



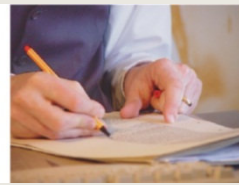
Forming a GmbH - the steps

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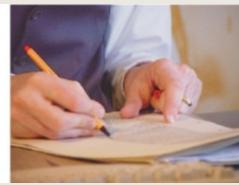
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Foreign investors mainly operate through a branch or a GmbH

- main advantages of a GmbH:
 - corporate veil
 - combines high flexibility with relatively few obligations
 - designed for private businesses with clear and stable shareholder structure

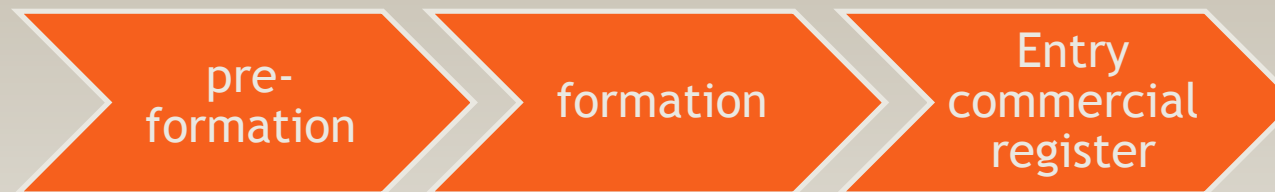


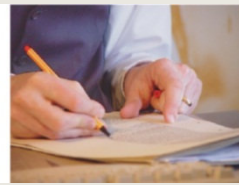


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Stages of a incorporation





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- Pre formation
 - GmbH may be established for any lawful purpose
 - its initial shareholders may be
 - natural persons
 - legal entities,
 - residents or non-residents,
 - German or foreign citizens
 - the law does not limit the number of shareholders
 - the structure and operations of a GmbH are governed by its articles of incorporation
 - the first step in the process of forming a GmbH is the drafting of its articles





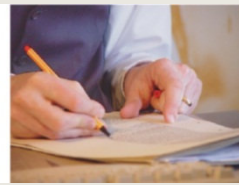
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Content

- business name and registered office
- object of the company
- duration
- financial year
- share capital and contributions
- managing director and representation
- shareholder meeting
 - quorum
 - representation in the meeting
- appropriation of profits
- transfer of shares
- redemption of shares
- annual accounts



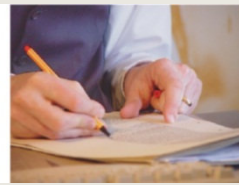


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- non-competition obligation
- Succession
 - redemption in case of death
 - inheritance only to certain persons
 - free inheritance
- notice of Termination
- determination of the compensation
 - capitalized earnings value
 - modified book value
- other provisions





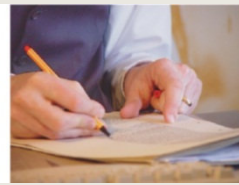
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Formation

- form: notarial deed
- Shareholders' meeting and resolution
 - appointing managing director
 - one or more managing director(s)
 - signing rights of directors may be sole or joint
 - no restrictions as to the nationality or residence of an executive-board member, but he should be able to carry out his tasks physically in Germany (risk: double taxation)
- notarial advice to a managing director
 - alternative: notary abroad (apostil) or consular officer
 - declaration: no circumstances opposing the appointment
 - no conviction with regard to special criminal offence (insolvency etc.), no prohibition of trade or profession, no legal guardian etc.





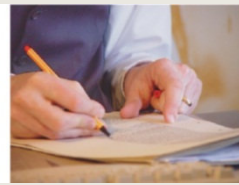
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Entry in Commercial Register

- to be registered in the commercial register (Handelsregister) located in the district court of the company's place of business
- the company comes into actual existence
- before that the founding partners may be personally liable for their own business transactions during the GmbH's "formation stage" (Section 11 GmbHG)
- entry into the commercial register requires
 - a formal application by the managing director(s)
 - all the necessary attachments
- the formation documents may be submitted electronically (by the notary)





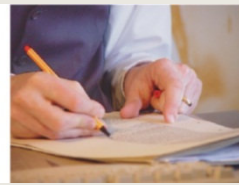
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Documents needed

- the articles of association
- a confirmation of the appointment of the managing director(s)
- samples of signatures of the managing director(s)
- a statement as to whether the managing director(s) are personally empowered to represent the company or whether they can do so only in conjunction with others
- a list of the shareholders
- the assurance that the combined amount of cash and non-cash assets has been paid into the company and is available for use by its management
 - at least 50% of the initial capital must be paid up (if there is a cash subscription)
 - a special non-cash investment report verifying the actual value of any non-cash investments





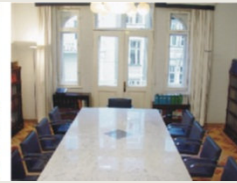
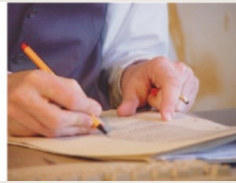
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Other

- request at the chamber of commerce and industry with regard to the proposed company name
- banking account





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Costs of incorporating a GmbH include

- ▶ professional fees for drafting the articles of association
- ▶ translation fees
- ▶ notarial fees (based on the amount of share capital)
- ▶ registration fee (court fees) for publishing obligatory information in the Commercial Register
- ▶ roughly € 1.000 - 1.500,--





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Thank you for your attention

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RA Kai F. Sturmfels, LL.M.
Fachanwalt für Arbeitsrecht
Fachanwalt für Bau- und Architektenrecht

Rae Wendler Tremml
Mörsenbroicher Weg 200
40470 Düsseldorf
Tel.: +49 211 669 667 30
ksturmfels@law-wt.de
www.wendlertremml.de
www.entsenderecht.de

