SAKURA KYODO LAW OFFICES

KOJI TAKEUCHI*
* Admitted in Japan and New York, U.S.A.
HIROYUKI KAWAI
KUNIHIKO NISHIMURA
JUN-ICHI ARATAKE
YO CHIHARA
KIYOTAKA MATSUI
MASAYUKI TOMARI
SHINSUKE MATSUO
MASAYUKI OHYAMA
MASATO MATSUMURA
HIROYUKI TAKANO
NIKKO HAKU
KAZUYA WATANABE
CHIE GOTO
NAOKO OHIWA
NAOKI UEDA
KENTARO KOBAYASHI

NBF HIBIYA BUILDING 16F
1-1-7 UCHISAIWAI-CHO, CHIYODA-KU
TOKYO, 100-0011 JAPAN
TEL:+81-3-5511-4400
FAX:+81-3-5511-4411

YO ONOZAWA
YOSHIMASA HIRUMA
TOMOFUMI IMAI
KAZUKI SATO
YUMIKO FUJITA
KEITARO MISHIMA
KOJI YAMAWAKI
SHIRO ABE
CHIHARU MARIKO
AKIKO YANO
KAZUHIRO MUROTANI
DAIJYU HIRAYAMA
KOICHIRO UEDA
KEIGO YONEDA
MISAKI FUJISAWA
YUUSUKE KIN
YU NAMIKI
TOM CHAN*
* FOREIGN COUNSEL

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Sale of Business in Bankruptcy Context in Japan

Koji Takeuchi
Attorney at Law
Tokyo, JAPAN

I. Sale of Business under the Law of Corporations

1. The sale or lease of business is inherently within the jurisdiction of the Law of Corporations, Kabushiki Kaisha Ho[1]. Part 2 of the Law governs the Kabushiki Kaisha entity ("KK") , a stock company limited by shares. The sale of business as an asset sale of a KK, whether wholly with respect to all of the KK's businesses or partially with respect to its significant business(es) is subject to a shareholder resolution by an affirmative vote of two-thirds of the shareholders in attendance that comprise a majority in number of the outstanding shareholders[2].

2. The sale of a business appears to be a clear cut transaction easily to be distinguishable from other types of corporate transactions; however, in actual

[1] The Law No. 86 of 2005.
[2] The Law of Corporations, Sections 309(2)(sub11), 467(1)(2). Sale to a purchaser which the seller controls by owning 90% or more voting shares is exempt from the shareholder resolution requirement. The purchaser corporation is also subject to its shareholder resolution for purchase of business under similar voting requirements, unless the purchased business is valued to be at 20% or less than the corporate net asset value of the purchaser corporation.

practice it is not so simple. The line of demarcation between the sale of a business and a sale of several assets comprising essential components of the subject business is always blurred. A transaction termed as a sale of several assets enjoys, if the form supersedes the substance, the benefits of relaxed requirements dispensing with shareholder participation, and may effectively transfer a business which transfers some thing more than the total of such named assets[3]. Also, a sale of shares, a type of asset representing a beneficial ownership in a company that carries out a business or that is newly formulated for the transfer of a business purpose may effectively and beneficially cause a sale of the business to take place. Other forms of reorganization transactions, such as, for example, a corporate spin-off or split-up, which require shareholders' approval, may also serve the same purpose as the sale of the business[4]. For our present discussion purposes, we will only address and cover those transactions that are named as a sale of business. We exclude a disguised sale of business that is fashioned as a sale of assets. This exclusion is made based on recognized assumptions that those doubtful transactions or differently tailored transactions will be scrutinized and recharacterized as sale of business, and consequently made subject to the rules applicable to the sale of a business. How often and under what circumstances this recharacterization will occur is not certain. In some cases, the court will allow the original characterization to remain intact and unchanged. Also, we exclude those transactions in bankruptcy context that are named as reorganizations under the corporate law, which will be subject to a different bankruptcy regime than that applicable to the sale of business. With these qualifications and caveats in mind, we proceed to discuss a sale of business in bankruptcy context below.

II. Sale of Business under the Bankruptcy Laws

1. We should mention that two bankruptcy proceedings are available for a KK striving to avoid liquidation; i) a Civil Rehabilitation proceeding under the Civil Rehabilitation Law[5], and ii) the Corporate Reorganization proceeding

[3] Sale of assets for a KK is subject only to a board resolution if the asset is of significance, otherwise it is left to the discretionary decision by its representative director or CEO. The Law of Corporations, section 362(2)(sub1).
[4] The Law of Corporations, sections 757, 762.
[5] The Law No.225 of 1999.

under the Corporate Reorganization Law.[6] A sale of business under each of these two proceedings, whether of the whole or part of it, is treated almost identically, making the sale of a business available either under a plenary plan or a pre-and-out-of-plan, with slight differences emanating from the difference in the extent to which exceptions are provided relieving each proceeding from the corporate law requirements otherwise controlling.

2. We begin with a sale of business under the Civil Rehabilitation Law. Any debtor can be the debtor: an individual, a small business or a large business are all equally eligible for protection under the Law, notwithstanding that originally the Law's intended beneficiaries were financially distressed individuals and small businesses[7]. In other words, the Law's structure is simple and framed lightly to meet the needs for speedy debt resolutions on debts of smaller sizes. One salient point of the Law is that secured claim holders and priority claim holders are placed out of the proceedings (namely, not subject to a stay at any time, except for minor exceptions)[8]. Consequently, the secured claims are expected to be paid in full, but only to the value of the collateral[9], and with the priority claims to be paid at any time[10]. It follows therefore that only unsecured claims are impaired to varying degrees as appropriate and approved under a plan of rehabilitation[11]. The capital structure remains normally unchanged from pre-petition, except where a change of control may be effected by the issuance of new shares, and the writing off, if necessary, of the previous paid-in capital, all with the approval of the court[12]. Other forms of reorganization, such as mergers, spin-offs, demergers and so on, may be carried out where all the corporate law requirements have been duly and separately satisfied out-of-plan of rehabilitation, preferably immediately prior to or after the time when a plan of rehabilitation is presented for approval by the unsecured claims holders[13]. Such corporate actions if taken should be referred to in the plan.

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[6] The Law No. 154 of 2002.
[7] Civil Rehabilitation Law, section 21.
[8] *Idem.*, sections 84, 85, 53. Nonetheless, secured claim holders are required each to file a proof of claim to provide information on secured obligations and collateral, and may become subject to a stay order for a designated period, if a stay is in the best interests of the unsecured claim holders. Idem., sections 94(2), 31.
[9] *Idem.*, section 88.
[10] *Idem.*, sections 121, 122.
[11] *Idem.*, section 154.
[12] *Idem.*, sections 154(3), 166, 166-2,
[13] The Law is silent on whether these reorganizations may be undertaken. The majority of the views will support such corporate actions if taken in association with a plan, but not under a plan.

3. With the foregoing general background of the Civil Rehabilitation Law, we discuss firstly a sale of business outside of a plan for rehabilitation as the most expedient means of effecting a sale of business, which sale is available only post-commencement and pre-plan of rehabilitation[14]. Commencement of the proceedings comes always after a petition has been filed, and reviewed by the judge for grounds of commencement[15]. How soon such order comes depends on the circumstances of each case, but it is not unusual for it to take up to several weeks. During the interim, a preservation order is issued to keep the status quo, or to save the business from deteriorating before the commencement[16]. No sale of the business may be made before commencement after petition.

4. The Law requires the pre-plan sale of a business to be approved by the court[17]. The approval of the sale is made as regards the sale to a particular purchaser for a particular price. The Law provides no procedural rules for selecting a purchaser, nor does the court issue any orders, general or otherwise, or instructions concerning how a purchaser or sale price shall be determined. Notwithstanding the fact that there are no restrictions on a debtor with initiative to conduct an auction, a majority of the sales of a business in rehabilitation proceedings is conducted without auction. Issues of fairness and appropriateness are examined solely by the court. There shall be no notice or hearing with lively discussions in the court on the proposed sale of a business. The approval is given ex-parte, except that limited notice to undefined claim holders (usually not exceeding several of the biggest claim holders) and a simple notice to the labor union are given to solicit their opinions[18]. The documents and information concerning the approval process are a matter of public record; however, the court may issue a prohibitive order denying access to such records by a third party[19]. The validity of this provision is suspect. Shareholders who are normally the only decision making organ in KKs in their out of court sale of a business have no voice or right in rehabilitation proceedings for the sale process where the debtor's liabilities exceed assets, which is often common. In these situations, in lieu of the shareholders the court grants authorization for the sale

[14] *Idem.*, section 42.
[15] *Idem.*, section 22.
[16] *Idem.*, sections 26 through31, 79.
[17] *Idem.*, section 42(1).
[18] *Idem.*, section 42(2)(3).
[19] *Idem.*, section 17(1).

of a business[20]. You will note however, that it is actually no simple task to even determine whether the debtor has more debts than assets, an seemingly simple and easy question. If a balance sheet test on its face may be taken, the task would indeed be easy. But, once you are to evaluate the assets of the debtor at fair market value, which is regarded to be the rightful standard for this type of value determination, or by other generally recognized commercial standards, the task of making such determination becomes a formidable one which may invite serious objections and even litigation if not resolved beforehand. The approval in lieu of the shareholders meeting is subject to appeal by dissatisfied shareholders[21]. The sale of a business by auction may well allow the debtor to avoid this litigation risk or reversal risk, but at a cost which may not well warrant the methodology.

5. The sale of a business under a plan of rehabilitation is the second method of effectuating a sale of business. This sale under a plan of rehabilitation is not statutorily provided for, but interpreted widely to be available and supported by authoritative opinions. The plan shall provide for the sale of business at a particular price, which sale price constitutes the distribution funds to the various claim holders, including where necessary secured parties or priority claim holders. For a KK debtor, a sale of business under a rehabilitation plan is still subject to the corporate law requirements, to wit, the approval of the shareholders, or the approval of the court in lieu thereof as in cases of the debtor having more debts than assets. The confirmation of the plan following the approval by the claim holders must be made in order for the plan and the sale of business thereunder to become effective[22]. However, the confirmation is subject to appeal by dissatisfied interested parties, which may delay the effective date of the confirmation[23].

6. Now we move onto a sale of business under the Corporate Reorganization Law. A KK is the sole entity eligible for protection under this Law[24], and economically the Law's intended beneficiaries were and are financially distressed big businesses. The Law's structure is complex and burdensome in order to satisfy the needs for resolutions of large scale debts. The Law is applicable to all

[20] *Idem.*, section 43.(1).
[21] *Idem.*, section 43(6).
[22] *Idem.*, section 176.
[23] *Idem.*, section 175.
[24] Corporate Reorganization Law, sections 1, 17.

stakeholders of the debtor; namely, holders of secured claims, unsecured claims, priority claims, including tax claims, and equity interests (shares)[25]. These entities are fully drawn into the proceedings as they are made subject to a stay of all actions against the debtor at any time, excepting only those administrative priority claims (kyoeki-saiken)[26]. Every significant corporate actions by shareholders that may affect its financial structure is only within the ambit of the plan[27]. The claims except for kyoeki-saiken, are susceptible to impairments for purposes of reorganization in accordance with the priority rules established in the relevant substantive laws as approved in the Law.[28] The debtor's capital structure shall normally be restructured under the priority rules that subordinate shares as against claims, thus no distribution including the status quo, to shareholders is permissible if claims are impaired[29]. Other forms of reorganization, such as mergers, spin-off, demergers and so on, may be carried out in the reorganization proceedings only under a plan with all of the relevant corporate law requirements are to be exempt for efficiency and speedy resolution[30]. The debtor will be managed by a court appointed trustee who is a disinterested person. The recent practice, however, has seen several pre-petition directors appointed as the "trustee" (the Law requires the office of trustee appointed, instead of authorization for directors to manage without a trustee) in a new attempt to allow a Debtor In Possession regime.

7. With the foregoing general background of the Corporate Reorganization Law, we discuss firstly a sale of business outside of a plan for reorganization. A sale of business outside of a plan for reorganization is now a feature of the early stage of the bankruptcy reorganization proceedings. As the most expedient and inexpensive means of effectuating a sale of business, this type of a sale of business is available only post-commencement and pre-plan[31]. Similar to the counterpart in the Rehabilitation Law, as commencement of the proceedings comes only after review of the petition has been completed, which review requires up to a few to several weeks[32], this type of sale is only available after

[25] *Idem.*, sections 47, 16, 166.
[26] *Idem.*, section 132.
[27] *Idem.*, section 45.
[28] *Idem.*, section 168.
[29] *Idem.*, section 168(1).
[30] *Idem.*, section 45, 167.
[31] *Idem.*, section 46.
[32] *Idem.,* section 41.

that delay, although recent practice has seen a number of expedited commencements within one week of the petition filing. During the interim, a preservation order delegating the management power to a preservative trustee is issued to keep the status quo of the business, or to save the business from deteriorating before the commencement[33].

8. The Corporate Reorganization Law also requires that a pre-plan sale of business be approved by the court[34]. The court approval takes the form of an approval of a proposed sale to a particular purchaser for a particular price. The Law provides no procedural rules for selecting a purchaser, nor are there any orders issuing from the court on how an auction shall be processed and how the purchaser and sale price shall be determined, let alone whether a stalk-horse arrangement or other competitive arrangement can be made or what conditions it may contain. This state of the Law is no different from the rehabilitation proceedings. Nonetheless, as contrasted with the practice under the rehabilitation proceedings, a sale of business in the corporate reorganization proceedings in most cases is conducted differently or with more sophistication in mega size or relatively large scale reorganizations. The debtor will employ financial advisors or turnaround managers to search for prospective purchasers of the businesses, and to organize an auction to select a prospective purchaser. Terms and conditions for the auction process and approval of the final purchaser are valid, not because they are in compliance with rules or orders as no rules exist, but simply because bidders agree to them as presented or simply comply with them. The terms and conditions of the auction and approval process are fixed on a case by case basis and are made known only to the bidders. Typically, the debtor, by showing general terms and requesting submission of several documents, will invite expression of interests or first stage offers from bidders with a proposed business plan following the purchase, a specified price or specified range for the price together with its computation formula, along with other information on the bidder. Based upon these first stage offers, the debtor will narrow down the number of second stage bidders to a smaller group. A non-disclosure agreement is submitted to the debtor by this narrowed group of bidders, when the debtor allows due diligence to be undertaken by the selected bidders. The debtor will thereafter solicit second stage offers from the narrowed group of bidders

[33] *Idem*., sections 24 through 34.
[34] *Idem*,, section

accompanied by a business plan for post purchase, a specified purchase price, which may be modified, upward or downward, from the amount provided in the first stage offer, together with its supporting computation formula, and other documentation. Generally, the debtor maintains full discretion to decide on who the final and winning purchaser shall be, including the power to discontinue the auction wholly or partly at any time. The debtor also proclaims that the highest or best offer will not necessarily be the winner of the bidding, and that the debtor will not give reasons for such decision[35]. There shall be no notice or a hearing with lively discussions in the court on the determination of the winning bidder. The approval is given ex-parte, except that limited notice to undefined claim holders, secured and unsecured (usually not to exceed several of the biggest claim holders) and a simple notice to the labor union are given, to solicit their opinions[36]. Shareholders that are normally the only decision making organ in KKs in an out of court sale of the business, have no voice or right in the reorganization proceedings for the sale process, except that (1) shareholders are notified of certain terms of the proposed sale of business, such as the purchaser, sale price and when the sale will take place, and (2) shareholders may stop the sale from being made if one-third of all shareholders file an objection[37]. However, this right to receive notice and cast objection is rejected when the debtor's debts exceed its assets, which is not unusual[38]. In such cases, the court will simply give authorization for the sale of business, with all the corporate law requirements to be disregarded[39]. The documents and information concerning the approval process are public records. However, the court may issue a prohibitive order denying access to such records by a third party[40]. The validity of this provision is questionable.

9. The sale of business under a plan of reorganization is the second way of effectuating a sale of business. This sale under a proposed plan is statutorily provided for[41]. The plan shall provide for the sale of business for a particular price and set forth other terms required in the provisions of the Law of

[35] These terms and conditions are reproduced selectively from several sale sample documents used in the Japan Air Lines cases.
[36] *Idem.*, section 46(3).
[37] *Idem.*, section 46(4) through (6).
[38] *Idem.*, section 46(8).
[39] *Idem.*, section 46(10).
[40] *Idem.*, section 12(1).
[41] *Idem.*, section 167(2).

Corporations that would normally be presented to and approved by the shareholders. The confirmation of the plan following the approval by the claim holders must be made in order for the plan, including the sale of a business thereunder, to become effective. Once confirmed, the debtor is relieved from all of the requirements of the Law of Corporations for implementing the plan[42]. However, the confirmation is again subject to appeal by dissatisfied interested parties[43].

III. Substantive Law Issues Concerning A Sale of Business Post-petition and Pre-plan

1. We address now several substantive law considerations appurtenant to a sale of business post-petition and pre-plan in both a bankruptcy reorganization proceeding and a rehabilitation proceeding; i.e. (1) treatment of liens in property, real or personal, comprising the business to be transferred, (2) treatment of contractual relationships to be transferred, (3) treatment of liabilities to be transferred, and (4) preference issues related to a sale of business.

(1) Lien issues: Where a sale of a business out of a plan is designed, and the property comprising part of the business to be sold is encumbered by a lien as expressly defined[44], the sale of business may be consummated either subject to or free of such lien. In the former case of sale subject to a lien, the parties are in agreement with respect to the lien, and naturally all issues surrounding the lien are resolved amicably with the purchaser to be responsible for the secured obligation. The assumed obligation will constitute a valid consideration for the property. In the latter case of a sale free of lien, since no agreement is expected, both the Corporate Reorganization Law[45] and the Rehabilitation Law[46] provide a mechanism almost identical procedurally. The debtor shall first petition the court to authorize the termination of any liens in the property by specifying the value of the property. The approval order is then served upon the lien holders, who

[42] *Idem.*, section 210.
[43] *Idem.*, section 201, 202.
[44] The Civil Rehabilitation Law, sections 148, 53; The Corporate Reorganization Law, section 104.
[45] The Corporate Reorganization Law, sections 104 through 112.
[46] The Civil Rehabilitation Law, sections 148 through 153.

may appeal the order in its entirety within two weeks. If the lien holders are in disagreement only to the specified valuation, then they may each file an objection and a request for price determination to the court within one month. The court shall then give a fair valuation with assistance from a valuation expert. Again, this valuation order is appealable within two weeks. When uncontested or finalized, the order becomes binding upon all lien holders of the property, and the valuation amount so determined shall be paid in to the court by the debtor, and upon such payment the lien is terminated. In the case where the debtor has insufficient funds, and such funding is expected from the sale of the business comprising the collateral, then the coordination between the sale of the business comprising the property and the termination of liens must be delicately maneuvered so that closing on the sale of the business shall occur simultaneously with the payment of the valuation amount to the court terminating the liens. In the reorganization proceedings, the court will maintain the proceeds until a plan of reorganization is confirmed, at which time the proceeds will be transferred back to the debtor for distribution under the reorganization plan. The court may expedite the re-transfer and pay the proceeds to the debtor for its cash needs before the reorganization plan confirmation if all of the lien holders consent or if there shall be a surplus in the proceeds after deducting all payable portions to the lien holders. However, payment to the lien holders shall only be made in accordance with the terms of the plan as the lien holders claims are to be satisfied under the plan. While in rehabilitation proceedings, the proceeds will be distributed immediately by the court as though the proceeds constituted the same of a foreclosure sale of the property.

Where a sale of business free of liens is presented under a plan of rehabilitation, the sale is consummated in accordance with the terms of such sale provisions in the plan as approved and confirmed, if previously or simultaneously, (x) the shareholders' approval or the court approval in lieu thereof has been given, and (y) the termination process aforesaid regarding the liens has been completed. On the other hand, where a sale of business free of liens is presented under a plan of reorganization, the sale is consummated in accordance with the terms of such sale provisions in the plan as approved and confirmed, the plan being able to be carried out without any shareholder

or corporate law actions[47], and the treatment or impairment of the liens becoming effective as approved and confirmed, with the liens to be terminated and the lien holders most likely to be paid with the cash proceeds[48].

As contrasted to liens in property, general unsecured claims of a seller of the property, including tort claims generally, but excluding land or water contamination claims, are not assumed by its buyer under the Civil Code principles. Thus, subject to the preference or fraudulent conveyance analysis stated below, the bankruptcy purchaser of a business acquires the business and its component property without being exposed to the successor liability claims or without concerns as to the seller's unsecured claims. As this notion is so firmly established, no provisions are found in the sale approval or the confirmation of a plan relating to the purchaser's rejection or conditioning of unsecured claims. One admonition, however, should be worth mentioning: The Law of Corporations will subject an unwary buyer of business to the debts of his seller incurred before the sale of business, if he simply continues to use the seller's business name or trade name[49]. In the event that such continued use of the seller's business name or trade name is considered, the buyer may insulate such exposure by simply registering in his corporate register a disclaimer of any successor liability[50].

[47] The Corporate Reorganization Law, sections 167(2), 174.
[48] *Idem.*, sections 203, 204.
[49] The Law of Corporations, section 22(1).
[50] *Idem.*, section 22(2).

(2) Contract Transfers: Contracts comprising the business to be sold are transferred according to the terms of the sale of business. Transfer effect does not occur by virtue of the sale of business per se, it being the general principle of the law of contracts that a transfer of a contractual relationship, apart from an assignment of a claim earned or outstanding, becomes effective only upon the consent of its counterparty. This is quite distinguishable from the automatic effect of transfer of a contractual relationship recognized in non-bankruptcy reorganization techniques involving a corporation, such as a merger, spin-off, demerger, or other exchange transaction in equity or debt. Incidentally, contractual terms restricting transfers of claims owed to the bankruptcy debtor arising from a contract are generally valid as against the purchaser of the business[51].

(3) Liabilities Transferred: Liabilities owed by the seller of a business are results of transactions made in reliance upon the financial conditions of the seller, and this reliance will not be defeated by an act of the seller transferring the business which comprise these liabilities. Only upon the consent of the creditors, may the debtor transfer his liabilities to a third party, it being the general principle of the law of contracts that a transfer of liability, whether isolated or otherwise, becomes effective only upon the consent of the creditor[52]. This is again quite distinguishable from the automatic effect of transfer of liabilities recognized in non-bankruptcy reorganization techniques involving a corporation, such as a merger, spin-off, demerger or other exchange transaction in equity or debt. However, similar purposes may be fulfilled against a non-consenting creditor by the purchaser assuming the seller's performance obligation as between the seller and purchaser only, while the creditor may enforce his claims against the seller, if needed but not required against the purchaser in the rights of the seller.

(4) Fraudulent Transfer or Preference Issues: The parties to a sale of business transaction should be vigilant to protect the transaction from avoidance claims or avoidance issues as a preferential or fraudulent action conducted during the bankruptcy proceedings. If a sale of business, which is not fraudulent in the sense that the value of assets transferred is equal to the

[51] The Civil Code supports the validity of such restrictive terms limiting a transfer of claims, except against a bona fide purchaser, section 466(2).

[52] The Civil Code has no provision regulating an assumption of debts. But, no assumption of debt of a third party is effective unless consented to by the creditor.

value of the transferred obligations or other valid considerations, a transfer of only a part of the seller's outstanding obligations thus entitling the creditors of such obligations to full payment by the purchaser, while leaving other creditors paid only partially on their claims, then the question arises whether the transfer is a preference with regards to the favored and assumed creditors. Likewise, if a sale of business, which is not fraudulent in the sense that the value of assets transferred is equal to the value of the obligations or other valid considerations, does effect a transfer of real property and the sale proceeds are not used for rightful purposes including payments of the seller's debts, then the question arises whether the transfer is fraudulent against creditors not paid in full. Recently, in several cases on non-bankruptcy corporate reorganization, the courts have nullified the employed reorganization techniques as fraudulent, where the facts of the cases show that real property has been transferred in exchange for shares, and the seller has delivered the controlling shares received in exchange to entities other than the creditors, for example, to an insider[53]. Notwithstanding the recent revisions targeted at embellishing the avoidance rules, there is no guarantee yet that a sale of business at a fair market value in which only several liabilities are discriminately assumed will survive the preference accusations or fraudulent transfer accusations if real property is involved and the proceeds are used for purposes other than due payments or disposition[54].

IV. Sale of Business in Liquidation Bankruptcy

1. Sale of business in the liquidation bankruptcy context deserves some discussion here. A sale of business in liquidation bankruptcy is made only upon the approval of the court[55]. The court shall notify the labor union soliciting their opinion before issuing an approval[56]. No corporate law proceedings or requirements are applicable. No general orders or rules applicable to sales of business have been or is promulgated by the court. As viewed within the general power of the trustee to dispose of assets of the estate, the sale of a

[53] One such case is the decision of Tokyo High Court of October 27, 2010, 1910 Kinpo 77 (2010).
[54] The Corporate Reorganization Law, sections 86 though 86-3; The Civil Rehabilitation Law, sections 127 through 127-3; and The Liquidation Bankruptcy Law, sections 160 through 163.
[55] The Law of Liquidation Bankruptcy (Hasan-ho), section 78(2)(sub3).
[56] *Idem.*, section 78(4).

business is made under the broad and discretionary power of the trustee, and as such the trustee may determine how to structure a sale of business as he deems appropriate. Where any property comprising the business to be sold is subject to a lien, the trustee may sell the business together with such property free of the liens, or subject to the liens as he/she sees fit. If the trustee elects a sale free of the lien, the trustee shall petition the court for an order authorizing such sale[57]. Such petition shall specify the amount of the proceeds of the proposed sale and specify the liens involved and attach a copy of the sales contract or its contents. The lien holders may each still defeat such proposed sale of property of the business free of a lien by either (x) enforcing within a month the lien in a foreclosure action[58], or (y) offering or having a third party offer to purchase the property at the price which is 5% more than the suggested sales proceeds[59]. Absent such adversarial action, an order based upon the petition will issue, and the suggested sale proceeds of the property of the business are to be paid into the court by the suggested purchaser[60]. If the suggested sale is defeated by a foreclosure action, the property is sold in an ensuing foreclosure sale. If the suggested sale is defeated by a higher offeror, then the court will issue an order authorizing such offeror to purchase and he/she must pay the offered price to the court.[61] No Credit bidding is permitted. Once the price is paid in, the lien terminates and distributions to the lien holders by the court follow.

END

[57] *Idem.*, section 186.
[58] *Idem.*, section 187.
[59] *Idem.,* section 188.
[60] *Idem.*, sections 189(1)(sub1), 190.
[61] *Idem.*, sections 189(1)(sub2), 190.