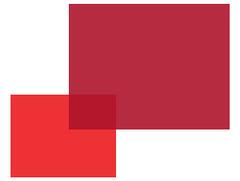


**Esin
Attorney
Partnership.**

**Financial Restructuring
vs. Konkordato/Composition**

(Turkish Scheme of Arrangement)





Our global Restructuring & Insolvency team has a deep understanding of the local and cross-border issues that can arise in all types of restructurings and recoveries. The team is ideally suited to today's business climate where financial restructurings are rarely confined to one jurisdiction. With restructuring and insolvency practitioners located across the globe, we can mobilize teams quickly and seamlessly across borders, time zones, markets and cultures to meet our clients' needs.

We offer cutting-edge and innovative legal and strategic solutions to complex cases. Our team regularly represents secured lenders and other secured creditors, creditors' committees, corporate debtors, investors, insurance companies, equity holders and bankruptcy trustees in crafting sound and practical solutions across practices and industries in actual or anticipated financial difficulties.

This "Financial Restructuring vs. Konkordato/Composition (Turkish Scheme of Arrangement)" is presented as a reference source to give all market participants a schematic comparison of these two financial restructuring techniques available to Turkish debtors in light of the fast moving legal and market developments in Turkey.

We hope that you find it useful.

For questions and comments, please feel free to contact one of the team members focused on these developments.

Kind regards,

Esin Attorney Partnership

Key contacts



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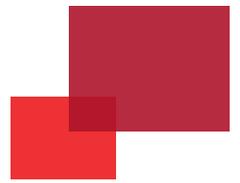
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I. DEFINITIONS

"**Banking Law**" means the Banking Law of Turkey No. 5411.

"**BRSA**" means the Banking Regulatory and Supervisory Authority of Turkey.

"**Creditors**" means Turkish banks, financial leasing companies, factoring companies and financing companies and Foreign Credit Institutions and International Organizations.

"**Creditor Consortium**" means the Consortium of Creditor Institutions as contemplated by the Framework Agreement, a creditors' committee with various powers conferred on it by the Framework Agreement to assist with the process of restructuring.

"**EBC**" means the Enforcement and Bankruptcy Code No. 2004.

"**Financial Restructuring Contract(s)**" means a specific financial restructuring contract between the debtor and its Creditor Consortium(s) pursuant to which its indebtedness may be restructured, and the effects of which will apply to all its creditors party to the Framework Agreement.

"**Foreign Credit Institutions and International Organizations**" means foreign credit institutions and international organizations authorized to extend credits to debtors under the laws of their home jurisdiction.

"**Framework Agreement**" means the framework agreement that entered into force on 19 September 2018 pursuant to the Regulation (as amended from time to time).

"**FRP**" or "**Financial Restructuring Proposal**" means a proposal submitted by a debtor to any of the three creditors whose credit exposures to the debtor are the greatest and who are parties to the Framework Agreement to restructure its debts pursuant to and under the Framework Agreement.

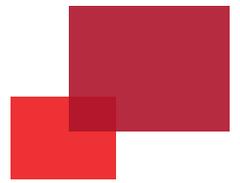
"**FRP beginning**" or "**FRP inception**" (and similar) mean the date on which a debtor submits its FRP.

"**Relevant Creditors**" means with respect to any eligible Turkish debtor, all of its creditors who entered into the Framework Agreement.

"**Regulation**" means the new regulation regarding the restructuring of debts owed to financial institutions that entered into force on 15 August 2018 (as amended from time to time).

"**TBA**" means the Turkish Banks Association of Turkey.

"**TCC**" means the Turkish Commercial Code No. 6102



II. BACKGROUND

1. Regulation

On 15 August 2018, the Regulation entered into force and was amended on 21 November 2018 in response to the concerns raised by international financial institutions regarding their ability to enforce their claims in Turkey.

Under the Regulation, all Turkish companies other than Turkish banks, financial leasing companies, factoring companies, financing companies, capital markets institutions, insurance and reinsurance companies, payment services and e-money institutions and system operators can apply for financial restructuring in respect of their financial debts owed to Turkish banks, financial leasing companies, factoring companies and financing companies, and in certain cases, foreign credit institutions and international organizations if they meet certain financial and other criteria.

Financial restructurings will be completed under the framework agreements to be drafted by the TBA and approved by the BRSA. The TBA will be authorized to classify debtors according to their credit scale and area of operation in the relevant sector, and to draft different framework agreements for each group. The signed framework agreements will be subject to the BRSA's approval and will become valid following the approval. Changes to these agreements will also be subject to the BRSA's approval.

Framework agreements will be implemented with individual Financial Restructuring Contracts to be signed between debtors and Creditors within two years following the framework agreements' approval date. The framework agreement will determine the scope of the receivables to be restructured; debtors' qualifications; the minimum contextual requirements of the Financial Restructuring Contracts; and other relevant items.

One of the most significant provisions of the Regulation obliges all of the Creditors of a borrower that are parties to a framework agreement to agree to the restructuring if the Creditors that own at least two-thirds of the claims covered under the framework agreement sign the Financial Restructuring Contract.

An arbitration committee consisting of three arbitrators appointed by the TBA will resolve any dispute arising from the framework agreements.

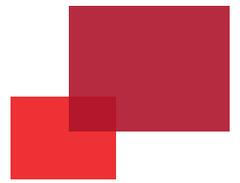
2. Framework Agreement

Following the Regulation's entry into force, the TBA prepared the draft Framework Agreement, which was revised and finalized following comments from the BRSA and Turkish financial institutions.

The Framework Agreement clearly sets forth that it is applicable only to the Creditors that are parties to the Framework Agreement. The Framework Agreement also sets forth that the Creditors that are parties to the Framework Agreement will not be able to enforce their claims against the concerned debtor throughout the standstill period, which begins with the debtor's application to the relevant financial institution(s) for financial restructuring. In addition, the ongoing enforcement procedures initiated by those Creditors will cease during this standstill period.

Turkish financial institutions were invited to execute the Framework Agreement until 5 October 2018. On 19 September 2018, the TBA announced that the financial institutions that own approximately 90% of all loans signed the Framework Agreement and the Framework Agreement entered into force. On the same date, the BRSA announced its approval of the Framework Agreement.

Thereafter, the Framework Agreement was amended in response to concerns that the international financial institutions raised in relation to their ability to enforce their claims in Turkey. This amendment introduced material



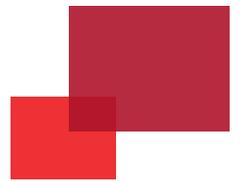
features, such as Foreign Credit Institutions and International Organizations' participation in financial restructurings on a debtor basis and the creditors' ability to cease negotiations or terminate the Financial Restructuring Contract in case of third party enforcement against the debtor.

The most recent version of the Framework Agreement is dated 29 January 2019.

3. Draft Amendments to the Banking Law

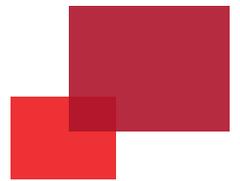
The BRSA prepared a set of amendments to the Banking Law to further facilitate financial restructuring. The amendments to the Banking Law include several tax and accounting benefits, as well as certain exemptions from financial regulatory restrictions applicable to financial restructuring transactions and the documents entered into thereunder.

The amendments that have not been enacted are expected to make the restructuring of non-performing loans easier thanks to the expanded array of tools and exemptions. These tools and exceptions will not only be applicable for financial restructurings under the Regulation and the Framework Agreements, but also to other financial restructurings that Turkish banks enter into regarding non-performing loans.

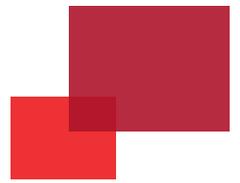


III. COMPARISON

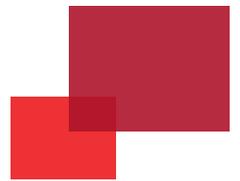
NO.	SUBJECT	FINANCIAL RESTRUCTURING	KONKORDATO/COMPOSITION (TURKISH SCHEME OF ARRANGEMENT)
General			
1	Eligibility	<p>Turkish debtors with at least TRY 100 million of financial indebtedness are eligible for financial restructuring.</p> <p>Generally, a condition to eligibility is that no creditor has commenced any legal proceedings against the debtor. Exceptionally, if legal proceedings have commenced, debtors can still apply if the legal proceedings relate to at most 25% of their total indebtedness.</p> <p>In addition, to be eligible, it must be likely that the debtor will be able to recover from distress due to the restructuring.</p> <p>In order to decide whether a debtor can fall under the FRP remit, an independent auditor ("Independent Auditor") to be appointed by the Creditor Consortium will review the eligibility of the debtor. The financial restructuring contemplated by the FRP can only proceed with this review.</p> <p>The Regulation sets forth that Turkish banks, financial leasing companies, factoring companies, financing companies, capital markets institutions, insurance and reinsurance companies, payment services and e-money institutions and system operators will not be able to apply for financial restructuring as debtors.</p>	<p>Pursuant to Article 285 of the EBC, debtors (all legal entities and natural persons) unable to pay their debts at maturity, or in danger of not being able to pay their debts at maturity, are entitled to request konkordato/composition from the competent commercial court.</p> <p>According to Article 377 of the TCC, a company whose equity is negative can also apply for composition.</p> <p>It must be likely that the debtor will be able to recover from financial distress if composition is granted. Further, the amount to be recovered from the debtor because of the implementation of composition must be potentially higher than the amount that may be recovered because of the bankruptcy of the debtor.</p> <p>The competent commercial court will review the eligibility of the debtor.</p>
2	Applicability and accessibility	<p>Only debtors can apply for a restructuring under the Framework Agreement. Further, FRP can be commenced based on a cash flow test and balance sheet test and whether the company looks likely to become distressed, i.e., in anticipation of insolvency. As such, it applies to all companies nearing insolvency and not just those that are plainly insolvent.</p> <p>The debtor must submit the FRP to any of the three creditors whose credit exposures to the debtor are the greatest and who are parties to the Framework Agreement with the following documents:</p> <ul style="list-style-type: none"> ▪ any planned measures (short, medium or long term) to be taken aside from the restructuring of 	<p>As stated under Section 1 (<i>Eligibility</i>), under Article 285 of the EBC, debtors may request composition from the competent commercial court.</p> <p>Any one of a debtor's creditors who is entitled to request the debtor's bankruptcy may also request the court grant composition to the debtor.</p> <p>In the case of a creditor applying for composition, the creditor must submit a detailed and reasoned petition to the court. However, in practice, it is very rare for a creditor to apply for composition of a debtor.</p> <p>As to an application made by a debtor, the relevant debtor must apply to the competent commercial court through a petition together with documents and information including, in particular, the</p>



NO.	SUBJECT	FINANCIAL RESTRUCTURING	KONKORDATO/COMPOSITION (TURKISH SCHEME OF ARRANGEMENT)
		<p>debts, and business plans</p> <ul style="list-style-type: none"> ▪ balance sheets and profit/loss tables of the last three years approved by the tax administration ▪ a breakdown of all cash debts and non-cash risks (suretyships, bills of guarantee, acceptance letters, checks and bills, other guarantees) with the creditors of each item ▪ a list of all movable and real properties (a list of all properties, securities and real estate along with any encumbrance on such properties) ▪ a list of all real properties in or outside of Turkey transferred to third parties within the last two years ▪ cash flow tables pro-forma balance sheets and income tables for the duration of the requested restructuring ▪ a breakdown of all rights and receivables ▪ a breakdown of all affiliates established in or outside Turkey (together with their addresses, phone and fax numbers and share percentage) ▪ a breakdown of all lawsuits and execution proceedings initiated by or against these persons ▪ a list of all protested bills and overdraft checks (within the last year) ▪ board of directors' decision(s) taken for the application of financial restructuring, signature circulars and powers of attorney ▪ as of the date of the application: number of tenured employees and withholding tax declaration; annual export amounts and copies of documents regarding acquisition of foreign exchange from export transactions; and shareholding structure. 	<p>following:</p> <ul style="list-style-type: none"> ▪ preliminary composition project containing (i) the proposed date and/or reduced amount of receivables and (ii) information on which resources will be used (e.g., new equity injection) to pay its debts and on how the creditors will be paid ▪ the balance sheet of the debtor and any other related documents showing the financial condition of the debtor ▪ a comparison table projecting the amount to be paid to the creditors under the composition project and the amount that the creditors could collect if the debtor declared bankruptcy ▪ a ranked list of all of the creditors, including the amount due to them ▪ an audit report assuring the viability of the composition application showing that the relevant composition project prepared by the debtor is likely to be successful. Independent audit firms authorized by the Public Oversight, Accounting and Auditing Standards Institution must prepare the audit report. The audit firm must audit all of the documents submitted by the debtor in the composition application whilst preparing the audit report. The audit standard will be the standards of Independent Audit Standards and Assurance Audit Standard. Following the audit, if the auditor cannot find evidence justifying the rationality of the assumptions and estimates about the prospective financial information, the auditor will be unable to vote in favor of the proposal in the preliminary project.
3	Process	<p>The procedure is intended to be swift. The restructuring process will terminate if the Creditor Consortium does not adopt a decision within 90 days following the debtor's application for</p>	<p>If the court determines that the debtor submitted a complete composition application together with all of the relevant documents stated above, the court provides an initial grace period (<i>geçici</i></p>

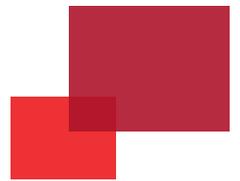


NO.	SUBJECT	FINANCIAL RESTRUCTURING	KONKORDATO/COMPOSITION (TURKISH SCHEME OF ARRANGEMENT)
		<p>restructuring. The Creditor Consortium can extend this period for a maximum of 60 days. The Financial Restructuring Contract must be concluded within 150 days following the debtor's application. These periods will be very challenging in restructurings that are more complex. Furthermore, if during the negotiations of the Financial Restructuring Contract the Creditors that are not parties to the Framework Agreement initiate legal proceedings against a debtor for an amount exceeding 25% of the relevant debtor's aggregate debt, and such proceedings are not terminated within 30 days, the financial restructuring process can be ceased with the affirmative vote of the Creditor Consortium members representing at least 75% of the claims to be restructured and comprising 30% of the members. If the negotiations are not ceased, each Creditor will be able to walk away from the negotiations.</p>	<p><i>mühlet</i>) of three months (which can be extended by a maximum of two months). The court appoints either one or three commissars to supervise the debtor's compliance with the composition project (three commissars will be appointed if the court finds it necessary according to the number of creditors and the amounts of the claims). In practice, provided the required documents are duly submitted to the court, the courts are generally inclined to grant the initial grace period quickly. During the initial grace period, the commissar prepares a report and submits it to the competent commercial court. Based on the commissar's report, the court may either reject the composition application or grant a definitive grace period (<i>kesin mühlet</i>) for one year (which can be extended by a maximum of six months) for the composition proceedings. If the conditions mentioned under the EBC exist, the court may also decide for the bankruptcy of the debtor while rejecting the composition application.</p>
4	Court's intervention	<p>This is an out-of-court consensual method for financial restructuring. Neither the standstill process nor the execution of a Financial Restructuring Contract requires any intervention from the court.</p>	<p>This is a court-led process.</p>
5	Provisional measures and legal effects	<p>Under the Framework Agreement, the members of the Creditor Consortium will not be able to enforce their claims against a debtor that has submitted an FRP throughout a standstill period, which begins when the debtor applies to the relevant financial institution(s) for financial restructuring.</p> <p>Assuming the debtor is or becomes formally insolvent and enters an insolvency process (i.e., by way of konkordato/composition or bankruptcy in Turkey), which will not necessarily be the case, the debtor may be "restricted" from entering into certain transactions (including material asset disposals) on the basis that such transactions may be voidable and might expose the directors of the debtor to personal liability.</p> <p>An FRP would not bring any additional or earlier restrictions to the debtor or its directors, except that it provides that the assets of the debtor may only be</p>	<p>The EBC provides certain measures for the debtor to achieve its objectives through composition. Accordingly, during the initial and definitive grace period:</p> <ul style="list-style-type: none"> ▪ No debt enforcement proceedings can be initiated or continued and no interim attachment and injunction decisions can be exercised, including the enforcement proceedings for public receivables. ▪ No interest would accrue on the unsecured receivables unless the composition project states otherwise. ▪ Assignments made prior to the definitive grace period regarding the debtor's future receivables are deemed invalid. ▪ Creditors whose claims are secured by pledges can initiate or continue debt enforcement proceedings. However, they cannot obtain any dispositive measure against the debtor or realize

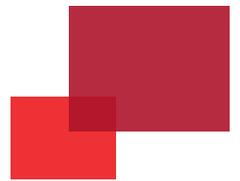


NO.	SUBJECT	FINANCIAL RESTRUCTURING	KONKORDATO/COMPOSITION (TURKISH SCHEME OF ARRANGEMENT)
		<p>disposed of in a manner that would be in the interests of the debtor.</p>	<p>the sale of the pledged assets.</p> <ul style="list-style-type: none"> ▪ The debtor can continue its operations. However, the court may decide that certain transactions are subject to the approval of the commissar or that the commissar will manage the debtor's operations on behalf of the debtor. ▪ The debtor cannot establish pledges over its assets; provide suretyships; transfer its immovable properties or any assets necessary for its operations; and/or establish any collateral over those assets without the court's permission. ▪ If a contract bearing importance in the debtors' commercial activities provides that the composition application would be deemed a violation of the contract or would be considered a just cause for termination or would accelerate the debts, such provisions shall not be enforceable. In other words, agreements cannot be terminated based on the composition application, even when the agreement allows. ▪ The debtor can terminate agreements that jeopardize the sanity of composition proceedings with the approval of the commissar.

Governance			
6	Management	<p>Framework agreements are not intended as a step to be taken for the initiation of liquidation proceedings. Framework agreements (which are general and operate between the creditors that signed them) will be implemented by way of the individual Financial Restructuring Contracts to be entered into between debtors and creditors within two years following the relevant Framework Agreement's signing date.</p> <p>There is a "debtor in possession" proceeding under which the debtor remains in control of its business, as applicable under a U.S. Chapter 11 process or a UK Scheme of Arrangement.</p> <p>The FRP contemplates the debtor in possession alternative. Whilst a change or changes to the management of the debtor is included among the tools available to the Creditor Consortium</p>	<p>Following the receipt of the composition application, the court may grant an initial grace period, along with appointing interim commissar(s) to the debtor. As stated above, although the debtors apply for composition, they still have the power of disposition over their assets. However, all transactions to be executed by the debtor may be subject to the approval of the commissar(s) if the court so decides. The scope of transactions subject to the approval of the commissar(s) is determined and listed through the interim decision of the court. The fact that the debtor continues to carry out its business during the initial grace period under the supervision of the commissar(s) appointed by the court protects the interests of the creditors while ensuring the balance of interest between the debtor and the creditors.</p> <p>The main duty of the commissar(s) is to determine the chances of success of</p>



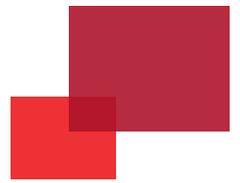
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		<p>under the Framework Agreement (exercisable with the consent of the debtor), there is no clear guidance as to whether in what circumstance or subject to which exact conditions it might be legitimate for the debtor's control over the business to pass to the creditors, the Creditor Consortium or anyone on their behalf. An example is if the management proves incompetent or negligent or has engaged in fraud or other misbehavior.</p>	<p>composition and whether the preliminary project is reasonable and feasible.</p> <p>The debtor is entitled to object to the transactions executed by the commissar(s) through a complaint application to the court.</p> <p>Further to the foregoing, the commissars are also obligated to present the court with interim reports regarding various subjects (e.g., financial status of the debtor, the debtor's business activities).</p> <p>The commissar prepares a final report summarizing all aspects of the composition process during the initial and definitive grace periods. Once the court approves composition, as per the final report of the commissars, the commissars' commission ends. The court may also appoint a trustee for the supervision of the debtor, following the approval of the project.</p>
7	Creditors	<p>For each debtor that made an FRP, a creditors' committee referred to as the Creditor Consortium is formed. Its composition is more regulated than in other jurisdictions. The creditor with the largest exposure is appointed as the "Leader Bank". It can hand over its role to the second bank with the largest exposure, or if it declines, to the third largest creditor. Alternatively, the members of the Creditor Consortium can appoint any other Relevant Creditor to act as Leader Bank with the affirmative vote of the Creditor Consortium members representing at least 75% of the claims to be restructured and comprising 30% of the members.</p> <p>Without prejudice to the provisions of the Banking Law No. 5411 and Personal Data Protection Law No. 6698, the bank to which the debtor submits its FRP and the Leader Bank, if appointed, may provide information to the financial restructuring process to the Foreign Credit Institutions and International Organizations.</p> <p>The Creditor Consortium is tasked to negotiate the Financial Restructuring Contract and implement the Framework Agreement with regard to the debtor, for which purpose it may, with the consent of the debtor, exercise the powers</p>	<p>Following its appointment, the court appointed commissar lists all of the debtor's assets. Thereafter, the commissar invites all of the creditors to declare their receivables. The debtor is invited to respond to its creditors' claims.</p> <p>The court may also establish a creditors' committee consisting of at most seven creditors. The committee of creditors convenes at least once a month and renders decisions by majority of votes. The committee of creditors is entitled to supervise and advise the commissar(s) and submit their opinion to the court. The formation of a board of creditors is mandatory for the court if (i) there are at least three categories of creditors and the total receivable amount exceeds TRY 125 million; or (ii) the number of creditors exceeds 250.</p> <p>Once the composition project is prepared and the foregoing claims declaration process is completed, the commissar convenes the creditors of the debtor to discuss the composition project. The debtor is required to be present in this meeting.</p> <p>Approval of the composition project would require the affirmative vote of (i) half of the registered creditors that own a minimum of 50% of the claims subject to the composition project; or (ii) one-fourth of the registered creditors that own at least two-</p>



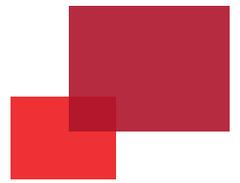
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		<p>referred to herein.</p> <p>The Creditor Consortium will perform its negotiation process with the debtor through a committee composed of Creditor Consortium members and under the leadership of the Leader Bank.</p> <p>The Framework Agreement outlines the possible measures to deliver a financial restructuring. These measures are not exhaustive and include, among others, rescheduling existing debts; providing additional loans; changing management or shareholder structure; selling assets; and establishing additional securities, public offerings and other relevant measures intended to ameliorate the debtor's financial status.</p> <p>There are obligations in the Framework Agreement designed to ensure cooperation between the debtor and Creditor Consortium, including obligations to provide to the Creditor Consortium information about the debtor and its financial situation and problems.</p> <p>The Creditor Consortium's decisions have a voting threshold of two-thirds of the claims to be restructured under the Financial Restructuring Contract. There are a number of special thresholds:</p> <ul style="list-style-type: none">▪ 75% by volume and 30% by number: to approve the accession of third party creditors which have not signed the Framework Agreement (except for the foreign credit institutions and international organizations); to approve the debtor's borrowing from third parties that are not members of the Creditor Consortium and/or extending the duration of negotiations to 150 days; and to cease negotiations of the Financial Restructuring Contract, or revise or terminate the Financial Restructuring Contract in case of third party enforcement against the debtor for an amount exceeding 25% of the relevant debtor's aggregate debt which is not terminated within 30 days.▪ 90% by volume and two by number: to provide additional	<p>thirds of the claims subject to the composition project.</p> <p>In addition, the debtor separately negotiates the restructuring of the secure claims with the secured creditors, on the condition that these negotiations were included in the preliminary composition project. In this case, the commissar must invite all secured creditors to negotiate the discounts on principal, interest, or proposals regarding maturity or other payments during the definitive initial grace period. If the debtor comes to an agreement with the secured creditors that own at least two-thirds of the secured claims, the commissar notifies the court about this agreement.</p> <p>If the creditors do not approve the composition project, the secured creditors' agreement with the debtor will not become valid.</p>



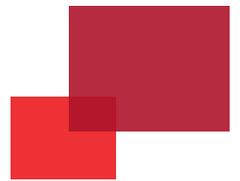
NO.	SUBJECT	FINANCIAL RESTRUCTURING	KONKORDATO/COMPOSITION (TURKISH SCHEME OF ARRANGEMENT)
		lending <ul style="list-style-type: none"> ▪ 100%: to write off the outstanding principal debt. 	
Administration			
8	Collection, preservation, administration and disposition of assets	<p>The procedure is not a liquidation procedure. However, it does allow for asset disposals.</p> <p>The Creditor Consortium, acting with the consent of the debtor, will have extensive powers, including:</p> <ul style="list-style-type: none"> ▪ extending debt maturity ▪ providing additional financing ▪ liquidating or ceasing certain activities of the debtor ▪ increasing capital ▪ changing management ▪ undertaking a public offering ▪ divesting subsidiaries and assets ▪ changing the shareholding structure ▪ writing down ▪ additional lending. <p>Those powers can be exercised with the consent of 66.6% of the Creditors by value, except for the write-down of the principal and additional lending, which require the supermajority vote as set out above.</p> <p>Additional loans can be extended to the debtor with the consent of the Creditor Consortium. If this decision gains the consent of at least two Creditors that together own at least 90% of the claims subject to the Framework Agreement, the additional loans will attract priority ranking and they would be repaid from the collections made under the Financial Restructuring Contract before the other unsecured claims of the members of the Creditor Consortium are satisfied.</p> <p>In addition, if that consent threshold is achieved, all Relevant Creditors can be required to advance their pro rata proportion of this loan.</p> <p>If the 90% threshold cannot be achieved, loans can still be made with the affirmative vote of the members of the Creditor Consortium representing at least 75% of the claims to be</p>	<p>Debtors can continue their operations during the grace periods and composition process. All transactions the debtor executes are subject to the approval of the commissar. However, in practice, courts may set a threshold to determine which transactions shall be subject to the approval of the commissar.</p> <p>Further, certain transactions of the debtors are also subject to the court's approval. In addition, the court may decide that the commissar will manage the debtor's operations on behalf of the debtor.</p> <p>Upon the grant of the initial grace period, the court is also entitled to take necessary measures to protect the debtor's assets ex officio or upon the creditors' request. For instance, the court may decide to freeze the debtor's bank accounts.</p> <p>In this respect, the EBC also provides that any existing enforcements will cease, and no preliminary injunction or provisional attachment will be executed in order to protect the debtor's assets.</p> <p>In light of the above, even though the debtor has the power of disposition over its assets, many of its transactions may be subject to the commissar, and in certain cases, the court's approval. Therefore, the commissar and the court have extensive powers during the composition process, such as contributing to the completion of the composition project; supervising the debtor's activities; approving or rejecting transactions to be executed by the debtor; providing information on the status of the composition process and the financial status of the debtor; and fulfilling other duties assigned by the court.</p>



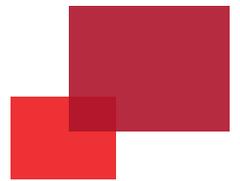
NO.	SUBJECT	FINANCIAL RESTRUCTURING	KONKORDATO/COMPOSITION (TURKISH SCHEME OF ARRANGEMENT)
		<p>restructured and 30% of the members. In this case, the proceeds of the enforcement of the securities provided for the additional loans will be primarily used to repay the additional loans. The banks signing the Framework Agreement that chose not to extend additional loans to the debtor will not be entitled to any priority in respect of the proceeds of such securities or other collections received under the Financial Restructuring Contract.</p>	
9	Stabilizing and sustaining business operations	<p>It is a debtor in possession procedure. The court has no supervisory role in the financial restructuring procedure. With the consent of the Creditor Consortium and the debtor, new financing can be arranged as stated above.</p>	<p>As stated in the foregoing sections, the debtor may proceed with its business activities. However, many of the debtor's transactions may be subject to the commissar and the court's approval. The composition project itself and the measures taken during the initial and definitive grace periods (as explained in Section 3, <i>Process</i>) enable the debtor to meet its ongoing business needs. Further, during the grace periods, the debtor may arrange new financing upon approval of the commissar(s).</p>
10	Treatment of contractual obligations	<p>The Financial Restructuring Contract does not, for example, preclude commercial counterparties from invoking termination clauses. On 15 September 2018, the Turkish Ministry of Trade issued a communiqué permitting Turkish companies to avoid technical bankruptcy temporarily by disregarding unrealized foreign exchange rate losses (i.e., accounting non-cash losses from the foreign currency obligation not performed as of the date of the calculation). The measure is applicable until 1 January 2023. Until now, as a matter of Turkish law, a company has been deemed to be balance sheet insolvent when its assets cannot meet its liabilities, which may be evidenced by a company's interim and annual financial statements. If it is suspected at any time that a company's liabilities exceed its assets, the board of directors must issue an interim balance sheet assuming to the extent necessary going concern and market valuations. If the balance sheet were to demonstrate that the assets were worth less than the liabilities of the company, then absent</p>	<ul style="list-style-type: none"> ▪ Under Article 296 of the EBC, if a contract bearing importance in the debtors' commercial activities provides that the konkordato application would be deemed a violation of the contract, considered a just cause for termination, or accelerate the debts, such provisions shall not be enforceable. In other words, agreements cannot be terminated based on the konkordato application, even when the agreement allows. <p>On the other hand, the debtor can terminate agreements that jeopardize the sanity of composition proceedings with the approval of the commissar and the court.</p>



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		<p>this measure, the board of directors would be obliged to notify the court of the company's bankruptcy. At this point, the court would place the business into a formal insolvency procedure. If the directors fail to notify the court of the bankruptcy, the directors may be subject to imprisonment for a term of ten days to three months.</p> <p>The communiqué is a relief for directors of Turkish companies who are struggling with the negative effects of the Turkish lira depreciation. As such, where a debtor's balance sheet liabilities would exceed its assets solely because of unrealized foreign exchange losses, a common if not increasingly common likelihood given the current exchange rate swings, the debtor can ignore such losses in determining whether, as a matter of Turkish statute, it is technically bankrupt.</p> <p>The change in the statutory definition would not serve to "rewrite" any financial covenant under any debt instrument to the extent it refers to the assets of the company and would otherwise catch such losses.</p>	
11	Voidable Transactions	<p>Pursuant to the FRP, throughout the standstill process the debtor may not grant creditors "preferences," i.e., take any step that would place any one creditor or class of creditors (including the Creditor Consortium members) in a better position than other creditors. These include granting creditor(s) additional recourse rights which it does not offer to all of the other ones, or do anything that would improve (in comparison to other creditors) their outcome in the event of the debtor's insolvent liquidation. This restriction also applies to other persons or entities affiliated with the relevant debtor.</p> <p>There are a number of actions that can only be taken with the Creditor Consortium and debtor's consent; see Section 6 (<i>Collection, Preservation, Administration and Disposition of Assets</i>) above.</p> <p>The FRP does not refer to any voidable transactions. However, under the formal Turkish insolvency regime, a number of transactions can be voided.</p>	<p>Under the EBC, upon the grant of the initial grace period, creditors are entitled to object within seven days as of the grant, stating that there is no need for the grace period.</p> <p>As the composition aims to protect debtors in liquidity distress as well as their creditors, no transaction that may damage the balance of interests between the creditors and the debtor can be executed.</p> <p>Debtors are entitled to object to the transactions executed by the commissar before the court.</p> <p>According to Article 297 of the EBC, during the grace periods, the debtor cannot establish pledges over its assets; provide suretyships; transfer its immovable properties or assets necessary for the continuity of its operations; and/or establish any collateral over those assets without the court's permission. If the debtor executes any of these transactions, they are deemed invalid. If the debtor violates these restrictions or does not comply with the warnings of the commissars, the court may revoke the debtor's power of disposition of its assets or reject the composition</p>



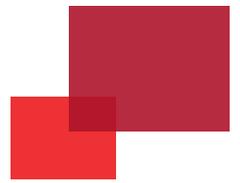
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		<p>Articles 277 through 280 of the EBC grant a bankruptcy receiver the right to challenge (by court process) and have set aside certain kinds of transactions executed by the debtor before the commencement of the formal bankruptcy proceeding. By such means, the receiver can clawback payments made or reverse transactions entered into by the debtor prior to bankruptcy.</p> <p>Under the EBC, three groups of transactions may be voided, as follows:</p> <ul style="list-style-type: none"> (i) transactions executed within two years prior to bankruptcy made for no consideration, such as donations (ii) certain transactions concluded within one year prior to the bankruptcy, specifically: <ul style="list-style-type: none"> (a) pledges given by the debtor as security for a legal and valid debt, other than a security previously granted by the debtor (b) payments made other than with money or other common payment instruments (c) payments for an undue debt (d) the conferring of interests in real property for the benefit of third parties (iii) transactions concluded within five years prior to bankruptcy that were intended to damage its creditors. <p>Under the formal Turkish insolvency regime, various time limits apply to how far back in time a transaction may be challenged, ranging from one to five years depending on the type of transaction. There is no time limit for transactions executed to defraud a creditor. However, the right of challenge only arises upon formal insolvency, not on the commencement of an FRP. Nonetheless, directors must be wary, as even a concluded restructuring may not always serve to avoid insolvency in the medium term.</p>	<p>application and initiate bankruptcy proceedings.</p> <p>Promises that the Debtor makes to one of the creditors in excess of what is foreseen in the composition project are null and void.</p> <p>Articles 277 to 280 of the EBC also apply during composition.</p> <p>In addition to the above, the creditors whose receivables were contested are entitled to initiate a lawsuit against the debtor within one month following the announcement of the composition's approval.</p>
Claims and claims resolution procedures			
12	Treatment of	Arrangements entered into under the	Pursuant to Article 294 of the EBC, once



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	<p>stakeholder rights and priorities</p>	<p>Framework Agreement with respect to any particular debtor will only serve to bind the Relevant Creditors.</p> <p>As such, key stakeholder groups may fall outside the purview of the process, including:</p> <ul style="list-style-type: none"> ▪ shareholders ▪ parties that have lent to Turkish borrowers but have not entered into the Framework Agreement, such as <ul style="list-style-type: none"> ▪ foreign banks and financial institutions who have lent to Turkish borrowers ▪ bondholders, save to the extent they are Turkish financial institutions in any event caught under the Framework Agreement. <p>The Framework Agreement appears to respect the absolute priority rule and cannot override the interests of secured creditors. Albeit it is possible with the requisite consents of the Creditor Consortium and debtor to raise financing during an insolvency process, it is not possible to do so without the consent of a secured creditor to prime its claim, i.e., to grant a security that would rank prior to its security.</p> <p>What the Framework Agreement does not provide for without debtor and shareholder consent is any debt for equity swap or other cram down of shareholders' interests. Furthermore, to achieve a financial restructuring of the debtor, the shareholders are expected to become parties to the Financial Restructuring Contract and enter into agreements with the members of the Creditor Consortium, thereby restricting the debtor's distributions to them.</p>	<p>the initial and definitive grace periods are granted, as stated in Section 5 (<i>Provisional Measures and Effects of Commencement</i>), no debt proceedings will be enforced against the debtor; any existing enforcements will cease; no preliminary injunction or provisional attachment will be executed; and the status of limitations will cease.</p> <p>Moreover, no interest would accrue on the unsecured receivables unless the composition project states otherwise, while the interest on the secured debts would continue to accrue.</p> <p>During the composition proceedings, secured creditors are superior to unsecured creditors.</p> <p>Secured claims can still initiate or continue legal proceedings for the enforcement of their claims. However, neither protective measures can be taken nor the pledged assets can be sold during these periods.</p> <p>Further, Article 294 of the EBC also provides that the creditors of the privileged claims (i.e., employee or labor pension related claims and alimonies) are entitled to enforce such claims during composition.</p> <p>In order for the composition project to be approved, the plan must secure (i) the payment of the receivables of the privileged and secured creditors; and (ii) the execution of the debts concluded with the permission of the commissar within the grace periods.</p>
13	Reorganization proceedings	<p>The final Financial Restructuring Contract concluded with the debtor and the Creditor Consortium will determine, among other things:</p> <ul style="list-style-type: none"> ▪ the amount owed to each creditor ▪ the maturity of repayments moving forward ▪ the economics (e.g., interest rate) of the debt going forward. <p>How the payment plan is developed is</p>	<p>When applying for composition, a list showing all of the names of the debtor's creditors, the total amount of receivables and their privileges must be submitted to the court. This list is a document required for the composition application pursuant to Article 286 of the EBC.</p> <p>According to this list and the debtor's financial status, the debtor prepares a payment plan within the preliminary composition. The payment plan will show</p>



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		<p>not prescribed; therefore, there is considerable flexibility.</p> <p>Whilst the FRP is silent on the voting rights of the creditors or classes of creditors, the quantum of creditors' claims should be calculated in the same way for each creditor.</p> <p>Generally, claims other than claims in the way of debt held by banks and or other financial counterparties who signed up to the Framework Agreement would not be included in or directly affected by any restructuring.</p> <p>In addition to Turkish banks and financial institutions (financial leasing companies, finance companies and factoring companies), the Foreign Credit Institutions and International Organizations can benefit from the Framework Agreement on a debtor-by-debtor basis without the need to obtain the Creditor Consortium's approval. The Creditor Consortium will have discretion to decide as to whether third parties (e.g., the creditors that have not executed the Framework Agreement and non-financial institution creditors) can join a Creditor Consortium. Such a decision would require the affirmative vote of the Creditor Consortium members representing at least 75% of the claims to be restructured and comprising 30% of the members.</p> <p>As such, unless a shareholder creditor signed up to the Framework Agreement (which would, subject to the majority voting principles, potentially compromise its debt claims against all Turkish debtors), its debt claims would not be directly affected by the restructuring and could not be written off or down, or otherwise restructured. However, it is expected that Creditor Consortia will request or require that shareholder rights be compromised in some way, particularly where write downs are required, in terms of the commercial terms that apply to them, their financial worth, ranking (and subordination) and debt for equity swaps or equity dilution.</p> <p>The FRP is silent on the consequences of failure to approve a plan within the stated period or any extended periods.</p>	<p>how and when the debts owed to creditors will be repaid.</p> <p>The interim reports of the commissars will also show whether the debtor generates sufficient funding during the grace periods to repay its outstanding debts.</p> <p>Following the grant of the initial grace period, if the court is unsatisfied with the possibility of success of the composition project, it will not grant the debtor with the definitive grace period. The same applies during the definitive grace period. Under Article 292 of the EBC, during the definitive grace period the court may decide not to approve the composition project and will ex officio rule for the bankruptcy of the debtor (if the debtor is one of the persons subject to bankruptcy). In this case, the creditors of the debtor will collect their receivables from the bankruptcy estate.</p> <p>Except for the priority of the claims of the secured creditors, all creditors must be treated equally during composition. Therefore, both Turkish and foreign creditors, irrespective of whether they are financial institutions or not, may claim their receivables from the debtor during the composition proceedings.</p> <p>There is no special treatment for shareholders.</p> <p>The court's decisions on the grant of the definitive grace period and the rejection of the objections to the grant of the definitive grace period cannot be appealed.</p> <p>Following the assessment of the request for the definitive grace period, if the composition for the debtor (who has not received any bankruptcy decision) is rejected, the debtor or the creditor who demanded composition for such debtor can appeal the court's decision in ten days with the Regional Court of Justice. The decision of the Regional Court of Justice is definitive.</p> <p>In case the court or the Regional Court of Justice rejects the composition request of the debtor, the debtor or the creditor who demanded composition for such debtor can appeal the court's decision within ten days. The decision of the Regional Court of Justice can also be appealed within ten days.</p> <p>Under Article 308/a of the EBC, the debtor</p>



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		<p>If the debtor's financial situation requires a notification to the court for bankruptcy, the board of directors must notify court as stated above. If the debtor's financial situation and projection justify composition, the debtor may apply to the court for composition that would further enable the debtor to restructure its debts within the framework thereof.</p> <p>A Financial Restructuring Contract can be amended during its implementation at the request of at least two members of the Creditor Consortium and with the majority of the Creditor Consortium owning 75% of the claims restructured. Further, if during the term of the Financial Restructuring Contract the Creditors that are not parties to the Framework Agreement initiate legal proceedings against a debtor that are not terminated within 30 days, the Financial Restructuring Contract can be terminated or revised with the above quorum (please refer to Row 3). Otherwise, each Creditor can individually terminate the Financial Restructuring Contract.</p> <p>An arbitral tribunal will be established to deal with the settlement of disputes that may arise out of a Financial Restructuring Contract.</p> <p>Upon consummation and completion of the plan, there is no formal proceeding to close the process. However, the timing set by the FRP is brief and as such, it should be quicker rather than slower.</p>	<p>or the creditor requesting composition for the debtor may appeal the court's decision regarding the approval of composition within ten days following the notification of the decision; other objecting creditors may appeal the decision within ten days from the announcement of the approval decision. The decision of the regional court of appeals may also be appealed within ten days.</p>



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