienates or mortgages a real estate,**
 - b) assumes rights to or alienates a movable thing, creates the material burden**

or option to buy a movable thing, whose value is higher than the value of a thing determined as underlie to the public procurement regulations as defined by the law on public procurement [6].

c) assumes rights to or alienates authors rights or commercial rights,

d) establishes another juridical person and contributes by a monetary or non-monetary property to this juridical person.

2) The competencies of the Board of Directors approves:

a) the budget of the Public Benefit Corporation,

b) the ordinary and extraordinary annual balance sheet of incomes and expenditures and the annual report of the Public Benefit Corporation,

c) the object of complementary activities (Article 17).

3) The Board of Directors decides about

a) winding up the Public Benefit Corporation, and in the case described in Article 4, Par. 4, about the Public Benefit Corporation to which the liquidation balance shall be offered,

b) transfer of rights and duties of the Founder as defined by this Act onto another person, when a single Founder ceases to exist without a legal successor or when a single Founder died and the Articles of Incorporation do not stipulate otherwise.

4) The Board of Directors may issue in less than six (6) months from the date of incorporation of the Public Benefit Corporation the Statute of the Public Benefit Corporation whereby the internal organization of the Public Benefit Corporation shall be specified in detail; the Board of Directors approves any change of the Statute, if such has been issued. The data in the Statutes shall have to be identical with those in the Deed of Establishment;

b) to approve any change, modification or amendment of the Deed of Establishment in pursuance of Article 4 Paragraphs 3 and 4;

c) to decide on the wind up of the Public Benefit Corporation and to appoint the public benefit corporation to which the liquidation balance shall be offered;

d) to take any steps necessary so that the purpose for which the Public Benefit Corporation has been established is observed;

e) to approve the budget of the Public Benefit Corporation including any changes to it and to approve specifically the administration costs of the Public Benefit Corporation;

f) to approve the annual balance sheet of incomes and expenditures and the annual report of the Public Benefit Corporation;

g) to decide on the object and scope of the complementary operations of the Public

~~Benefit Corporation beyond the scope set in the Deed of Establishment (Article 4 Paragraph 2 Letter c);~~

~~h) to grant consent for the alienation or mortgaging of real property of the Public Benefit Corporation or for leasing such property for over one year unless a shorter time limit is stipulated by the Statutes;~~

~~i) to appoint and dismiss the Manager of the Public Benefit Corporation, to supervise his/her activities and to determine his/her remuneration if the office of Manager is established according to the Deed of Establishment of the Public Benefit Corporation;~~

~~j) to decide on any matters vested with the Board of Directors under the Deed of Establishment.~~

5) The Public Benefit Corporation shall within thirty (30) days from issuing the Statute according to the Par. 4 submit the Statute for insertion into the collection of files [1]; similarly shall be done in case of changes of the Statue of the Public Benefit Corporation.

~~2) The Board of Directors shall meet at least twice a year.~~

Article 14

- 1) When real estates or movable things are transferred for money in value as defined in Article 13, Par. 1, Item b), and the Founder is the Czech Republic or a self-governing territorial unit, the price should be negotiated on the locally common level; free of charge may a real estate or a movable thing transfer only in the case, when the free of charge transfer is economically more suitable then any other manner of managing the thing.
- 2) The Board of Directors shall not provide a preliminary consensus with a legal act, if by its concluding would be jeopardized fulfillment of tasks of the Public Benefit Corporation or of that violates Article 4, Par. 3.
- 3) The fact of providing the preliminary consensus with legal acts mentioned in Article 13, Par. 1 shall the Board of Directors announce to the Director and to the Supervisory Board within seven (7) days from the day of issuing it. When the Founder of the Public Benefit Corporation is the Czech Republic or a self-governing territorial unit, the Board of Directors is obliged to report the issue of the preliminary consensus with legal acts mentioned in Article 13, Par. 1 within seven (7) days also to that Founder.
- 4) The legal acts mentioned in Article 13, Par. 1 are invalid without a preliminary consensus of the Board of Directors. These acts are considered as valid, if the Founder, the Board of Directors or a person effected by such an act shall not effectively seek invalidity of such an legal act.
- 5) The Board of Directors shall care about perpetuating the purpose, for which the Public Benefit Corporation has been established and about tender management with its property.

Manager

- ~~1) Only a person of civic integrity may be appointed the Manager.~~
- ~~2) While the Manager may not be a member of either the Board of Directors or the Supervisory Board, he/she shall be entitled to attend the meetings of the Board of Directors holding the advisory vote.~~
- ~~3) The Manager shall manage the operations of the Public Benefit Corporation unless the management of such operations is vested with the Board of Directors or another body of the Public Benefit Corporation under law, the Deed of Establishment or the Statutes.~~

Supervisory Board

Article 15

- 1) The Supervisory Board shall be the inspecting body of the Public Benefit Corporation.
- ~~2) The Supervisory Board shall be obligatorily established by the Public Benefit Corporation into the assets of which government or municipal property has been invested; the same holds for the Public Benefit Corporation, which is obliged under law to maintain its bookkeeping records according to the double-entry accounting system. The establishment of the Supervisory Board may be prescribed under the Deed of Establishment, as well.~~
- 2) The Supervisory Board shall have at least three (3) ~~and at most seven (7)~~ members. The members of the Supervisory Board shall elect the Chairman, who shall convene and chair the meetings of the Supervisory Board.
- 3) The Founder shall appoint the members of the first Supervisory Board, **unless the Deed of Establishment stipulate otherwise.**
- 4) Unless otherwise stipulated by this Act, the manner of establishment and performance of the membership in the Supervisory Board shall be regulated accordingly by the provisions stipulated for the Board of Directors in this Act, as appropriate.

Article 16

- 1) The Supervisory Board
 - a) reviews **the ordinary and extraordinary** annual balance sheet of incomes and expenditures and the Annual Report of the Public Benefit Corporation;
 - b) reports at least once every year **to the Director** and to the Board of Directors on the findings obtained by its inspection activities;
 - c) examines, whether the Public Benefit Corporation operates in accordance with the law and the Deed of Establishment of the Public Benefit Corporation.
- 2) The Supervisory Board shall be entitled:
 - a) ~~to make motions to the Board of Directors for the dismissal of the Manager;~~

- a) to review the accounting books and other documents and to inspect the data therein recorded;
- c) to convene a special meeting of the Board of Directors if required in the interest of the Public Benefit Corporation.

The members of the Supervisory Board shall be entitled to take part on the meeting of the Board of Directors; they must be given floor for a word, when they ask for it.

3) The Supervisory Board shall be obliged to notify the Director and the Board of Directors of any violation of laws, stipulations of the Deed of Establishments or the Statute and of any instances of bad business management and/or any other defects or deficiencies in the operations of the Public Benefit Corporation. The Supervisory Board is entitled to determine a period of time within which the Director or the Board of Directors should remedy the deficiencies. If the remedy is not made, the Supervisory Board shall immediately inform about detected deficiencies the Founder.

CHAPTER V

BUSINESS MANAGEMENT OF THE PUBLIC BENEFIT CORPORATION

Article 17

1) Besides the publicly beneficial services for the rendering of which the Public Benefit Corporation has been established, the Public Benefit Corporation may pursue also other activities ("complementary activities") under the condition, that due to the complementary activities there has been improved the utilization of the assets of the Public Benefit Corporation without simultaneous jeopardizing the quality, scope and availability of the rendered publicly beneficial services.

2) The Public Benefit Corporation may not take part in the entrepreneurial activities of other persons. ~~and/or to establish its branches outside the territory of the Czech Republic.~~

3) ~~The net profit as reported at the end of the fiscal year shall be transferred by the Public Benefit Corporation to the Reserve Fund in its full amount. The Reserve Fund shall be first used to cover any losses reported in future fiscal years.~~

4) ~~The equity of the Public Benefit Corporation shall be the source for financing the operations of the Public Benefit Corporation. The equity shall comprise:~~

- ~~a) the value of assets endowed by the Founders,~~
- ~~b) the value of gifts and inheritance received~~
- ~~c) the funds created by the Public Benefit Corporation~~
- ~~d) the subsidies.~~

3) The Public Benefit Corporation, which operates as a private higher education institution according to the special law [7a] deems to be considered a public higher education institution for the purpose of the Act on Income Tax.

Article 18

cancelled

~~1) In making the necessary arrangements to pursue its operations, the Public Benefit Corporation may apply for subsidies granted from the governmental budget, from the budget of the District Administrative Office, from the communal budget or from the budget of another territorial body of the public administration [8], as well as to apply for grants from a fund established by the law.~~

~~2) The subsidies from the budget of the Government or from the communal budget or from the District Administration Office budget or from the budget of another territorial body of the public administration may be granted to the Public Benefit Corporation for one and the same project or one and the same activity from a single source, only.~~

~~3) For a subsidy from the governmental budget, the Public Benefit Corporation shall apply to the governmental body competent to it according to the prevailing activity rendered by the Public Benefit Corporation.~~

~~4) The body through which the subsidy is being granted shall decree the terms and conditions for granting the subsidy and it shall inspect and evaluate the utilization of the subsidy made.~~

Accounting and the Annual Report

Article 19

~~1) The double-entry accounting system shall have to be used by the Public Benefit Corporation~~

~~a) which pursues complementary operations;~~

~~b) the total receipts (net incomes) of which in the last year were in excess of CZK three million (3,000,000).~~

1) The Public Benefit Corporation shall be obliged to clearly separate in its accounting books the incomes and expenditures related to the complementary operations from those related to the publicly beneficial services, as well as from any incomes and expenditures not related under the aforesaid groups and/or related to the administration of the Public Benefit Corporation.

3) The **ordinary and extraordinary** end-of-the-year balance sheet of incomes and expenditures shall be audited by an licensed auditor for those Public Benefit Corporation which

a) are the beneficiaries of subsidies or other incomes from the governmental budget, from the budget of a municipality or from the budget of another territorial body of the public administration or from any governmental fund, the total of which exceeds one million Czech crowns (CZK 1,000,000) in the year for which the balance sheet is consolidated;

~~b) have not established the Supervisory Board, or~~

b) have their net turnover exceeding ten million Czech crowns (CZK 10,000,000).

~~4) In all other aspects shall be the Public Benefit Corporations regulated by the laws~~

~~and regulations effecting the accounting procedures [9].~~

Article 20

1) By the date set by the Board of Directors, which shall not be later than six (6) months after the end of the reviewed period, the Public Benefit Corporation shall compile and publish its Annual Report ~~on its activities and business management~~. The purpose of the Annual Report is to inform on activities and management of the Public Benefit Corporation. This does not effect the obligations according to special regulations [9]. ~~The reviewed period shall be the calendar year. In the Statutes, the reviewed period may be modified to be the academic year for the Public Benefit Corporation whose publicly beneficial services are those in education and training.~~

2) The Public Benefit Corporation shall deposit the Annual Report within thirty (30) days from its approval to the collection of files [1]. In the Deed of Establishment or the Statute of the Public Benefit Corporation may be determined additional manner of publishing the Annual Report. ~~obliged to publish its first annual report not later than 18 months from its incorporation.~~

3) If after publishing the Annual Report will be revealed facts which provide a reason for correcting it, the Public Benefit Corporation is obliged to publish such a correction without unnecessary delay; for publishing the corrections of the Annual Report applies similarly Par. 2. ~~The Annual Reports shall have to be made accessible to the general public.~~

Article 21

The Annual Report of the Public Benefit Corporation shall **besides matters determined in the laws regulating on accounting [9a]** include also informations on:

a) **all activities pursued within the accounting period in the framework of the publicly beneficial services and complementary activities together with their evaluation,** ~~calendar year with specification of the relation to the purpose of establishment of the Public Benefit Corporation;~~

b) **human resources,**

c) **incomes divided by sources,**

d) **development and actual status of the funds of the Public Benefit Corporation to the balancing day [9b],**

e) **status of assets and liabilities of the Public Benefit Corporation to the balancing date and on their structure,**

f) **total amount of expenditures separated into expenditures for providing the publicly beneficial services, for complementary activities, and for own activities of the Public Benefit Corporation, including the amount of expenditures for salary of the Director and for remuneration of the members of the Board of Directors and the members of the Supervisory Board,**

~~the annual balance sheet of incomes and expenditures and the critical review of the basic data therein included;~~

- ~~e) the statement of the auditor to the annual balance sheet of incomes and expenditures, if auditing was made;~~
- ~~d) the review of money received and spent;~~
- ~~e) the review of income (revenue) structured by source;~~
- ~~f) the movements in and the final balances of funds of the Public Benefit Corporation;~~
- ~~g) the movements and balances of assets and liabilities of the Public Benefit Corporation;~~
- ~~h) the total amount of costs structured by those spent for rendering the publicly beneficial services, for pursuing complementary operations and administration costs of the Public Benefit Corporation;~~
- g) any changes, modifications and amendments of the Deed of Establishment and changes in the membership of the Board of Directors and Supervisory Board, and about a change in the person serving as the Director ~~managerial bodies of the Public Benefit Corporation~~ as occurred throughout the accounting period. ~~year;~~
- ~~j) other data specified by the Board of Directors.~~

2) For an audit of the Annual Report by a licensed auditor shall be applied similarly Article 19, Par. 2.

Article 22

If the Public Benefit Corporation violates in its duties under Articles 2, 17 and 20 hereof, it shall be stripped

- a) of the tax benefits set forth by this Act, by the Income Tax Act, and by the Inheritance, Gift and Property Transfer Taxes Act for the year in which such violation occurred [10],
- b) of the tax benefits set forth under the Property Tax Act [11] for the next tax period following that in which the violation occurred.

Section II

Transitional Propositions

1. If the Public Benefit Corporation has been established before the day of effectivity of the Act No. 231/2010, it shall do the following:

- a. The Founder shall bring the Deed of Establishment into accord with the Act No. 248/1995 to the date of entering into force of the Act No. 231/2010; if there is no Founder, it will be accomplished by the Board of Directors.

- b. The Board of Directors shall bring the Statute of the Public Benefit Corporation, if issued, into accord with the Act No. 248/1995 to the date of entering into force of the Act No. 231/2010

All that within six (6) months from the date of entering into force of the Act No. 231/2010 [January 1, 2011].

2. If the Public Benefit Corporation has no Director to the date of entering into force of the Act No. 231/2010, the Board of Directors of this Public Benefit Corporation shall appoint the Director in compliance with the Act No. 228/1995, in the text effective to the date of entering into force of the Act No. 231/2010, and that within six (6) months from the date of entering into force of the Act No. 231/2010 [January 1, 2011]. Until the appointment of the Director, the rights of the statutory body of the Public Benefit Corporation according to the Article 9a of the Act No. 228/1995, in the text effective since the date of entering into force of the Act No. 231/2010 shall be executed by the Board of Directors.
3. The Director of the Public Benefit Corporation appointed to the position before the day in which the Act No. 231/2010 enters into force is deemed to become the statutory representative of the Public Benefit Corporation according to the Article 9a of the Act No. 228/1995, in the text effective since the date of entering into force of the Act No. 231/2010.
4. For drafting and publishing the Annual Report of the Public Benefit Corporation related to the accounting period lasting before the Act No. 231/2010 entered into force shall be used the Act No. 228/1995, in the text effective until the date of entering into force of the Act No. 231/2010.

PART TWO

[Extending the corporate income tax exemptions to public benefit corporations]

The Act of the Czech National Council No. 586/1992, on Income Tax, as amended under the Act of the Czech National Council No. 35/1993, the Act No. 96/1993, the Act No. 157/1993, the Act No. 196/1993, the Act No. 323/1993, the Act No. 42/1994, the Act No. 85/1994, the Act No. 114/1994, the Act No. 259/1994, the Act No. 32/1995, the Act No. 87/1995, the Act No. 118/1995 and the Act No. 149/1995, is herewith amended and complemented to read:

1. In Article 18 Paragraph 7 the words "the public benefit corporations" are added to follow the words "the foundations, ".
2. The Article 34 is complemented by Paragraph 12, which reads as follows:

"(12) Paragraphs 1 and 2 shall not apply for public benefit corporations"
3. [Not related to Public Benefit Corporations] In the Appendix to the Act, under Item (1-27), the words "instruments for field lengths measurement" are replaced by words "length measuring tools" and the words "instruments for field lengths measurement" are replaced by the words "length measuring tools" also under Item (2-53).

PART THREE

[Not related to Public Benefit Corporations]

The Act No. 149/1995, whereby the Act of the Czech National Council No. 586/1992, on the Income Tax, as amended under the later legislation, is amended and whereby the Act of the Czech National Council No. 589/1992, on Social Security and Government Employment Policies Contribution Payments, as amended under the later legislation, is amended and the Act of the Czech National Council No. 185/1991, on the Insurance Sector as amended under the later legislation are herewith amended and complemented as follows:

1. In part V Item 1 the text "in the Items 1 and 2" is replaced by the text "in the Items 1,2 and 3".
2. In Part V Item 1 the clause "An analogous procedure may be pursued for a whole set of such receivables" is inserted to follow the second clause.

PART FOUR

[Extending the real property tax exemption to public benefit corporations]

The Act of the Czech National Council No. 338/1992, on the Real Property Tax as amended under Act No. 315/1993, and Act No. 242/1994 is herewith amended to read:

1. In Article 4 Paragraph 1 Letter f) the comma following the text "civic associations" is deleted and the text "and public benefit corporations" is added.
2. In Article 9 Paragraph 1 Letter f) the comma following the text "civic associations" is deleted and the text "and public benefit corporations" is added.

PART FIVE

[Extending the inheritance tax, gift tax and property transfer tax exemptions to public benefit corporations and amending the reporting obligations in case of an exempt]

Act of the Czech National Council No. 357/1992, on the Inheritance, Gift and Property Transfer Tax as amended under Acts of the Czech National Council Nos. 18/1993, 42/1994, 72/1994, 85/19994 and 113/1994 is herewith amended to read:

1. In Article 20 Paragraph 4 at the end of Letter b) the period is replaced by the comma and Letter c) is added reading: '(c) designated by the public benefit corporations for their operations.'
2. In Article 21 Paragraph 1 at the end of Letter c) the period is replaced by the comma and Letter d) is added reading:

"d) after the end of every six months of the current calendar year, if the transaction is a free of charge property acquisition by legal entities according to the Article 20 Paragraph 4 hereof. The tax return shall include all property so acquired throughout this period."

PART SIX

This Act comes into effect by 1st January 1996.

Signed by Uhde, Havel and Klaus

[1] Act No. 513/1991, the Commercial Code, as in subsequent alterations and/or amendments, Article 27.

[2] Act No. 89/1995, on the State Statistical Service

[3] Act No. 513/1991, the Commercial Code, as in subsequent alterations and/or amendments, Articles 27 to 33

[4] Act No. 99/1963, the Civil Court Statutes Act as in subsequent alterations and/or amendments, Articles 200a to 200d

[5] Act No. 328/1991, on The Bankruptcy and Settlements, as in subsequent alterations and/or amendments

[6] Act No. 40/1964, the Civil Code, Act as in subsequent alterations and/or amendments, Article 116

[7] E.g. Act No. 119/1992, on Travel Cost Compensation as amended by the Act No. 44/1994

[8] Act of the Czech National Council No. 576/1990, on Budget Management of the Czech Republic and Municipalities within the Czech Republic (the Budgeting Rules of the Republic) as in subsequent alterations and/or amendments

[9] E.g. Act No. 563/1991, on Accounting Procedures, as in subsequent alterations and/or amendments

[10] Act of the Czech National Council No. 586/1992, on the Income Tax as in subsequent alterations and/or amendments. Act of the Czech National Council No. 357/1992, on the Inheritance, Gift and Property Transfer Taxes, as in subsequent alterations and/or amendments

[11] Act of the Czech National Council No. 338/1992, on the Property Tax, as in subsequent alterations and/or amendments