

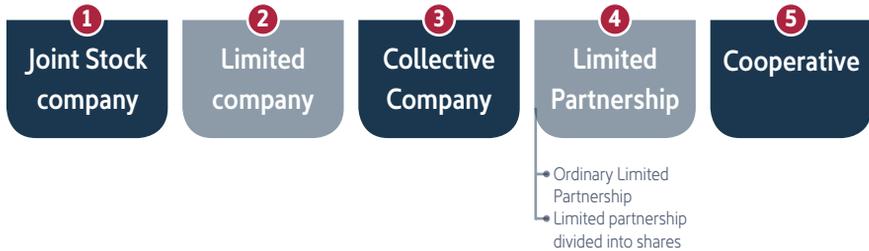


ESTABLISHING COMPANY IN TURKEY

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TYPES OF COMPANIES IN TURKEY

According to the Turkish Commercial Code there are five different types of companies in Turkey. These are;

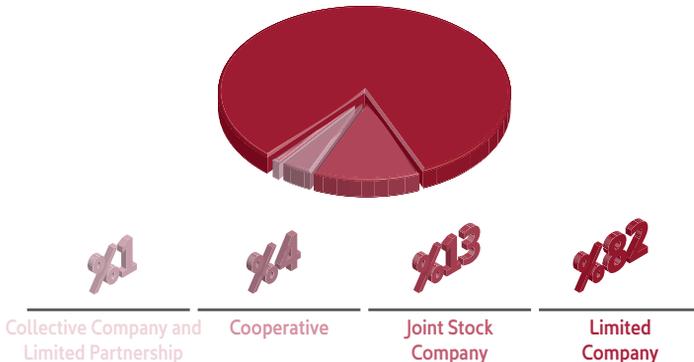


Joint stock company, limited company and limited partnership divided into shares are the capital companies. In capital companies, the partners are only liable to the company with the capital they have committed.

Ordinary limited partnership and collective companies are private companies. In private companies, the principle of the second and unlimited liability of the partners for the debts of the company is valid.

The establishment, basic characteristics and operation of these companies are regulated in the Turkish Commercial Code No. 6102. About the cooperatives, Cooperatives Law No. 1163 is applied primarily.

Joint stock companies and limited companies are the most common type of companies in Turkey. Approximately 82% of all companies are limited companies, while 13% are joint stock companies and 4% are cooperatives. The total of collective and limited partnership companies is around 1%.



JOINT STOCK COMPANY

A joint stock company is a company whose capital is definite and divided into shares and which is responsible for its debts only with its property holdings.

Shareholders are only liable to the company with the capital shares they have committed.

Joint stock companies may be established for any economic purpose and subject that is not prohibited by law.

Joint stock company has a articles of association written and registered to the trade registry at the place where its headquarters is.

A joint stock company with a single share can be established. Real and legal persons may be shareholders.

As a rule, approval of the general assembly is not required for the transfer of shares. Shareholders may freely transfer their shares to others.

Joint stock companies are the only type of company whose shares are offered to public and whose shares are traded on the stock exchange.

The minimum capital amount is 50,000 Turkish Liras. (For non-public Joint stock companies accepting the registered capital system , the initial capital may be at least 100,000 Turkish Liras.) At least one quarter of the nominal value of the shares committed in cash must be paid before registration. The remaining amount shall be paid within 24 months following the registration of the company. The payment schedule may be set out in the articles of association of the company or may also be determined by the board of directors.

Joint stock companies may issue registered and bearer shares in order to represent the shares. They may also issue bonds and similar debt instruments.

Joint stock companies carrying out certain activity areas and joint stock companies exceeding the threshold values of the criteria determined according to total assets, annual net sales revenue, number of employees are subject to independent audit.

¹ The registered capital system is a system that allows the board of directors to increase capital with the authority granted by the general assembly by limiting it to a certain amount and time.

Joint stock company has two organs

GENERAL ASSEMBLY

As a rule, it is the organ in which all shareholders are represented and exclusively authorized to take some important decisions concerning the company (e.g. amendment of the articles of association, election of the board of directors, election of the auditor, termination of the company, etc.).

BOARD OF DIRECTORS

It is the organ that is mainly responsible for the management and representation of the company. It is possible that the board of directors consists of one member. There is no requirement for board members to be a Turkish Citizen and to be resident in Turkey.

Establishment and amendments to the articles of association of certain joint stock companies are subject to the permission of the Ministry of Trade

Banks, financial leasing companies, factoring companies, consumer finance and card services companies, asset management companies, insurance companies, holding companies established as joint stock companies, companies operating foreign exchange buffets, companies engaged in public retailing, agricultural products licensed warehousing companies, product specialized stock exchange companies, independent auditing companies, observing companies, technology development zone management companies, companies subject to the Capital Markets Law No. 6362, founder and operator companies of the free zone.

Various equivalents of joint stock company in the world

United States of America, Canada

Corporation (Inc., Corp.)

European Union

Societas Europaea (SE)

Germany, Austria, Switzerland (German-speaking cantons)

Aktiengesellschaft (AG)

France, Belgium, Switzerland (French-speaking cantons)

Société Anonyme (SA)

United Kingdom

Public Limited Company (plc)

Italy

Società per Azioni (SpA)

Spain, Mexico, Argentina

Sociedad Anónima (S.A.)



LIMITED COMPANY

A limited company is a company whose capital is definite and divided into shares and is responsible for its debts only with its property holdings.

The shareholders are not liable for the debts of the company, they are obliged to pay only the capital shares they have committed and to fulfill the additional payment and performance obligations stipulated in the company contract. Shareholders are responsible for capital debts due to uncollectible public debts in the rate of their capital shares.

The limited company has a company contract written and registered to the trade registry at the place where its headquarters is.

Limited companies cannot be offered to public.

A limited company with a single shareholder can be established. The number of shareholders may not exceed fifty. Partners of a limited company may be real or legal persons.

The capital of the limited company is at least 10,000 Turkish Liras. It is possible to pay all of the capital brought in cash within 24 months after the registration of the company. Payment schedule can be arranged in the company contract or may be determined by the directors.

In limited companies, bearer shares can not be issued.

The transfer of limited company shares is subject to the approval of the general assembly.

Limited Companies have two organs

GENERAL ASSEMBLY

As a rule, it is the organ exclusively authorized to take some important decisions about the company (eg changing the company contract, selecting the directors, selecting the auditor, termination of the company, etc.) where all shareholders are represented.

DIRECTOR / BOARD OF DIRECTORS

It is the organ mainly responsible for the management and representation of the company. It is possible that the company has only one director. At least one of the directors must be a partner of the company. There is no requirement for directors to be a Turkish Citizen and to be resident in Turkey.

Various equivalents of limited company in the world

United States of America

Limited Liability Company (LLC)

European Union

Societas Privata Europaea (SPE)

Germany, Austria, Switzerland (German-speaking cantons)

Gesellschaft mit beschränkter Haftung (GmbH)

France, Belgium, Switzerland (French-speaking cantons)

Société à Responsabilité Limitée (SARL, SàRL)

United Kingdom

Private Limited Company (Ltd, Limited)

Italy

Società a Responsabilità Limitata (Srl)

Spain

Sociedad Limitada (S.L.)

Mexico, Argentina

Sociedad de Responsabilidad Limitada (S.R.L., S. de R.L.)

COLLECTIVE COMPANY

The collective company is established with at least two partners.

Each partner has the right and duty to manage the company separately. However, management business may be assigned to one, several or all of the partners, either by company agreement or by the majority of partners.

Only real persons may be partners in the collective company.

The partners of the company are second degree unlimited liable to the creditors of the company.

There is no capital requirement for collective companies.

LIMITED PARTNERSHIP

The ordinary limited partnership is a private company, and the limited partnership divided into shares is a capital company

A limited partnership can be established by at least two people, one of which is active partner (unlimited responsible) and the other one is dormant partner (limited responsible). The active partners can only be real persons. The dormant partners can be both real and legal persons.

The responsibility of the dormant partners is limited by the amount of capital that they put or commit. Dormant partners cannot manage the company.

There are two kinds of limited partnership company; ordinary limited partnership and limited partnership divided into shares

The most important feature of the limited partnership is that it has limited and unlimited responsible partners together. Some partners are limited responsible, and some partners are unlimited responsible.

The responsibility of the active partner is like a collective company partner. Creditors who cannot cover their receivables from the assets of the company may apply to the active partners. Active partners manage the company.

Cooperatives are partnerships with varying partnerships established by real and legal persons in order to provide and protect the specific economic interests of partners and especially their needs related to their profession or livelihoods by means of labor force, mutual assistance by monetary contributions, solidarity and bail.

Provided that the articles of association contain provisions, it may be decided that the partners shall be liable to the second degree unlimited liability against the creditors of the cooperative or limited liability up to a certain amount more than the capital share they have committed.

One or more auditors shall be elected by the general assembly for at least one year as the supervisory body of the cooperative. Auditors are required to carry the conditions of being a board member.

A cooperative company is not a private company or a capital company, but a commerce company like any other mentioned companies.

The cooperative can be established with at least seven partners, without prejudice to special types.

Each partner undertakes at least one, at most five thousand shares. The value of a partnership share is 100 Turkish Liras.

All partners, except those who were not partners three months before the general assembly, may participate in the cooperative general assembly. This requirement is not required in building cooperatives.

The board of directors consists of at least three persons who are Turkish citizens and who meet the other requirements depicted in the Law. members of the board of directors may be elected for a maximum term of four years. Unless otherwise provided for in the articles of association, they may be re-elected.

COMPANY ESTABLISHING TRANSACTIONS IN TURKEY

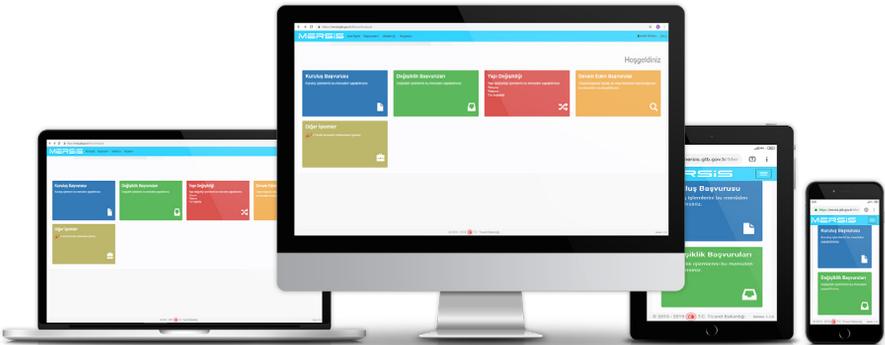


In Turkey, the company establishment procedures, if necessary documents submitted the related trade registry offices, can be completed within one hour. In Turkey, establishment of companies is exempt from duties. Establishing a company in Turkey by foreign real and legal entities is subject to the same rules as domestic investors.

The trade registry is recorded by 238 trade registry directorates operating within the chambers of commerce under the supervision and audit of the Ministry of Trade



Establishment procedures are performed electronically on the Central Registry System (MERSİS)



1 Preparation of the company contract and approval of the signatures of the founders



Users can start the company establishment process by creating a free membership via MERSIS internet address <https://mersis.gtb.gov.tr/>. In the preparation of the company contract on MERSIS, Turkish citizens can be added with their ID numbers and foreigners with their passport numbers as partner or authorized. However, for this process, foreigners must first obtain a tax number from the tax office and register it to MERSIS by applying to the trade registry office.



MERSIS directs the user to fill in the legally required elements of the contract and the company contract is prepared by entering the necessary information. The contract is prepared in Turkish. The company's potential tax number is also automatically assigned by MERSIS. The founders then sign the contract and it is verified by a competent authority, whether the signatures actually belong to them or not. For this process, the founders or their authorized representatives are required to go to the relevant organization. In limited companies and cooperatives, this process is carried out at the trade registry directorate where the company headquarters is located. For other companies, it is possible to apply to the trade registry directorate where the company headquarters is located or any notary public. In case the approval process is requested to be made at a notary public, users can apply to any notary public with the tracking number obtained from MERSIS. Since the contract is transmitted to the notary public by MERSIS electronically, there is no need to go to the notary public with physical print out.

2)

Preparation of signature declarations of company officials



The signatures of the persons authorized to represent the company under the title of the company shall be approved by the competent authority and signature declarations shall be prepared. This process is carried out in any trade registry offices in Turkey.



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Payment of Competition Authority Share and Cash Capital



0.04% of the Company's capital must be deposited in the bank account of the Competition Authority as "Share of the Competition Authority". There is no need to go to the bank for this transaction. This amount can be paid in trade registry directorate together with other establishment transactions. In addition, at joint stock companies at least 25% of the shares committed in cash must be deposited into a bank account opened on behalf of the company before the registration of the company.

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Application to the Trade Registry Directorate for registration



Upon the application of the founders together with the relevant documents to the registry directorate, the trade registry directorate completes the registration process. In addition, in the establishment of joint stock and limited companies and the cooperatives, the commercial books to be kept by these are approved by the trade registry directorate and given to the related party following the registration. It is also possible to carry out the establishment transactions through a representative authorized by a power of attorney.



Documents Required for Registration of Joint Stock Company

The Articles of Association of which the signatures of the founders have been certified

Document showing that at least twenty-five percent of the capital committed in cash is deposited in the bank

Proof of payment indicating that the Competition Authority's share has been paid

If any, valuation reports prepared by the court appointed expert for the determination of the committed capital other than cash, the assets to be taken over during the establishment and non-cash assets.

If capital other than cash is committed, letter to be taken from the relevant registry stating that there is no restriction on the capital in kind

If capital other than cash is committed, document showing that the immovable, intellectual property rights and other values put as capital in kind are annotated to the registries in which they are registered

If any, contracts with the company being established and with its founders and other persons about the establishment, including those related to the takeover of non-cash assets and corporation

For companies whose establishment is subject to the approval or appropriate opinion of the Ministry or other official institutions, the letter of this permission or appropriate opinion

If any, written statements of non-shareholder board members, that they accept this duty

In the case of a legal person in the board of directors, the name and surname of a real person determined by the legal person on behalf of the legal person and the notarized copy of the decision of the competent body for this determination

Signature declarations of persons authorized to represent and bind the company

Documents Required for Registration of Limited Company

Company agreement with approved signatures of founders

Written statements of non-partner member of board of directors that they accept this duty

In the case of a legal person in the board of directors, the name and surname of a real person determined by the legal person on behalf of the legal person and the notarized copy of the decision of the competent body for determination

If any, valuation reports prepared by the court appointed expert for the determination of the committed capital other than cash, the assets to be taken over during the establishment and non-cash assets

If capital other than cash has been committed, letter to be taken from the relevant registry stating that there is no restriction on the capital in kind

If capital other than cash is committed, document showing that the immovable, intellectual property rights and other values put as capital in kind are annotated to the registries in which they are registered

If any, contracts with the company being established and with its founders and other persons about the establishment, including those related to the takeover of non-cash assets and corporation

Signature declarations of company directors

Document of payment indicating that the Competition Authority's share has been paid

Documents Required for Registration of Cooperative

The company contract, that the signatures of the founders are approved by the trade registry directorate

Authorization letter of the authority authorizing the establishment of the cooperative

Signature declarations of the persons authorized to represent and bind the cooperative under the title of cooperative

Documents Required for Registration of Collective Company and Limited Partnership

The company agreement, that the signatures of the founders approved by a notary public

Approved copy of the signatures to be signed under the title of the company by the persons authorized to represent and bind the company

At limited partnership, if the dormant partner had committed capital other than cash, valuation report prepared by the court appointed expert for the determination of the value of the non-cash assets

Letter from the relevant register stating that there is no restriction on the capital other than cash committed

Document showing that the immovable, intellectual property rights and other values put as capital other than cash are annotated to the registries where they are registered



In Turkey, capital companies operating in certain areas and capital companies providing at least two of the threshold value in terms of “total assets”, “annual net sales revenue” and “number of employees” are subject to independent audit. The financial statements and board of directors’ reports of these companies are audited by independent auditors in accordance with international auditing standards.

In addition, the Ministry of Trade has the authority to audit all the trading companies in terms of transactions under the Turkish Commercial Code. As well, companies that carry out certain activities (e.g. banks, insurance companies, etc.) may be audited by the relevant public institutions and organizations in accordance with the special laws to which they are subject. In summary, public audit of trading company in Turkey it is carried out by public institutions and organizations.

However, in order to clarify certain events, shareholders have been given the right to request the appointment of an auditor from the general assembly. The request of the shareholder to appoint a special auditor is approved by the majority decision of the general assembly. If the request is rejected at the general assembly, shareholders who make up at least one-tenth of the capital (one-twentieth in publicly-held companies) may request the court to appoint a special auditor within three months.





Foreign investors, instead of establishing a company directly, can also invest by acquiring shares in a company already established in Turkey. It is also possible for them to leave the company partnership by transferring the shares they have taken over to others.

At joint stock companies, registered shares and bearer shares can be printed. The transfer of bearer shares is carried out with the transfer of possession. The transfer of registered shares is carried out with the transfer of turnover and possession. Except in exceptional circumstances, it is not possible to limit the transfer of shares in joint stock companies. At the same time, share transfer in joint stock companies is not subject to registration and announcement.

Transfer of shares in limited companies includes the processes required by law.

These are;

- 1 Signing the share transfer agreement between the parties and notarizing it,*
- 2 Unless otherwise stipulated in the company contract, the approval of general to the transfer of shares,*
- 3 Share transfer contract, the decision of general assembly approving the transfer and registration and announcement of the share transfer.*

For the limited partnership divided into shares, the procedure of share transfer applied in joint stock companies are valid.





The company terminates in case the realization of any of the reasons for termination stipulated at the law, and in line with the decision of the shareholders. The terminated company enters the liquidation process. The issue that the company has ended and entered into the liquidation process shall be registered and announced to the relevant trade registry directorate.

The company in liquidation, including its relations with shareholders, maintains its legal personality until the end of the liquidation and uses the trade title as the expression of “in liquidation” added.

The purpose of the liquidation is to sell the assets of the company and convert them into money, collect their receivables, pay their debts and complete their unfinished business.

The actions to be taken during the liquidation process is carried out by the liquidation officers. At least one of the liquidation officers must be Turkish citizen and resident in Turkey. Liquidation officers can be appointed by company agreement or general assembly resolution. If not appointed in this way, the liquidation is done by the board of directors. Liquidation officers must also be registered and announced in the trade registry.

Creditors, who are determined from company books and from other documents shall be informed by registered letter, and the other creditors shall be informed by the three announcement to be carried out three every other week on Turkey Trade Registry Gazette and on the company’s website and at the same time as stipulated in the Articles of Association, that the company is ended, and creditors are called to inform the liquidation officers about their receivables.

The liquidation officers shall prepare the financial statements regarding the liquidation for the end of each year and present the final balance sheet to the general assembly at the end of the liquidation.



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After the debts of the company in liquidation have been paid and share prices have been returned, the remaining assets are distributed among the shareholders at the rate of the paid-in capital and privilege rights, unless otherwise agreed in the articles of association. In case of concession in the liquidation share, the regulation in the articles of association shall be applied.

The remaining assets shall not be distributed unless six months have passed since the date of the third announcement to the creditors.

Upon the end of the liquidation, the liquidation officers apply to the trade registry directorate to delete the trade name of the company from the register. Deletion is registered and announced upon request. The legal entity of the company ends by deletion.

On the other hand; in case of bankruptcy, the liquidation shall be carried out by the bankruptcy administration in accordance with the provisions of the Enforcement and Bankruptcy Law.

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For the commercial enterprises which their centers are abroad, their branches in Turkey, without prejudice to the provisions of the laws of their own countries trade title, are registered as domestic commercial enterprises. A full authorized commercial representative is assigned for these branches whose residential is in Turkey. If the commercial enterprise has more than one branch, the branches to be opened after the registration of the first branch are registered as the branches of domestic commercial enterprises.

For the registration of a foreign company's branch in Turkey, the documents to be submitted to the relevant trade registry directorates are as follows:

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- A letter from the competent authority and its Turkish translation showing that; the requirements of the law of the origin country, where the company headquarters is located, that is required for the registration is fulfilled, and the documents to be submitted for the registration of the branch
- All documents required for the registration of the branch in the origin country
- A certified copy of the documents containing the company's current registry records and the company contract, and one Turkish translated copy for each
- The original copy of the decision of the company's authorized body, about opening branch, and the appointment of full authorized Turkish resident representative to company, and a copy of Turkish translation
- The original declaration signed by the the company center authoritatives, and a copy of its Turkish translation, that includes, company's trade name, type, subject of operation, type and amount of capital, date of establishment, registration number, the law to which it is subject, whether it is a member of the European Union, the website, the title of the branch and the amount of capital allocated to the branch, name, surname, ID No, and residential of the person or persons, who is full-authorized to represent the branch against private and public institutions including the courts, and the address of the branch.
- If the person or persons, who is full-authorized to represent the branch against private and public institutions including the courts in Turkey and powers conferred on them is not specified in the branch opening decision, the original copy of the power of attorney on this issue and a copy of its Turkish translation.
- Signature declarations of the persons who will represent the branch
- For branches that are subject to the approval or appropriate statement of the Ministry of Trade or other official institutions, the letter of approval or appropriate statement



TRANSFER OF HEADQUARTERS



MOVING THE HEADQUARTERS OF A COMPANY IN TURKEY TO ABROAD



It is possible to move the headquarters of a company established in Turkey to abroad is possible. In order to do so, the decision of the competent body must be taken and the necessary documents must be submitted to the relevant trade registry directorate, provided that the quorums specified in the Law are complied with. Upon the completion of these transactions, the records of the company shall be deleted by the directorate and the following documents shall be registered: decision of the authorized organ for moving the center abroad, trade title of corporation name, if any, after the headquarter of trade company is moved to the abroad, legal form, headquarters, and documents proving that measures have been taken to protect the creditors with the foreign authority authorized to register.

The documents required to be submitted to the directorate where the headquarters is registered in order to move the headquarters of the trading company abroad are as follows:

Newspapers and documents proving that creditors are notified of the change in the position of the company as provided for in the company contract and in any case by means of announcement in the registry gazette and that they are invited to declare their receivables

Written consent of all creditors or documents confirming that all receivables are paid or secured

Letter to be taken from the tax office and social security institution where the company is registered, indicating that it has no debt or they are secured

Document confirming the continuation of the activity of the trading company abroad, approved by the relevant authorities and its notarized Turkish translation

Notarized copy of the decision of the competent body for moving the company's headquarters abroad





MOVING THE HEADQUARTERS OF A FOREIGN COMPANY TO TURKEY



It is possible to move the headquarters of a company established in abroad to Turkey. In the registration of the companies, moving its headquarters to Turkey, provisions in establishment shall be applied. Trade registry directorates; during this registration, are responsible for investigating whether the company contract, which moves its headquarters to Turkey, is in compliance with Turkish law or has been adapted.

If a company's headquarters moved to Turkey firstly, the documents necessary for registration of trading companies must be submitted to the directorate. In addition, the documents that need to be submitted to the directorate by the approval of relevant authorities are as follows:

The document and its Turkish translation given by trade registry of the foreign country, if not by the competent authorities showing that, the company moving its headquarters to Turkey exists in accordance with foreign country's legislation

The document obtained from the competent authority abroad and the its Turkish translation regarding the change of the headquarters is in accordance with its own law

For the company which headquarters is moved, the company contract that is adopted to Turkish law, and its Turkish translation.

If the registration of the company that moves its headquarters is subject to permission, the permission letter obtained from the related institution



