

**COMMUNIQUE ON PRINCIPLES REGARDING APPRAISAL COMPANIES
AND THEIR LISTINGS BY THE BOARD**

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**Section 1
Purpose, Legal Basis, Definitions and Abbreviations**

Purpose

Article 1- The purpose of this Communiqué is to determine the principles relevant to real estate appraisal companies which would be listed by the Board in order to appraise the transactions for which the corporations subject to capital market regulations are required to have appraisal by the capital market regulations.

Legal Basis

Article 2- This Communiqué is hereby stipulated pursuant to paragraphs (r) and (t) of Article 22 of Law No: 2499.

Definitions and Abbreviations

Article 3- For the purposes of this Communiqué the following definitions shall apply:

Law : Capital Market Law No: 2499 dated 28 July 1981.

Board : Capital Market Board

Company : Real Estate Appraisal Company

Appraisal : Independent and objective appraisal of a real estate, a real estate project, or the benefits and rights tied to a real estate at a certain date.

Real Estate Appraisal Company : The company which is defined as an expert institution by the Law and operates in the field of independent and objective appraisal of a real estate, a real estate project, or the benefits and rights tied to a real estate at a certain date via appraisal experts who have enough knowledge and experience to report

the value of the real estate in accordance with the internationally accepted valuation standards by analyzing its characteristics, and the conditions of the market and environment that may have an effect.

Appraisal Expert

: The one who has Appraisal Expertise License in accordance with the Board's regulations related to the licensing, and at least 3-year experience in real estate appraisal, and at least 4-year bachelor's degree in civil engineering, mapping and cadastral engineering, management, economy, architecture, city and regional planning etc. which closely relates to the operation of the company, and is employed by the real estate appraisal company that would appraise a real estate, a real estate project, or the benefits and rights tied to a real estate.

Liabile Appraisal Expert

: The appraisal expert who are authorized to sign the appraisal reports by himself or herself on behalf of the company, is personally liable for the appraisal, possesses at least 10% capital share, has at least 5-year experience in real estate appraisal, and meets all of the other qualifications to be regarded as an appraisal expert.

Customer

: The corporation which signs a contract to receive appraisal service.

Section 2

Principles Regarding Listing and Removal from the List by the Board

Application requirements

Article 4- The companies to be listed by the Board to perform appraisal service within the context of capital market regulations shall meet the following conditions:

- a) They shall be joint stock corporations

- b) Articles of Association shall be in conformity with the provisions of the Turkish Commercial Code.
- c) Paid-in capital shall be at least TL 300 billion.
- d) All of the shares representing paid-in capital should be issued in return for cash.
- e) All of the shares must be in the form of registered shares,
- f) At least 25% of the paid-in capital should be owned by at least two liable appraisal experts.
- g) They shall employ at least 5 appraisal experts including the liable appraisal experts.
- h) They shall have office, personnel, and hardware sufficient to carry out the operations.

If at least 25% of the paid-in capital of the company must be owned by at least two liable appraisal experts who have Appraisal License from the Board, the amount of minimum paid-in capital stated in subparagraph (c) of paragraph 1 could be TL 75 billion.

The amount of minimum paid-in capital stated in subparagraph (c) of paragraph 1 and in paragraph 2, could be revised annually by the Board considering the revaluation rate announced by the Ministry of Finance.

Application to the Board

Article 5- It is obligatory to attach the following documents to the application petition.

A. Regarding the company;

- a) A notary certified copy of the decision of the authorized body regarding the demand for being listed,
- b) If available, the last 3-year annual reports,
- c) A current copy of the Articles of Association.
- d) A report of certified public accountant to show that the capital is paid in.
- e) If available, the last 3-year balance sheets and income statements.
- f) Information about the hardware and software used in the company.
- g) Organizational structure and information related to the personnel excluding the executives.
- h) If available, the information about the customers, and appraisal services provided in the last 3 years.
- i) The information that explains the international standards followed, standard report forms used, and analysis methods, report standards and procedures employed in preparation of the appraisal reports.
- j) A copy of the working papers used in preparation of the appraisal report.
- j) If available, 5 examples of appraisal reports prepared according to the international standards in the last 3 years.
- k) Information about the capital structure.

l) If available, a copy of know-how agreements.

B. Regarding the shareholders;

a) For legal entities, information about their operations, their capital structures, and their executives.

b) For natural persons, their resumes.

c) The documents required by Article 7.

d) If available, information about foreign shareholders and foreign parties with which the shareholders cooperate.

e) If available, the last 3-year annual reports, capital structures, and financial statements of the firms into which the shareholders participate.

C. Regarding the executives and auditors;

a) Their resumes.

b) The documents required by Article 7.

c) If available, the last 3-year annual reports, capital structures, and financial statements of the firms into which the shareholders participate.

D. Regarding the appraisal experts;

a) Their resumes.

b) A copy of Appraisal Expertise License.

c) The documents required by Article 7.

During the review of the applications, the Board may, if necessary, require additional information and documents.

It is obligatory to use the standard forms determined by the Board in applications to the Board.

Examination by the Board

Article 6- The applications of real estate appraisal companies for being listed are examined by the Board regarding whether the conditions required by the Communiqué are met. Following the examination, the appropriate companies are listed and announced to the public by the Board. Being listed does not mean that the company is given official assurance.

Qualifications of shareholders, executives, auditors, and appraisal experts

Article 7- Natural person shareholders, executives, auditors, and appraisal experts of the company and the members of the Board of Directors of the legal person partners of the company shall meet the following conditions:

- a) They should not have been sentenced for the violation of the regulations for money lending transactions, Law on Prevention of Money Laundering No: 4208, and Banking Law No: 4389 and/or they should not have been sentenced, even if pardoned, excluding negligent offenses;
 - with heavy imprisonment or imprisonment for more than five years or,
 - for disgraceful offenses such as embezzlement, peculation, extortion, bribery, theft, fraud, forgery, breach of trust, fraudulent bankruptcy,
 - smuggling offenses excluding smuggling for utilization and consumption purposes,
 - for incorporating conspiracy into official award contracts and official purchase-sale contracts, or revealing government secrets, tax evasion, or attempt to tax evasion, or participation in tax evasion.
- b) There should not have been any bankruptcy decision or any concordat announced about them or the companies in which they are unlimited partners.
- c) They should not have been any of the responsible persons at the institutions of which at least one of the operation licenses has been cancelled or whose Stock Exchange membership has been cancelled.
- d) They should not have had sentences due to the violations of the Law.
- e) They shall not have a restriction on transactions based on paragraph (i) of Article 46 of the Law.

The parties involved shall deliver declarations assured by a notary to show that they meet these conditions.

The liable appraisal experts could not be shareholders in more than one real estate appraisal company.

Transfer of shares

Article 8- It is necessary to have the Board's approval for transfer of shares of liable appraisal experts. The transfers of shares without the Board's approval would be null and void and cannot be recorded to the share ledger. The company would be removed from the list if the company has only one liable appraisal expert due to quitting of the other liable appraisal expert from the company for any reason or due to the cancellation of his or her license and within the 6-month period, another appraisal expert cannot meet the conditions for becoming a liable appraisal expert stated in this Communiqué. In other transfers of shares, the Board is informed within 15 days by the company's board of directors with a declaration showing that the new partner meets the conditions stated in the Communiqué.

If the companies which applied to the Board in accordance with the paragraph 2 of Article 4 and listed by the Board lose the conditions stated in the same paragraph for any reason, these companies should again meet the stated conditions within 6 months or increase the minimum paid-in capital to the amount stated in subparagraph (c) of paragraph 1 of Article 4. Otherwise, they will be removed from the list.

Removal from the list

Article 9- The company could be removed from the list if the following conditions occur:

- a) The conditions stated in Article 4 cannot be met anymore.
- b) The appraisal is performed by the unauthorized persons.
- c) Insufficient examination, failure to comply with appraisal standards and regulations related to the appraisal occupation during the appraisal service.
- d) Failure of the working papers to prove the result of the report.
- e) Wrong, imperfect, misleading and incorrect reporting or informing.
- f) The number of appraisal experts employed by the company becomes less than 5 for any reason, and this situation lasts 6 months.
- g) Violation of the independence principle regulated within the Communiqué.
- h) Being contrary to the provision stated in Article 8.

In addition to the conditions stated above, if the activities contrary to the regulations with which the company should comply are detected and if the company does not consider the warning although the company is warned with a letter by the Board for these violations, the company would be removed from the list.

Section 3 Principles of Operation

Responsibility

Article 10- Real estate appraisal companies and liable appraisal expert who signs the appraisal report are jointly responsible for the losses and the damages to their customers and the third parties making use of that report, due to the results of the prepared report because of the incompatibility of the report to the determined standards, insufficient analysis, using wrong data, and having similar deficiencies. The responsibilities of the shareholders, executives and the staff of the company are reserved.

The Principle of independence

Article 11- Real estate appraisal companies and the appraisal experts working at these companies have to be independent and objective in their appraising activities. Independence is the integration of understanding and the behaviors that will provide the professional activity to be performed in an honest and unbiased way. During operations of appraisal experts, in addition to their being honest and unbiased, there must be no special condition that will remove their independence.

Conditions for termination of independence

Article 12- It is accepted that the independence is terminated under the condition in which there is a suspicion of harm to the independency of the real estate appraisal company or appraisal expert. Under the following conditions independency is accepted to be terminated.

a) By the real estate appraisal companies' shareholders, executives, appraisal experts, and their spouses and blood or affinity relatives by up to the third degree or by the real estate appraisal company;

1) Occurrence of obtaining or promising to provide an interest other than the outlined interests in the contract, directly or indirectly from the customer or the parties related to the customer,

2) Determination of the establishment of a partnership relation with the customer, or the partners of the customer, or the real or corporate bodies with whom the customer is associated directly or indirectly in management, supervision and capital aspects or over whom the customer has an ascendancy,

3) Taking responsibility as director, executive or being employed at positions with important decision making authority and responsibility at the subsidiaries of the customer or the subsidiaries of the companies that the customer own,

4) Having debts-receivables other than usual economic relationships with the customer or the subsidiaries of him,

b) Customer's failure to pay the appraisal fees of recent years without an acceptable reason,

c) Determination of appraisal fees conditionally in relation to the result of the appraisal or apparently different from the market rate.

The conditions below are also applicable to the contracting persons and corporations with the company for other services.

Acceptance and transfer of the job

Article 13- In case of the existence of conditions for termination of independence outlined at Article 12, real estate appraisal companies and/or

appraisal experts can not get job from the customer taking part in these relations.

If the existence of any of the conditions listed at Article 12 is learnt after the acceptance of the job the company is responsible for notifying the Board in at most 1 week about the situation and its reasons while immediately terminating the job. In such a case the company transfers the working papers and all the needed information to the new company. Under the provisions of Article 9, Board has the authority to take the needed precautions if the situation is determined without this notification is made.

Professional care and due diligence

Article 14- Appraisal experts working at the real estate appraisal companies shall allocate necessary care and diligence while they are working on the following stages; planning, performing, completing the job and preparing the appraisal report. Care and diligence mean to be the importance to the details that a prudent appraisal expert gives under the same circumstances and care, attention and effort to show.

Prohibitions

Article 15- Real estate appraisal companies can perform advisory activities such as market research related to real estates, feasibility study, analysis of legal condition of real estate and the depending rights, analysis of vacant land and developed project value, the highest and best usage value analysis in addition to appraising activities. They can not perform other activities including real estate brokerage.

- Appraisal experts;
- a) Can not be employed at the same time by more than 1 real estate appraisal company,
 - b) Can not perform the real estate brokerage activity,
 - c) Can not behave in a way that is not in accordance with their professions and professional honors,
 - d) Can not accept the jobs, for which they are not capable and knowledgeable enough,
 - e) Can not be employed by the companies and their subsidiaries, for which they performed appraisal activities in 2 years after their appraisal activity,

Confidentiality

Article 16- Appraisal experts, the executives and supervisors of the company can not disclose the information related to their customers and appraising operations, and can not use this information directly or indirectly on their own behalf or on behalf of third parties or for the detriment of other parties. This responsibility continues after quitting the job.

However;

- a) Under existence of an explicit approval or a demand of its customers,
 - b) In case of claims of legally authorized public institutions,
 - c) In case of claims of related professional associations for professional purposes.
- this information can be given to related persons or organizations.

Requirement of signing contract

Article 17 – For the appraisal activity to be performed on real estates, real estate projects and rights and benefits based on real estates, the real estate appraisal company and the customer must sign a written appraisal contract determining the rights and responsibilities of the both parties.

Minimum components of the contract are;

- a) Information on the real estate, real estate projects and rights and benefits based on real estates, on which appraisal activity to be performed,
- b) Introductory information about the parties of the contract,
- c) Principles related to the determination of fees,
- d) Principles on the working hours and the allocated staff,
- e) The contractual period and the conditions for quitting the contract or its termination,
- f) Principles related to financial and legal responsibilities of the company.

Determination of Fees

Article 18 – Fees for appraisal activity can be determined freely by the company and the customer. However, such fees,

- a) can not be tied to a predetermined appraisal value,
- b) can not be determined after completion of the appraisal activity,
- c) can not be paid conditionally.

Know-how Agreement

Article 19- In the case company make know-how agreements with international appraisal companies, these agreements shall contain at least the following:

- a) Title and address of the international appraisal company,
 - b) Title and address of the company,
 - c) Principles on the rules of information transfer between the company and the international appraisal company, regarding the procedure and techniques the international appraisal company uses in its home country and international appraisal activities,
 - d) A clarifying clause on whether the company will use the name of the international appraisal company in its appraisal reports,
 - e) Fees to be paid to international appraisal company,
 - f) Contractual period.
- A copy of the know-how agreement shall be sent to Board in 15 days after signing the agreement.

Reporting standards

Article 20 – Appraisal report which is prepared in relation to appraisal activity and its results shall include the information outlined in the appendix of this communiqué, shall be prepared in a written form and as 3 copies, and shall be signed by a liable appraisal expert.

Section 4 Various and Final Provisions

Auditing by the Board

Article 21 – The Board can make audits on the listed real estate appraisal companies when it is needed and can request every kind of information and documents from these companies.

Appraisal companies must keep appraisal reports and their underlying documents for 5 years after reporting date in order to present them to the Board on demand.

Provisional Article 1- (as amended by Communiqué Serial: VIII, No: 43) Companies that have been listed by the Board before the publication of this Communiqué shall meet the conditions related to their activities and organizational structures in 2 years from the publication of this Communiqué, and shall meet the condition in the paragraph (f) of Article 4 until 31 December 2007.

Provisional Article 2- In 2-years transitional period after the publication of this Communiqué, from the graduates of civil engineering, mapping and cadastral engineering, management, economics, architecture, city and regional planning, and similar departments of 4 years education together with 7 years work

experience in real estate appraisal business the ones who submit the proving documents to Board and approved by the Board are accepted as appraisal expert. At the end of the 2 years period the appraisal expert status terminates for the ones who do not have the license outlined at Article 3.

Entry into force

Article 22 – This Communiqué shall enter into force on the day of its publication.

Execution

Article 23– The Capital Markets Board executes the provisions of this Communiqué.

Appendix-1

Contents of a Standard Report

1. Information on report

- a) Contents,
- b) Date of the Report,
- c) Report number,
- d) Type of the Report,
- e) The name and surname of the people, who prepared the report,
- f) The name and the surname of the liable appraisal expert,
- g) Date of appraisal,
- h) Date and number of underlying contract,

2. Introductory information on the company and the customer

- a) The title and the address of the company,
- b) Information about the customer and address,
- c) Extent of the claims of the customer and if there exist related limitations.

3. Information on the subject of appraisal

- a) The place, location, definition of the real estate and the information related to title registries,
- b) Title, plan, project, license, schema and similar documents,
- c) Information related to purchases and sales, and changes in the legal status (changes on the municipal development plans, expropriations etc.) of the real estate being appraised, in the last 3-years period.
- d) Information on the existence of any limitation related to real estates being appraised (a restriction on its transfer), and the opinion on whether the limitation poses an obstacle for the real estate to be put into real estate investment company portfolio under capital market regulations,
- e) Information on whether all required permits of the real estate projects being appraised have been obtained pursuant to the relevant legislation, whether their project are ready and approved, and all of the legally required documents to start construction exist in a complete and correct form and opinion on whether there exist any barrier for the real estate project to be put into real estate investment company portfolio under capital market regulations,
- f) Information on the construction auditing company (title, address etc.) which make audits under Construction Auditing Law of 06/29/2001 Law No. 4708, and its audits related to real estate projects being appraised,

4. Analysis related to real estate being appraised

- a) Analysis of the region in which real estate located and the employed data,
- b) Analysis of the existing economical conditions and real estate market, existing trends and underlying data,
- c) Factors affecting appraising activity negatively or restricting it,
- d) Structural and constructional characteristics of real estate,
- e) Data taken as base for physical appraising,
- f) Technical characteristics of the real estate and the data taken as base for appraising,
- g) Assumptions used in appraising and the reasons for the employment of these assumptions,
- h) Explanatory information on the methods used for appraisal and the reasons for the employment of these methods,
- i) Land values of the lands on which a project is developed and the value of the project,
- i) Cash/ Income flows analysis,
- j) Cost formation analysis,
- k) The description and selling price of the sales examples that are taken as the base for appraising and the reasons for the employment of these examples,
- l) Rental value analysis and the used data,
- m) The analysis of the legal status of the real estate and the rights tied to real estate,
- n) Land and project value analysis, employed data and assumptions, and attained results,

- o) Analysis of the highest and best value of use,
- p) Appraisal analysis of joint or shared parts,

5. Evaluation of analysis results,

- a) Explanation of the practices for the conformity of different appraisal methods and analysis and the reasons for employment of these practices,
- b) Rationale behind the missing information from the minimum required content of the report,
- c) Opinion on whether legal requirements have been met and all required permits have been obtained completely and accurately pursuant to the relevant legislation,
- d) Opinion on whether there exist any barrier under capital market regulations for the real estate, real estate project, and the benefits and rights tied to real estate being appraised to be put into real estate investment company portfolio.

6. Conclusion

- a) Conclusive sentence of the liable appraisal expert,
- b) Final appraisal value,
For the determination of this value the principles below shall be applied:
 - 1) Determination of final appraisal value in TL by taking the lump sum selling price as the base,
 - 2) Determination of the value without value added tax and coming up with the total value by adding the value added tax,
 - 3) In the appraisal of real estate projects, determination of the value in TL with the assumption of the completion of the project as of appraisal date and additionally determination of the value of the completed part as of appraisal date in TL including land value.

Appendixes for Report

- a) Information listed below related to appraisal expert or experts:
 - 1) Work experience,
 - 2) Schools being graduated from and the completed educational programs,
 - 3) Professional and academic activities and the professional organizations, of which the experts are members,
 - 4) Information on their appraisal licenses,
 - 5) Information on the last 3 appraisal reports they prepared,
- b) Photographs, graphs, and similar documentation submitted by the company as additions to the report.