

### RECENT AMENDMENT TO INITIAL PUBLIC OFFERING OF NON-PUBLIC COMPANIES

**This legal alert seeks to provide information regarding the recent amendment to Initial Public Offering of Non-Public Companies under the Equity Communiqué No. VII-128.1**

On January 26, 2018, Capital Markets Board (“**Board**”) published a Communiqué numbered VII-128.1.c for the amendment of Article 5/2 of Equity Communiqué numbered VII-128.1 (“**Amendment Communiqué**”), taking effect as from the date it is published in the Official Gazette.

In the previous version of Article 5/2 of Equity Communiqué, it was stipulated that companies - save for investment partnerships (yatırım ortaklıkları) – whose shares will be offered to public or traded in the stock exchange for the first time, shall not fall into the following categories envisaged under Article 8/1 of the Communiqué on Principles Pertaining to Removal of Corporations from the Scope of Law and Obligation of Trading of Shares on Exchange (“**Communiqué No. II-16.1.**”) any of which may remove such company from of the scope of Capital Markets Law (“**Law**”).

In accordance with Article 8/1 of Communiqué No. II-16.1, corporations:

- a) total sum of assets of which is less than ten million Turkish Lira (TRY 10,000,000), or
- b) total sum of other revenues, excluding net sales revenues, and net sales revenues both of which are less than five million Turkish Lira (TRY 5,000,000), or
- c) total sum of registered capital and legal reserves of which is completely unreciprocated,

according to their financial statements of the last two (2) years prior to the date of application, which are prepared in accordance with the pertinent regulations of the Board and subject to special independent audit, are excluded from the scope of the Law upon an application to the Board on condition that their application is found acceptable by the Board.

With the Amendment Communiqué, the reference to sub-paragraph (c) of Article 8/1 is removed from the scope of Article 5/2 of Equity Communiqué which, following the amendment, solely refers to sub-paragraphs (a) and (b) of the same article above. Given this amendment:

- If a non-public company falls into the below categories, such company will not be able to apply to the Board for public offering or being traded in Borsa Istanbul.
  - A non-public company, total sum of assets of which is less than ten million Turkish Lira (TRY 10,000,000), or
  - A non-public company, total sum of other revenues, excluding net sales revenues, and net sales revenues both of which are less than five million Turkish Lira (TRY 5,000,000).
- However, if a non-public company falls into the below category, such company will be able to apply to the Board for public offering or being traded in Borsa Istanbul.
  - A non-public company, total sum of registered capital and legal reserves of which is completely unreciprocated.

Lastly, it is worth to note that this amendment aims to support the companies in financial difficulty raise funds for their business by way of public offering and also, increase the volume of public offering for the liquidity of Turkish capital markets.

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