

Turkey Forms Of Doing Business

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INTRODUCTION

Foreign investors in Turkey may start a new company, make a portfolio investment, participate in a joint venture, purchase part of an existing business or establish a branch subsidiary or liaison office with no greater restriction than a Turkish national. Business activities are regulated by the Turkish Commercial Code No. 6762 dated June 29, 1956 in Turkey ("TCC"). To establish a new business, most common type of entities are the Business Corporation (Joint Stock Company) or the Partnership with Limited Liability (Limited Liability Company).

In accordance with needs of the business and the European Union (EU) accession procedures, a new TCC draft is has been considered by the Parliament of Turkey for some time and is expected to be adopted in 2007. Accordingly all company procedures are subject to change. The information provided in this chapter is based on the current regime.

According to relevant legislation, a company is a business association formed by two or more parties who bring together their labor and/or capital to achieve common purpose of making profit and sharing profit. The company establishing parties enter into a contract titled "Articles of Association".

TYPES OF COMPANIES

TCC defines five different company structures and they are classified in a restrictive manner: 1) Ordinary Partnership 2) Collective Company 3) Commanded Company 4) Joint Stock Company and 5) Limited Liability Company. The first three types are very rarely used by regular businesses and especially by foreign investors with the exception of Collective Companies which are generally used for residence construction projects. Therefore we will be explaining the details of the most commonly used types of companies which are 'Joint Stock' and 'Limited Liability' companies below.

JOINT STOCK COMPANY ('JSC')

General Information

Article 269 of TCC defines the Joint Stock Company ('JSC' or 'A.S.' as referred in Turkey) as:

"A Joint Stock Company is the company possessing a trade name, whose capital is determined and divided into shares, being liable for its debts only up to the amount of its estate.

The liability of partners is limited by the shares of capital subscribed by them."

As stated by the TCC a shareholder who has fulfilled his commitment of capital towards the company, shall be under no liability towards the creditors of the corporation

Incorporation

Principles

Minimum of five (5) shareholders and TRL 50,000 (approximately €29,218) of capital is required to establish a JSC. Articles 277 and 272 of TCC regulate such requirements.

Publications

Our Published Work

Obligation To Employ Or Contract A Lawyer On Continuous Basis For Joint Stock Companies In Turkey

Effects of State of Emergency Law in Turkey On Prison Sentences Under Criminal Execution Laws

Rightful Termination of Employment Contracts by Employees in Turkish Labor Law

Mandatory Mediation System In Turkish Employment Disputes Between Employers And Employees

Amendments of Period Of Appeals of Turkish Court Decision in Civil and Criminal Justice Systems

Hukuk ve Ceza Yargılamasında Temyiz Süreleri Hakkında Yapılan Değişiklikler

Non-Delivery Pledges Over Movables

Teslimsiz Taşınır Rehni

A New Immigration Alternative for Residence Purposes Offered by Turkey: Turkish Card

Türkiye Tarafından İkamet Amaçlı Sunulan Yeni Göçmenlik Alternatifi: Turkuaz Kart

About The Turkish Law On Protection Of Personal Data

How to Claim Refunds for Overcharged Import Taxes Due to Surveillance Certificate Requirements At Customs In Turkey

Commercial Title of the Company

The commercial title is the name distinguishing 'the merchant' (tradesman) from others while he/she is doing business through his/her commercial enterprise. The corporate title is similar and it comprises two parts: the core and the annexes. The core is the mandatory wording indicating the type of the company and the subject matter (e.g. Tourism, Construction, Trade Joint Stock Company, Limited Liable Company). Annexes are additional words and expressions subject to discretion of a merchant and/or shareholder (e.g. Blue Voyage Tourism Joint Stock Company).

Exclusive right to use the registered and published corporate title belongs to the owner of that title (shareholders).

The use of some words such as Turkey, Turkish, Turkish Republic etc. is subject to the consent of Council of Ministers.

Pursuant to TCC, the commercial title must be different than any other registered commercial title. If there are two matching words with a registered title, the Trade Registry will not register the second one. Title inquiry must be made through the Trade Registry title database before submitting an application for incorporation.

Articles of Association ('AoA')

A JSC shall be established by a contract among the shareholders. The contract must be in a written form and signatures shall be authenticated by public notary. The contract used for the incorporation of JSC's is called "Articles of Association" ('AoA'). The AoA must contain the following information.

- (i) Headquarters and corporate title of the company;
- (ii) The objective of the company;
- (iii) Main capital, nominal value of shares, number of shares and the conditions of payment;
- (iv) In case of capital commitment in kind (rather than or together with cash), the value appraised for the in kind capital;
- (v) Special privileges if any are present for shareholders, directors or other persons;
- (vi) Provisions concerning the election of the members of Board of Directors and statutory auditors; their rights and duties and the persons authorized to represent the company;
- (vii) Rules related to general assembly meetings;
- (viii) The duration of the company;
- (ix) The form of announcements of the company;
- (x) Portion of the capital each shareholder has subscribed for.

The above listed subjects are the compulsory minimum of the content of AoA. The shareholders are free to insert any other provision/s they may think appropriate for the operation of the company as long as they comply with the mandatory rules.

It is permitted under Turkish law for the shareholders to sign and execute individual agreements between themselves and/or regulate all aspects of shareholder relations such as in the form of a 'Shareholders Agreement'. It is agreed that the JSC itself could become a party to those kinds of individual contracts.

The Procedure

After the verification of the AoA through the Public Notary, the company shall be registered to the Register of Chamber of Commerce at the district of its headquarters. The company acquires legal personality (entity status) at the completion of such registration. Following the registration, JSC must apply to the tax office to register and to obtain a tax number in order to operate commercially.

Management

Pursuant to the relevant Articles of TCC, a JSC must have three organs to function: 1) Shareholders General Assembly; 2) Board of Directors 3) Statutory Auditors.

Shareholders General Assembly ('SGA')

Meetings

Reinsurance & Reinsurance
Investments By International
Companies In Turkey

Procedures Regarding The Application
To Residence Permits By Foreigners In
Turkey

Incorporating Capital Companies in
Turkey and in Romania

E-Residency in Estonia

Grounds for Divorce in Turkey and in
Romania; A Comparative Study

Employment of Foreign Teachers in
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Payment & Security Settlement Systems
and E-Money Insstitutions in Turkey

Domain Name Regulations in Turkey
and in Singapore

Liabilities of the Members of the Board
of Directors of Capital Companies
Under Turkish and Belgian Laws

Restrictions on Rental Increases at
Lease Contracts Under Spanish, Dutch
and Turkish Laws

How To Incorporate in Turkey

Obligation to Maintain Company
Websites Under The New Turkish
Commercial Code

Yeni Türk Ticaret Kanunu Kapsamında
Şirketlerin İnternet Sitesi Açma
Yükümlülüğü

6331 Sayılı İş Sağlığı ve Güvenliği
Kanunu ve Uygulanması

4857 Sayılı İş Kanunu Kapsamında İş
Sözleşmesinin İşletmenin, İşyerinin Ve
İşin Gerekleri Nedeniyle Feshi
(Ekonomik Nedenlerle Fesih)

Türk Hukukunda Performans Düşüklüğü
Sebebiyle İşçinin İş Sözleşmesinin
Geçerli Nedenle Feshi

Termination of Employment Contracts
Due to Necessities of The Business, The

The highest decision making organ of a JSC is the Shareholders General Assembly ('SGA'). Each shareholder is entitled to participate in the SGA meetings and cast his vote either personally or through proxy and meetings are conveyed either ordinarily or extra-ordinarily. Ordinary SGA meetings are convened at least once a year (therefore they are also called "annual meetings") and within the first three (3) months of the fiscal year (January 1 - December 31). Extraordinary SGA meetings could be held whenever it is deemed necessary.

The Board of Directors ('BoD'), the statutory auditors, shareholders having at least 10% of the capital, and the liquidation officers (if the company is under liquidation) may request for a SGA to be held.

The form of the announcements (notifications) for SGA to the shareholders must comply with the standards designated at the AoA and shall be realized through the Trade Registration Gazette published by the Chamber of Commerce where the JSC is registered. On the other hand a SGA may lawfully convene at any time, without going through all of these formalities with the attendance of all (100%) the shareholders directly or with proxy.

The representative of the Ministry of Industry and Commerce ('Government Commissar') must also attend to the SGA and sign the minutes of the resolutions adopted. The lack of the signature of the Government Commissar deems the SGA resolutions null and void.

Agenda

An SGA is convened according to a single predetermined agenda drafted by BoD. Subject/s not listed in the agenda cannot be discussed. Pursuant to Article 369 of TCC the below listed subjects must be on the agenda of an Ordinary (Annual) SGA:

- (i) Evaluation of the annual reports of BoD and statutory auditors;
- (ii) Approval, rejection or amendment of the propositions of the BoD regarding the balance sheet and the profit (and) loss accounts and the allocation of the profit;
- (iii) Re-election or replacement of the BoD members and statutory auditors whose term of office is terminated;
- (iv) If not already provided for by the AoA, determination of the fees and allocations of the BoD members and auditors;
- (v) All other questions that need to be discussed among the shareholders.

Besides the above items, any other relevant issue that the assembly should debate and resolve may be included in the agenda. However, such subjects that require a special quorum for discussion may not be debated without the necessary quorum.

Powers

The AoA in line with TCC designates the powers of the SGA. Accordingly, SGA has the following exclusive powers that can not be transferred to any other organ or individual of the JSC:

- (i) To amend the AoA;
- (ii) To elect, release, discharge or dismiss the members of BoD and statutory auditors;
- (iii) To approve or reject the balance sheet and the profit and loss accounts;
- (iv) To approve, reject or amend the proposal for allocation of the profit.

Resolutions & Quorum

Each share of capital gives one vote to the shareholder, but provided that the AoA of the company defines any privileged shares, the numbers of votes must be calculated according to such rules.

The resolutions of the SGA are effective and binding on all of the shareholders including the ones who did not participate in the actual meeting.

Other than the designated exceptions (see below), SGA's can be held with the presence of 50 per cent of the shares and pursuant to Article 378 of the TCC, the resolutions of SGA are taken by the majority of the present votes.

The TCC regulates some exceptions to the meeting and resolution quorums. According to Article 388 of the TCC, in order to amend the objective and/or the type of the company two-thirds shall be present in the SGA. Unanimous vote of the shareholders is required:

- (i) To change the nationality of the company;

Work or The Workplace within The Scope of Turkish Labor Law No. 4857

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Purchase of Real Estate by Foreigners in Turkey

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Turkey - EU Accession Negotiations Opening of New Chapters and their Implications

Work Residence and Immigration in Turkey

Termination of an Employment Contract and Employee Reinstatement Mechanism

Liquidation of Capital Companies

(ii) To increase the capital commitments of the shareholders.

Board of Directors ('BoD')

Formation

The BoD is the managing and representing organ of the JSC. BoD's are formed with a minimum of three (3) members pursuant to Article 312 of TCC. The BoD members must be real persons and shall be shareholders of the company. Individuals representing legal entity shareholders could be elected as BoD members. The members are appointed by SGA or the AoA and the term of office can not exceed three (3) years. BoD members could be re-elected by the SGA if the AoA has no opposing reservation on the subject.

Duties and Powers

TCC Article 317: "A joint stock company is administered and represented by the Board of Directors."

The above stated power is exclusive to BoD, however, any additional power can be allocated by the AoA.

Generally the members of BoD exercise their powers collectively but it is possible to distribute to powers between the members. Furthermore, it is also possible, provided that it is regulated by AoA, to appoint one or more members of the BoD as managing directors and to delegate to them all or some portion of the powers of the BoD. The AoA may also provide a possibility to appoint a non-shareholder and non-member as managing director making the managing director powerful and liable for the area left for his authority.

The main duties of the BoD are as follows:

- (i) Managing and representing the JSC pursuant to laws;
- (ii) Calling the SGA for ordinary and extraordinary meetings;
- (iii) Preparing the minutes and list of attendance of the SGA;
- (iv) Preparing the annual BoD report for the activities of JSC, balance sheet, profit (and) loss accounts;
- (v) Keeping the company books;
- (vi) Planning and executing procedures regarding the increase or decrease of the capital;
- (vii) Evaluating the value of in kind capital that is subscribed;
- (viii) Implementing the resolutions adopted by the SGA, registering and announcing JSC's resolutions.

The quorum for the meetings of the BoD is absolute majority (one more than half) and the BoD adopts resolutions with the absolute majority of those present. However qualified majority (more than the minimum requirement) may be imposed by AoA. [NB For three (3) member BoDs, the quorum for meetings and resolutions is unanimity since $3/2$ is 1.5 which is rounded up to two (2) by law, and plus one is three (3).]

The members of the BoD are liable towards the company, the shareholders and the creditors of the JSC, in case they do not properly discharge the duties and the obligations imposed upon them by the relevant laws and the AoA. The liability of BoD members is collective and is exercised jointly.

Article 336 of TCC lists the circumstances that the BoD will be hold liable as:

"Article 336. The directors shall not be personally liable for the transactions and contracts concluded on behalf of the company. They shall be, however, jointly liable towards the company, individual shareholders and the creditors of the company in the following circumstances:

1. *If the payments made by shareholders on account of the price of shares are not exact and true;*
2. *If the dividends distributed and paid are fictitious;*
3. *If the books to be kept in accordance with the law are non-existent or kept irregularly;*
4. *If the resolutions of the Shareholders General Assemblies are not executed without reason;*

Major Principles Of Suretyship In The Turkish Legal System

Succession in Turkey

Enforcement Procedure of Arbitral Awards in Turkey

Medical Malpractice: A Critique of the Turkish and American Approaches to Awarding Non-Economic Damages

Turkey Forms Of Doing Business

Group Exemptions of Vertical Agreements in Turkish Law

New Condominium Law and Building Management Plans

Overtime and Overtime Wage in Turkish Labor Code (TLC)

Past and Present Difficulties in Turkish Competition Policy

Prison Sentences for Monetary Debts in Turkey

Securitization of Financing for Wind Turbines in Turkey

Executing & Terminating Employment Contracts in Turkey

A Brief Q&A for Framework Agreements among Individuals and Brokerage Companies for Stock Market Transactions

Instant Contact

You may submit the form accessed at the below link for your questions or inquiries and a representative from our office will contact you shortly.

INQUIRIES

5. *If the other duties incumbent on them in accordance with the law or the articles of association are not fulfilled intentionally or through neglect.*

If one of the duties indicated in paragraph (5) has been entrusted to one of the directors in accordance with Section 319, he/she will be responsible alone and there will be no joint liability in connection with the operation in question."

Statutory Auditors

The auditing of the JSC is carried out both internally and externally. External audit is performed primarily by the Ministry of Industry and Trade. The tax offices also have the absolute authority to audit the company accounts.

There are two types of internal auditing. Voluntarily the companies may subject their accounts to auditing through auditing individuals or firms (sworn financial accountants such as the big four auditing companies). Separate from this outsourced internal auditing, the TCC makes auditing mandatory in a different regime. It is realized by minimum of one (1) maximum of five (5) statutory auditors appointed by SGA. If more than one, the statutory auditors act as a board. They could be appointed to office for three (3) years and be re-elected provided that AoA of the JSC has no other reservation.

The statutory auditors are real persons appointed to audit the activities of the JSC. They need not to be accountants or hold any similar title however they can not be elected among persons with family relation to BoD members and more than half of the statutory auditors shall be Turkish Citizens (if only one auditor is appointed he/she shall again be a Turkish Citizen).

The statutory auditors audit the activities of the BoD and report to SGA or the Courts when required.

In practice, statutory auditors of the JSCs are appointed from independent accountants or shareholders.

Shares And Shareholders

Shareholder

Shareholder is a legal or real person who owns shares in a JSC. Shareholding may be original or derivative (with new shares issued or assignment and transfer of existing shares). Original shareholders are persons who have contributed to the capital of the company during its foundation, and therefore the founders are deemed as original shareholders.

Shareholders are under obligation to pay the amount of the shares that they have committed to purchase into the JSC's capital. Such payment is allowed to be made in installments. The first quarter (1/4) of the commitment shall be paid in within the first three (3) months following the incorporation for original shareholders' and the remaining commitment shall be deposited to the company accounts within three (3) years. Once they pay all their commitments their liabilities are lifted. Liability of the shareholders is only towards the legal personality of the company.

Share and Share Certificate

The capital of JSC is divided into shares, the nominal value of the shares (which cannot be less than TRL 0,01 (approximately €0.8) must be determined by AoA. Each share represents a portion of the main capital and a status of shareholding. Pursuant to Article 373 of the TCC each share gives one vote to the holder but AoA may allocate more than one vote to certain shares.

3.7.3 Types of Shares

3.7.3.1 Registered Shares: The owner of those type of shares are personally determined. The certificates attached to those shares have the name of the holder.

3.7.3.2 Bearer Shares: Those shares do not have any name on the share certificate thus the holder of the certificate is deemed the owner of the shares attached to the certificate.

3.7.3.3 Preference Shares: As noted above, it is possible to create privilege shares complying with the AoA pursuant to Article 401 of the TCC. The most common types of privileges or preferences are:

- (i) Preference in dividends
- (ii) Preference in liquidation
- (iii) Preference in voting
- (iv) Miscellaneous

3.7.4 Transfer of Shares

3.7.4.1 All types of shares of JSCs are transferred pursuant to articles of the Code of Obligations No. 818 dated April 22, 1926. Pursuant to related articles the transfer must be made in writing, if the share certificates were issued then (a) registered shares are transferred by both endorsement and delivery of the certificate and the share book must be incorporated accordingly; and (b) bearer shares are transferred by delivery only and the keepers of the shares may apply for share book registration to execute their shareholding rights accordingly.

Capital And Reserves

Capital

The capital of a JSC must be a fixed amount determined by the AoA which is divided into shares. The minimum capital requirement is TRL 50,000 (approximately €29,218). As stated earlier the ¼ of the capital shall be paid into the company accounts during or within three months after the establishment, the remaining portion could be paid to the company in installments within three years by the shareholders.

The SGA is entitled to increase or decrease the capital.

Reserves

Reserves are the net assets besides the capital. The principle source of the reserves are revaluation of assets and profits, the funds retained from the profits that may be used to cover the future losses or extraordinary expenses, to finance the company or to secure the distribution of dividends in a regular basis.

The first three paragraphs of Article 466 of TCC regarding legal reserves are as follows:

"Article 466. It is compulsory to set out each year one twentieth (1/20) of the net profits as a general reserve fund, until it reaches one fifth of the basic capital.

The following amounts shall be added to this fund even after it has reached the legal limit:

1. *The portion which has not been expended for amortization, assistance or charity, out of revenues obtained in excess of the nominal value after deducting issuing, expenses, when issuing shares.*
2. *The balance remaining on payments made on account of the price of canceled shares, after having closed the deficit resulting from the shares which have replaced the same.*
3. *After having set aside on the net profits a portion of 5% for shareholders, in addition to the reserve fund mentioned in the first paragraph, one tenth of the portion that has been decided to distribute among shareholders and other persons having a share in the profits.*

As long as the general reserves have not exceeded one half of the basic capital they may be expended exclusively for covering losses, for taking the proper measures for maintaining the undertaking in times where business is not good for preventing unemployment or for reducing the consequences thereof.

The provisions of sub-paragraph (3) of the second Paragraph and of third paragraph shall not apply to holding companies whose principal object is to take interests in other undertakings."

TERMINATION

Cancellation

Cancellation is a deliberate act by the shareholders to terminate the company by SGA resolution. The reasons for cancellation could be:

- (i) The number of shareholders becoming less than mandatory seat number of five;
- (ii) Lack of one of the mandatory organs of the JSC;
- (iii) Loss of 2/3 of the capital;
- (iv) Another company acquiring all of its shares (termination due to merger);
- (v) SGA resolution on termination of the company on sole discretion of shareholders;

(vi) Any other reason stated as a matter of termination at AoA.

Dissolution

Upon dissolution a JSC is deemed terminated spontaneously and without any further act. The reasons for dissolution are:

- (i) Reaching the time limit stated by AoA;
- (ii) Achieving the main purpose of the company or the purpose becoming unachievable;
- (iii) Bankruptcy;
- (iv) Loss of capital and taking no necessary measure to cover the capital;
- (v) Merger with another company.

Liquidation

Following the termination the JSC is liquidated by liquidation officers determined either by the AoA or by an SGA resolution. After the liquidation JSC record is erased and this is announced at Trade Registry Gazette.

LIMITED LIABILITY COMPANY ('LLC')

General Referral to Joint-Stock Companies

For issues that are not specifically designated by the TCC under the LLC section or hereinafter, the rules above mentioned for JSCs are identically applicable to LLC.

Definition

A limited liable company ('LLC' or 'LTD' as referred in Turkey) is a company formed by two (2) or more real or legal persons, having a corporate title and a predetermined (fixed) capital and with a liability limited to the corporate assets. The liability of the shareholders is towards the company and is limited with their share of the capital.

Incorporation

An LLC can be formed by minimum of two (2) and maximum of fifty (50) real or legal person shareholders with a minimum capital of TRL 5,000 (equivalent of approximately \$3570.-). Statutory auditors shall be appointed to LLC's having more than 20 shareholders in accordance with Article 548/I of the TCC.

Similar to JSC's, AoA of an LLC shall be drawn up in writing, the signatures of the founders shall be authenticated by a public notary and the following items shall be designated in the AoA:

- (i) The seat and the corporate title of the company;
- (ii) The subject matter of the company;
- (iii) The capital and the committed of each shareholders towards the capital;
- (iv) Duration of the company;
- (v) Time and method for the distribution of the dividends;
- (vi) Amount of the reserves;
- (vii) Appointment of the company officers.

Along with AoA and other relevant documentation of the shareholders, the LLC shall be registered to the Register of Chamber of Commerce at the district of its headquarters. The company acquires legal personality (entity status) at the completion of such registration. Following the registration, LLC must apply to the tax office to register and to obtain a tax number in order to operate commercially.

Shares

Shares are not represented by share certificates in LLCs however shareholders may transfer their shares to third parties accordingly with agreements and registration at the Trade Registry Chamber of Commerce or may pledge those freely.

Shareholders are under obligation to pay the amount of the capital stated in the AoA to the LLC's accounts. Such payment is allowed to be made in installments. The first quarter (1/4) of the commitment shall be paid in within the first three (3) months following the incorporation for original shareholders and the remaining commitment shall be deposited to the company accounts within three (3) years.

The share value of each shareholder in LLCs may not be less than TRL 25 (approximately €5) per share.

Shareholder Liability

Shareholders are liable towards LLC and as a rule their liability is limited to their committed capital amount. Any shareholder, who has paid all of his commitments to the company, will no longer be liable with its own assets. However, there are two exceptions to limited liability regime in limited companies explained below:

First, the LLC may take over the share of a shareholder who has not fully paid in his commitment, or may expel such a shareholder to cover the debts owned by that shareholder and then sell this share to a third party afterwards. In this case, if the subsequent owner can not also pay his portion of commitment, the original shareholder is obligated to compensate for the outstanding amount. The liability of the previous and current shareholder would still be towards the company but it will be a joint liability in accordance with Articles 531 and 532 of the TCC.

Secondly, the shareholders of an LLC are jointly liable for the payment of the due tax related debts and social security premiums owed to the relevant government institutions with their personal assets not limited with the capital of the LLC but proportional to their shares in the capital.

Management

TCC requires two bodies for management and representation of the LLCs: 1) Shareholders General Assembly and 2) Directors of LLC.

Shareholders General Assembly ('SGA')

The SGA of LLCs is similar but less formal compared to the SGA of JSCs. An ordinary SGA shall convene once each year, within three (3) months following the end of the fiscal year.

The call for the ordinary SGA meeting shall be made in accordance with the relevant provisions of the AoA. If no provision in his regard exists in AoA, the notice of an SGA meeting shall be sent by a registered mail, including the agenda, five (5) days prior to the date of such meeting. The duty to realize such necessary procedures and formalities are on the Directors of the LLC.

Extraordinary SGA meetings are held when the Directors deem necessary and call the shareholders accordingly. The shareholder/s who hold 10% or more of the company capital (i.e. the minority) may also demand for an extraordinary meeting. If the Directors do not accept this demand, the shareholders have the right to request the meeting to be ordered by the Court.

The SGAs, in LLCs with more than twenty (20) shareholders shall convene to debate the items in the agenda and adopt resolutions; where as the LLC's with less than twenty (20) shareholders may adopt resolutions by written correspondence in accordance with Article 536 of TCC.

An absolute majority (more than half) of the shares and shareholders is necessary to meet and resolve matters in accordance with Article 536 of TCC. The calculation of the quorum is subject to both share proportions and the number of shareholders (51% of the shares and 51% of the shareholders).

The powers of SGA could be summarized as the following:

- (i) To amend the AoA;
- (ii) To appoint, dismiss and discharge the Directors;
- (iii) To appoint, dismiss and discharge the Statutory Auditors;
- (iv) To approve the balance sheet and the loss and profit account and determine the allocation of the profit;

Directors

Power to administer and represent the company is vested with the Directors of the LLC. To a great extent, the Directors (representative and liable managers) in the LLCs occupy a similar position to the members of the BoDs in JSCs.

One significant feature of the LLCs is that, in a similar way to collective companies and in principle, all shareholders have both the right and duty to administer and represent the limited company in accordance with Article 540 of TCC. Based on this rule all shareholders, in their capacity as Directors of the company, are eligible to management and representation of the LLC. Therefore, if real person individuals are incorporators of an LLC and no other designation of Directors is made the shareholders automatically act as Directors of the LLC.

However, by the AoA or pursuant to a resolution of the SGA, one or more of the shareholders or third party individuals could be appointed as Directors of the LLC in accordance with the Articles 540 and 541 of TCC.

Termination

An LLC is terminated upon the occurrence of the following conditions:

- (i) An event comes to existence which was foreseen as a cause of termination in the articles of association;
- (ii) Upon the bankruptcy of the company;
- (iii) A decision of the Court;
- (iv) Notification made by the Bankruptcy Administration that one of the shareholders is declared bankrupt;
- (v) Loss of 2/3 of the capital.

Upon termination, a limited company is liquidated and deregistered.