

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

August Term, 2008

(Argued: June 5, 2009

Decided: June 5, 2009

Opinion filed: August 5, 2009)

Docket No. 09-2311-bk

- - - - -x

IN RE CHRYSLER LLC,

Debtor.

- - - - -x

INDIANA STATE POLICE PENSION TRUST, INDIANA
STATE TEACHERS RETIREMENT FUND, and INDIANA
MAJOR MOVES CONSTRUCTION FUND,

Objectors-Appellants,

THE AD HOC COMMITTEE OF CONSUMER-VICTIMS OF
CHRYSLER LLC,

Objector-Appellant,

WILLIAM LOVITZ, FARBOD NOURIAN, BRIAN CATALON,
CENTER FOR AUTO SAFETY, CONSUMER ACTION,
CONSUMERS FOR AUTO RELIABILITY AND SAFETY,
NATIONAL ASSOCIATION OF CONSUMER ADVOCATES,
and PUBLIC CITIZEN,

Objectors-Appellants,

PATRICIA PASCALE,

Objector-Appellant,

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44

CHRYSLER LLC, aka Chrysler Aspen, aka Chrysler Town & Country, aka Chrysler 300, aka Chrysler Sebring, aka Chrysler PT Cruiser, aka Dodge, aka Dodge Avenger, aka Dodge Caliber, aka Dodge Challenger, aka Dodge Dakota, aka Dodge Durango, aka Dodge Grand Caravan, aka Dodge Journey, aka Dodge Nitro, aka Dodge Ram, aka Dodge Sprinter, aka Dodge Viper, aka Jeep, aka Jeep Commander, aka Jeep Compass, aka Jeep Grand Cherokee, aka Jeep Liberty, aka Jeep Patriot, aka Jeep Wrangler, aka Moper, aka Plymouth, aka Dodge Charger,

Debtors-Appellees,

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT WORKERS UNION OF AMERICA, AFL-CIO ("UAW"),

Appellee,

FIAT S.P.A. and NEW CARCO ACQUISITION LLC,

Appellees,

CHRYSLER FINANCIAL SERVICES AMERICAS LLC,

Appellee,

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS,

Appellee,

UNITED STATES OF AMERICA,

Appellee,

EXPORT DEVELOPMENT CANADA

Appellee.*

- - - - -x

1 * The Clerk of the Court is directed to amend the official
2 caption as set forth above.

3
4
5
6 Before: JACOBS, Chief Judge, KEARSE and SACK,
7 Circuit Judges.

8
9 Appeals from an order entered in the United States
10 Bankruptcy Court for the Southern District of New York
11 (Gonzalez, J.) dated June 1, 2009, authorizing the sale of
12 substantially all of debtor Chrysler LLC's assets to New
13 CarCo Acquisition LLC. On June 2, 2009 we granted a motion
14 for a stay and for expedited appeal directly to this Court,
15 pursuant to 28 U.S.C. § 158(d)(2). On June 5, 2009, we
16 heard oral argument, and ruled from the bench and by written
17 order. We affirmed the June 1, 2009 order "for the reasons
18 stated in the opinions of Bankruptcy Judge Gonzalez,"
19 stating that an opinion or opinions would follow. We now
20 issue this opinion to further explain our affirmance.

21 AFFIRMED.

22
23
24 GLENN M. KURTZ, THOMAS E. LAURIA
25 (Owen C. Pell, Karen M. Asner,
26 *on the brief*), White & Case LLP,
27 New York, NY for Objectors-
28 Appellants Indiana State Police
29 Pension Trust et al.

30
31 NANCY WINKELMAN, (M. Christine

1 Carty, Barry E. Bressler,
2 Richard A. Barkasy, *on the*
3 *brief*) Schnader Harrison Segal &
4 Lewis LLP, New York, NY and
5 Philadelphia, PA for Objector-
6 Appellant The Ad Hoc Committee
7 of Consumer-Victims of Chrysler
8 LLC

9
10 ADINA H. ROSENBAUM, (Allison M.
11 Zieve, *on the brief*), Public
12 Citizen Litigation Group,
13 Washington, D.C., and Elizabeth
14 J. Cabraser (Robert J. Nelson,
15 Scott P. Nealey, *on the brief*)
16 Lieff, Cabraser, Heimann &
17 Bernstein, LLP, San Francisco,
18 CA, and Harley E. Riedel (Edward
19 J. Peterson, *on the brief*)
20 Stichter, Riedel, Blain &
21 Prosser, P.A., Tampa, FL for
22 Objectors-Appellants William
23 Lovitz et al.

24
25 SANDER L. ESSERMAN (Robert T.
26 Brousseau, Jo E. Hartwick, Cliff
27 I. Taylor, *on the brief*)
28 Stutzman, Bromberg, Esserman &
29 Plifka, PC, Dallas, TX, and Alan
30 R. Brayton (Christina Skubic, *on*
31 *the brief*) Brayton Purcell LLP,
32 Novato, CA for Objector-
33 Appellant Patricia Pascale

34
35 THOMAS F. CULLEN, (Corinne
36 Ball, Steven C. Bennett,
37 Todd R. Geremia, Veerle Roovers,
38 *on the brief*), Jones Day, New
39 York, NY and Washington, D.C.,
40 for Debtors-Appellees Chrysler
41 LLC et al.

42
43 DEBORAH M. BUELL, (James L.
44 Bromley, Luke A. Barefoot,

1 Kimberly C. Spiering, James
2 Croft, *on the brief*), Cleary
3 Gottlieb Steen & Hamilton LLP,
4 New York, NY, for Appellee
5 International Union of United
6 Automobile Aerospace and
7 Agricultural Workers of America
8

9 STEVEN L. HOLLEY (John L.
10 Warden, Laurent S. Wiesel, *on*
11 *the brief*) Sullivan & Cromwell
12 LLP, New York, NY for Appellees
13 Fiat S.p.A. and New CarCo
14 Acquisition LLC
15

16 MARTIN J. BIENENSTOCK (Judy G.Z.
17 Liu, *on the brief*) Dewey &
18 LeBoeuf LLP, New York, NY for
19 Appellee Chrysler Financial
20 Services Americas LLC
21

22 KENNETH H. ECKSTEIN, (Jeffrey S.
23 Trachtman, Thomas Moers Mayer,
24 *on the brief*) Kramer
25 Levin Naftalis & Frankel LLP,
26 New York, NY for Appellee
27 The Official Committee of
28 Unsecured Creditors
29

30 JEANNETTE A. VARGAS, Assistant
31 United States Attorney, (Tara
32 LaMorte, Li Yu, David S. Jones,
33 *on the brief*) for Lev L. Dassin,
34 Acting United States Attorney
35 for the Southern District of New
36 York, New York, NY, and JOHN
37 RAPISARDI, Of Counsel to the
38 Presidential Task Force on the
39 Auto Industry, Cadwalader,
40 Wickersham & Taft LLP, New York,
41 NY for Appellee United States of
42 America
43

44 MICHAEL J. EDELMAN, Vedder Price

1 P.C., New York, NY for Appellee
2 Export Development Canada

3
4 JOAN PILVER, Assistant Attorney
5 General, (Matthew F.
6 Fitzsimmons, *on the brief*) for
7 Richard Blumenthal, Attorney
8 General of the State of
9 Connecticut, Hartford, CT for
10 Amicus Curiae State of
11 Connecticut

12
13 ROGER NETZER, (Lisa D. Bentley,
14 Emma-Ann Deacon, *on the brief*)
15 Willkie Farr & Gallagher LLP,
16 New York, NY, and Robert G.
17 Zack, Chief Legal Officer,
18 Oppenheimer Senior Floating Rate
19 Fund and Oppenheimer Master Loan
20 Fund, LLC, New York, NY for
21 Amici Curiae Oppenheimer Senior
22 Floating Rate Fund and
23 Oppenheimer Master Loan
24 Fund, LLC

25
26
27 DENNIS JACOBS, Chief Judge:

28 The Indiana State Police Pension Trust, the Indiana
29 State Teachers Retirement Fund, and the Indiana Major Moves
30 Construction Fund (collectively, the "Indiana Pensioners" or
31 "Pensioners"), along with various tort claimants and others,
32 appeal from an order entered in the United States Bankruptcy
33 Court for the Southern District of New York, Arthur J.
34 Gonzalez, Bankruptcy Judge, dated June 1, 2009 (the "Sale
35 Order"), authorizing the sale of substantially all of the
36 debtor's assets to New CarCo Acquisition LLC ("New

1 Chrysler"). On June 2, 2009 we granted the Indiana
2 Pensioners' motion for a stay and for expedited appeal
3 directly to this Court, pursuant to 28 U.S.C. § 158(d)(2).
4 On June 5, 2009 we heard oral argument, and ruled from the
5 bench and by written order, affirming the Sale Order "for
6 the reasons stated in the opinions of Bankruptcy Judge
7 Gonzalez," stating that an opinion or opinions would follow.
8 This is the opinion.

9 In a nutshell, Chrysler LLC and its related companies
10 (hereinafter "Chrysler" or "debtor" or "Old Chrysler") filed
11 a pre-packaged bankruptcy petition under Chapter 11 on April
12 30, 2009. The filing followed months in which Chrysler
13 experienced deepening losses, received billions in bailout
14 funds from the Federal Government, searched for a merger
15 partner, unsuccessfully sought additional government bailout
16 funds for a stand-alone restructuring, and ultimately
17 settled on an asset-sale transaction pursuant to 11 U.S.C.
18 § 363 (the "Sale"), which was approved by the Sale Order.
19 The key elements of the Sale were set forth in a Master
20 Transaction Agreement dated as of April 30, 2009:
21 substantially all of Chrysler's operating assets (including
22 manufacturing plants, brand names, certain dealer and
23 supplier relationships, and much else) would be transferred

1 to New Chrysler in exchange for New Chrysler's assumption of
2 certain liabilities and \$2 billion in cash. Fiat S.p.A
3 agreed to provide New Chrysler with certain fuel-efficient
4 vehicle platforms, access to its worldwide distribution
5 system, and new management that is experienced in turning
6 around a failing auto company. Financing for the sale
7 transaction--\$6 billion in senior secured financing, and
8 debtor-in-possession financing for 60 days in the amount of
9 \$4.96 billion--would come from the United States Treasury
10 and from Export Development Canada. The agreement
11 describing the United States Treasury's commitment does not
12 specify the source of the funds, but it is undisputed that
13 prior funding came from the Troubled Asset Relief Program
14 ("TARP"), 12 U.S.C. § 5211(a)(1), and that the parties
15 expected the Sale to be financed through the use of TARP
16 funds. Ownership of New Chrysler was to be distributed by
17 membership interests, 55% of which go to an employee benefit
18 entity created by the United Auto Workers union, 8% to the
19 United States Treasury and 2% to Export Development Canada.
20 Fiat, for its contributions, would immediately own 20% of
21 the equity with rights to acquire more (up to 51%),
22 contingent on payment in full of the debts owed to the
23 United States Treasury and Export Development Canada.

1 At a hearing on May 5, 2009, the bankruptcy court
2 approved the debtor's proposed bidding procedures. No other
3 bids were forthcoming. From May 27 to May 29, the
4 bankruptcy court held hearings on whether to approve the
5 Sale.¹ Upon extensive findings of fact and conclusions of
6 law, the bankruptcy court approved the Sale by order dated
7 June 1, 2009.

8 After briefing and oral argument, we affirmed the
9 bankruptcy court's order on June 5, but we entered a short
10 stay pending Supreme Court review. The Supreme Court, after
11 an extension of the stay, declined a further extension. The
12 Sale closed on June 10, 2009.

13 The factual and procedural background is set out in
14 useful detail in the opinions of Bankruptcy Judge Gonzalez.
15 This opinion is confined to a discussion of the arguments
16 made for vacatur or reversal. The Sale Order is challenged
17 essentially on four grounds. First, it is contended that
18 the sale of Chrysler's auto-manufacturing assets, considered
19 together with the associated intellectual property and
20 (selected) dealership contractual rights, so closely
21 approximates a final plan of reorganization that it

¹ Twelve witnesses testified (either live or through depositions), and 48 exhibits were introduced.

1 constitutes an impermissible "sub rosa plan," and therefore
2 cannot be accomplished under § 363(b). We consider this
3 question first, because a determination adverse to Chrysler
4 would have required reversal. Second, we consider the
5 argument by the Indiana Pensioners that the Sale
6 impermissibly subordinates their interests as secured
7 lenders and allows assets on which they have a lien to pass
8 free of liens to other creditors and parties, in violation
9 of § 363(f). We reject this argument on the ground that the
10 secured lenders have consented to the Sale, as per
11 § 363(f)(2). Third, the Indiana Pensioners challenge the
12 constitutionality of the use of TARP funds to finance the
13 Sale on a number of grounds, chiefly that the Secretary of
14 the Treasury is using funds appropriated for relief of
15 "financial institutions" to effect a bailout of an auto-
16 manufacturer, and that this causes a constitutional injury
17 to the Indiana Pensioners because the loss of their
18 priorities in bankruptcy amounts to an economic injury that
19 was caused or underwritten by TARP money. We conclude that
20 the Indiana Pensioners lack standing to raise this
21 challenge. Finally, we consider and reject the arguments
22 advanced by present and future tort claimants.

23

1 real substance of the transaction is the underlying
2 reorganization it implements." Indiana Pensioners' Br. at
3 46 (citation omitted).

4 Section 363(b) of the Bankruptcy Code authorizes a
5 Chapter 11 debtor-in-possession to use, sell, or lease
6 estate property outside the ordinary course of business,
7 requiring in most circumstances only that a movant provide
8 notice and a hearing. 11 U.S.C. § 363(b).² We have
9 identified an "apparent conflict" between the expedient of a
10 § 363(b) sale and the otherwise applicable features and
11 safeguards of Chapter 11.³ Comm. of Equity Sec. Holders v.
12 Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1071 (2d
13 Cir. 1983); cf. Braniff, 700 F.2d at 940.

14 In Lionel, we consulted the history and purpose of
15 § 363(b) to situate § 363(b) transactions within the overall
16 structure of Chapter 11. The origin of § 363(b) is the
17 Bankruptcy Act of 1867, which permitted a sale of a debtor's

² The section provides: "The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate" 11 U.S.C. § 363(b) (1).

³ Section 363(b) may apply to cases arising under Chapters 7, 11, 12, and 13 of the Bankruptcy Code. In this case, as in Lionel, we consider only its applicability in the context of Chapter 11 cases.

1 assets when the estate or any part thereof was "of a
2 perishable nature or liable to deteriorate in value."
3 Lionel, 722 F.2d at 1066 (citing Section 25 of the
4 Bankruptcy Act of 1867, Act of March 2, 1867, 14 Stat. 517)
5 (emphasis omitted). Typically, courts have approved
6 § 363(b) sales to preserve "'wasting asset[s].'" Id. at
7 1068 (quoting Mintzer v. Joseph (In re Sire Plan, Inc.), 332
8 F.2d 497, 499 (2d Cir. 1964)). Most early transactions
9 concerned perishable commodities; but the same practical
10 necessity has been recognized in contexts other than fruits
11 and vegetables. "[T]here are times when it is more
12 advantageous for the debtor to begin to sell as many assets
13 as quickly as possible in order to insure that the assets do
14 not lose value." Fla. Dep't of Revenue v. Piccadilly
15 Cafeterias, Inc., 128 S. Ct. 2326, 2342 (2008) (Breyer,
16 J., dissenting) (internal quotation marks omitted); see also
17 In re Pedlow, 209 F. 841, 842 (2d Cir. 1913) (upholding sale
18 of a bankrupt's stock of handkerchiefs because the sale
19 price was above the appraised value and "Christmas sales had
20 commenced and . . . the sale of handkerchiefs depreciates
21 greatly after the holidays"). Thus, an automobile
22 manufacturing business can be within the ambit of the

1 "melting ice cube" theory of § 363(b). As Lionel
2 recognized, the text of § 363(b) requires no "emergency" to
3 justify approval. Lionel, 722 F.2d at 1069. For example,
4 if "a good business opportunity [is] presently available,"
5 id., which might soon disappear, quick action may be
6 justified in order to increase (or maintain) the value of an
7 asset to the estate, by means of a lease or sale of the
8 assets. Accordingly, Lionel "reject[ed] the requirement
9 that only an emergency permits the use of § 363(b)." Id.
10 "[I]f a bankruptcy judge is to administer a business
11 reorganization successfully under the Code, then . . . some
12 play for the operation of both § 363(b) and Chapter 11 must
13 be allowed for." Id. at 1071.

14 At the same time, Lionel "reject[ed] the view that
15 § 363(b) grants the bankruptcy judge *carte blanche*." Id. at
16 1069.⁴ The concern was that a quick, plenary sale of assets
17 outside the ordinary course of business risked circumventing
18 key features of the Chapter 11 process, which afford debt
19 and equity holders the opportunity to vote on a proposed
20 plan of reorganization after receiving meaningful

⁴ If unfettered use of § 363(b) had been intended, there would have been no need for the requirement of notice and hearing prior to approval.

1 information. See id. at 1069-70. Pushed by a bullying
2 creditor, a § 363(b) sale might evade such requirements as
3 disclosure, solicitation, acceptance, and confirmation of a
4 plan. See 11 U.S.C. §§ 1122-29. “[T]he natural tendency of
5 a debtor in distress,” as a Senate Judiciary Committee
6 Report observed, is “to pacify large creditors with whom the
7 debtor would expect to do business, at the expense of small
8 and scattered public investors.” Lionel, 722 F.2d at 1070
9 (quoting S. Rep. No. 95-989, 2d Sess., at 10 (1978), as
10 reprinted in 1978 U.S.C.C.A.N. 5787, 5796 (internal
11 quotation marks omitted)).

12 To balance the competing concerns of efficiency against
13 the safeguards of the Chapter 11 process, Lionel required a
14 “good business reason” for a § 363(b) transaction⁵:

15 [A bankruptcy judge] should consider all
16 salient factors pertaining to the
17 proceeding and, accordingly, act to
18 further the diverse interests of the
19 debtor, creditors and equity holders,
20 alike. [A bankruptcy judge] might, for
21 example, look to such relevant factors as
22 the proportionate value of the asset to
23 the estate as a whole, the amount of

⁵ The Lionel standard has subsequently been adopted in sister Circuits. See, e.g., Stephens Indus. v. McClung, 789 F.2d 386, 389-90 (6th Cir. 1986); Inst. Creditors of Continental Air Lines, Inc. v. Continental Air Lines, Inc. (In re Continental Air Lines, Inc.), 780 F.2d 1223, 1226 (5th Cir. 1986).

1 elapsed time since the filing, the
2 likelihood that a plan of reorganization
3 will be proposed and confirmed in the
4 near future, the effect of the proposed
5 disposition on future plans of
6 reorganization, the proceeds to be
7 obtained from the disposition vis-a-vis
8 any appraisals of the property, which of
9 the alternatives of use, sale or lease
10 the proposal envisions and, most
11 importantly perhaps, whether the asset is
12 increasing or decreasing in value. This
13 list is not intended to be exclusive, but
14 merely to provide guidance to the
15 bankruptcy judge.

16
17 722 F.2d at 1071.

18 After weighing these considerations, the Court in
19 Lionel reversed a bankruptcy court's approval of the sale of
20 Lionel Corporation's equity stake in another corporation,
21 Dale Electronics, Inc. ("Dale"). The Court relied heavily
22 on testimony from Lionel's Chief Executive Officer, who
23 conceded that it was "only at the insistence of the
24 Creditors' Committee that Dale stock was being sold and that
25 Lionel 'would very much like to retain its interest in
26 Dale,'" id. at 1072, as well as on a financial expert's
27 acknowledgment that the value of the Dale stock was not
28 decreasing, see id. at 1071-72. Since the Dale stock was
29 not a wasting asset, and the proffered justification for
30 selling the stock was the desire of creditors, no sufficient

1 business reasons existed for approving the sale.

2 In the twenty-five years since Lionel, § 363(b) asset
3 sales have become common practice in large-scale corporate
4 bankruptcies. See, e.g., Robert E. Steinberg, *The Seven*
5 *Deadly Sins in § 363 Sales*, Am. Bankr. Inst. J., June 2005,
6 at 22, 22 (“Asset sales under § 363 of the Bankruptcy Code
7 have become the preferred method of monetizing the assets of
8 a debtor company.”); Harvey R. Miller & Shai Y. Waisman,
9 *Does Chapter 11 Reorganization Remain A Viable Option for*
10 *Distressed Businesses for the Twenty-First Century?*, 78 Am.
11 Bankr. L.J. 153, 194-96 (2004). A law review article
12 recounts the phenomenon:

13 Corporate reorganizations have all but
14 disappeared. . . . TWA filed only to
15 consummate the sale of its planes and
16 landing gates to American Airlines.
17 Enron’s principal assets, including its
18 trading operation and its most valuable
19 pipelines, were sold within a few months
20 of its bankruptcy petition. Within weeks
21 of filing for Chapter 11, Budget sold
22 most of its assets to the parent company
23 of Avis. Similarly, Polaroid entered
24 Chapter 11 and sold most of its assets to
25 the private equity group at BankOne.
26 Even when a large firm uses Chapter 11 as
27 something other than a convenient auction
28 block, its principal lenders are usually
29 already in control and Chapter 11 merely
30 puts in place a preexisting deal.

31
32 Douglas G. Baird & Robert K. Rasmussen, *The End of*

1 *Bankruptcy*, 55 Stan. L. Rev. 751, 751-52 (2002) (internal
2 footnotes omitted). In the current economic crisis of 2008-
3 09, § 363(b) sales have become even more useful and
4 customary.⁶ The "side door" of § 363(b) may well "replace
5 the main route of Chapter 11 reorganization plans." Jason
6 Brege, Note, *An Efficiency Model of Section 363(b) Sales*, 92
7 Va. L. Rev. 1639, 1640 (2006).

8 Resort to § 363(b) has been driven by efficiency, from
9 the perspectives of sellers and buyers alike. The speed of
10 the process can maximize asset value by sale of the debtor's
11 business as a going concern. Moreover, the assets are
12 typically burnished (or "cleansed") because (with certain
13 limited exceptions) they are sold free and clear of liens,
14 claims and liabilities. See infra (discussing § 363(f) and
15 tort issues). A § 363 sale can often yield the highest
16 price for the assets because the buyer can select the

⁶ For instance, Lehman Brothers sold substantially all its assets to Barclays Capital within five days of filing for bankruptcy. Lehman Brothers filed for bankruptcy in the early morning hours of September 15, 2008. On September 20, 2008, the bankruptcy court approved the sale to Barclays of Lehman's investment banking and capital markets operations, as well as supporting infrastructure including the Lehman headquarters in midtown Manhattan for \$1.7 billion. See Bay Harbour Mgmt., L.C. v. Lehman Bros. Holdings Inc. (In re Lehman Bros. Holdings Inc.), No. 08-cv-8869(DLC), 2009 WL 667301, at *8 (S.D.N.Y. Mar. 13, 2009) (affirming the § 363(b) sale order).

1 liabilities it will assume and purchase a business with cash
2 flow (or the near prospect of it). Often, a secured
3 creditor can "credit bid," or take an ownership interest in
4 the company by bidding a reduction in the debt the company
5 owes. See 11 U.S.C. § 363(k) (allowing a secured creditor
6 to credit bid at a § 363(b) sale).

7 This tendency has its critics. See, e.g., James H.M.
8 Sprayregen et al., *Chapter 11: Not Perfect, but Better than*
9 *the Alternative*, Am. Bankr. Inst. J., Oct. 2005, at 1, 60
10 (referencing those who "decr[y] the increasing frequency and
11 rise in importance of § 363 sales"). The objections are not
12 to the quantity or percentage of assets being sold: it has
13 long been understood (by the drafters of the Code,⁷ and the
14 Supreme Court⁸) that § 363(b) sales may encompass all or

⁷ As stated in Lionel, "[t]he Commission on the Bankruptcy Laws of the United States submitted a draft provision that would have permitted resort to section 363(b) in the absence of an emergency, even in the case of 'all or substantially all the property of the estate.' See Report of the Commission on the Bankruptcy Laws of the United States, H.R. Doc. No. 93-137, 93rd Cong., 1st Sess. (1973) at 239 (proposed § 7-205 and accompanying explanatory note). Congress eventually deleted this provision without explanation" Lionel, 722 F.2d at 1069-70 n.3.

⁸ The Supreme Court has noted that § 363(b) is sometimes used to sell all or substantially all of a debtor's assets. In a footnote in Florida Department of Revenue v. Piccadilly Cafeterias, the Court wrote:

1 substantially all of a debtor's assets. Rather, the thrust
2 of criticism remains what it was in Lionel: fear that one
3 class of creditors may strong-arm the debtor-in-possession,
4 and bypass the requirements of Chapter 11 to cash out
5 quickly at the expense of other stakeholders, in a
6 proceeding that amounts to a reorganization in all but name,
7 achieved by stealth and momentum. See, e.g., Motorola, Inc.
8 v. Official Comm. of Unsecured Creditors and J.P. Morgan
9 Chase Bank, N.A. (In re Iridium Operating LLC), 478 F.3d
10 452, 466 (2d Cir. 2007) ("The reason *sub rosa* plans are
11 prohibited is based on a fear that a debtor-in-possession
12 will enter into transactions that will, in effect, short
13 circuit the requirements of Chapter 11 for confirmation of a

Chapter 11 bankruptcy proceedings ordinarily culminate in the confirmation of a reorganization plan. But in some cases, as here, a debtor sells all or substantially all its assets under § 363(b)(1) (2000 ed., Supp. V) before seeking or receiving plan confirmation. In this scenario, the debtor typically submits for confirmation a plan of liquidation (rather than a traditional plan of reorganization) providing for the distribution of the proceeds resulting from the sale.

128 S. Ct. at 2330 n.2.

1 reorganization plan.” (internal quotation marks and
2 alteration omitted)); Brege, *An Efficiency Model of Section*
3 *363(b) Sales*, 92 Va. L. Rev. at 1643 (“The cynical
4 perspective is that [§ 363(b)] serves as a loophole to the
5 otherwise tightly arranged and efficient Chapter 11, through
6 which agents of the debtor-in-possession can shirk
7 responsibility and improperly dispose of assets.”); see also
8 Steinberg, *The Seven Deadly Sins in § 363 Sales*, Am. Bankr.
9 Inst. J., at 22 (“Frequently, . . . the § 363 sale process
10 fails to maximize value”).

11 As § 363(b) sales proliferate, the competing concerns
12 identified in Lionel have become harder to manage. Debtors
13 need flexibility and speed to preserve going concern value;
14 yet one or more classes of creditors should not be able to
15 nullify Chapter 11’s requirements. A balance is not easy to
16 achieve, and is not aided by rigid rules and prescriptions.
17 Lionel’s multi-factor analysis remains the proper, most
18 comprehensive framework for judging the validity of § 363(b)
19 transactions.

20 Adopting the Fifth Circuit’s wording in Braniff, 700
21 F.2d at 940, commentators and courts--including ours
22 --have sometimes referred to improper § 363(b) transactions

1 as "*sub rosa* plans of reorganization." See, e.g., In re
2 Iridium, 478 F.3d at 466 ("The trustee is prohibited from
3 such use, sale or lease if it would amount to a *sub rosa*
4 plan of reorganization."). Braniff rejected a proposed
5 transfer agreement in large part because the terms of the
6 agreement specifically attempted to "dictat[e] some of the
7 terms of any future reorganization plan. The [subsequent]
8 reorganization plan would have to allocate the [proceeds of
9 the sale] according to the terms of the [transfer] agreement
10 or forfeit a valuable asset." 700 F.2d at 940. As the
11 Fifth Circuit concluded, "[t]he debtor and the Bankruptcy
12 Court should not be able to short circuit the requirements
13 of Chapter 11 for confirmation of a reorganization plan by
14 establishing the terms of the plan *sub rosa* in connection
15 with a sale of assets." Id.

16 The term "*sub rosa*" is something of a misnomer. It
17 bespeaks a covert or secret activity, whereas secrecy has
18 nothing to do with a § 363 transaction. Transactions
19 blessed by the bankruptcy courts are openly presented,
20 considered, approved, and implemented. Braniff seems to
21 have used "*sub rosa*" to describe transactions that treat the
22 requirements of the Bankruptcy Code as something to be

1 evaded or subverted. But even in that sense, the term is
2 unhelpful. The sale of assets is permissible under
3 § 363(b); and it is elementary that the more assets sold
4 that way, the less will be left for a plan of
5 reorganization, or for liquidation. But the size of the
6 transaction, and the residuum of corporate assets, is, under
7 our precedent, just one consideration for the exercise of
8 discretion by the bankruptcy judge(s), along with an open-
9 ended list of other salient factors. See Lionel, 722 F.2d
10 at 1071 (a bankruptcy judge should consider "such relevant
11 factors as the proportionate value of the asset to the
12 estate as a whole").

13 Braniff's holding did not support the argument that a
14 § 363(b) asset sale must be rejected simply because it is a
15 sale of all or substantially all of a debtor's assets. Thus
16 a § 363(b) sale may well be a reorganization in effect
17 without being the kind of plan rejected in Braniff.⁹ See,

⁹ The transaction at hand is as good an illustration as any. "Old Chrysler" will simply transfer the \$2 billion in proceeds to the first lien lenders, and then liquidate. The first lien lenders themselves will suffer a deficiency of some \$4.9 billion, and everyone else will likely receive nothing from the liquidation. Thus the Sale has inevitable and enormous influence on any eventual plan of reorganization or liquidation. But it is not a "*sub rosa* plan" in the Braniff sense because it does not specifically "dictate," or "arrange" *ex ante*, by contract, the terms of

1 e.g., Fla. Dep't of Revenue v. Piccadilly Cafeterias, Inc.,
2 128 S. Ct. at 2330 n.2. Although Lionel did not involve a
3 contention that the proposed sale was a *sub rosa* or *de*
4 *facto* reorganization, a bankruptcy court confronted with
5 that allegation may approve or disapprove a § 363(b)
6 transfer that is a sale of all or substantially all of a
7 debtor's assets, using the analysis set forth in Lionel in
8 order to determine whether there was a good business reason
9 for the sale. See In re Iridium, 478 F.3d at 466 & n.21
10 ("The trustee is prohibited from such use, sale or lease if
11 it would amount to a *sub rosa* plan of reorganization. . . .
12 In this Circuit, the sale of an asset of the estate under
13 § 363(b) is permissible if the 'judge determining [the]
14 § 363(b) application expressly find[s] from the evidence
15 presented before [him or her] at the hearing [that there is]
16 a good business reason to grant such an application.'" (citing Lionel, 722 F.2d at 1071)).

18 The Indiana Pensioners argue that the Sale is a *sub*
19 *rosa* plan chiefly because it gives value to unsecured
20 creditors (*i.e.*, in the form of the ownership interest in
21 New Chrysler provided to the union benefit funds) without

any subsequent plan.

1 paying off secured debt in full, and without complying with
2 the procedural requirements of Chapter 11. However,
3 Bankruptcy Judge Gonzalez demonstrated proper solicitude for
4 the priority between creditors and deemed it essential that
5 the Sale in no way upset that priority. The lien holders'
6 security interests would attach to all proceeds of the Sale:
7 "Not one penny of value of the Debtors' assets is going to
8 anyone other than the First-Lien Lenders." Opinion Granting
9 Debtor's Motion Seeking Authority to Sell, May 31, 2009,
10 ("Sale Opinion") at 18. As Bankruptcy Judge Gonzalez found,
11 all the equity stakes in New Chrysler were entirely
12 attributable to *new value*--including governmental loans, new
13 technology, and new management--which were not assets of the
14 debtor's estate. See, e.g., id. at 22-23.

15 The Indiana Pensioners' arguments boil down to the
16 complaint that the Sale does not pass the discretionary,
17 multifarious Lionel test. The bankruptcy court's findings
18 constitute an adequate rebuttal. Applying the Lionel
19 factors, Bankruptcy Judge Gonzalez found good business
20 reasons for the Sale. The linchpin of his analysis was that
21 the only possible alternative to the Sale was an immediate
22 liquidation that would yield far less for the estate--and

1 for the objectors. The court found that, notwithstanding
2 Chrysler's prolonged and well-publicized efforts to find a
3 strategic partner or buyer, no other proposals were
4 forthcoming. In the months leading up to Chrysler's
5 bankruptcy filing, and during the bankruptcy process itself,
6 Chrysler executives circled the globe in search of a deal.
7 But the Fiat transaction was the *only* offer available. Sale
8 Opinion at 6; see id. at 16-17 ("Notwithstanding the highly
9 publicized and extensive efforts that have been expended in
10 the last two years to seek various alliances for Chrysler,
11 the Fiat Transaction is the only option that is currently
12 viable. The only other alternative is the immediate
13 liquidation of the company.").¹⁰

14 The Sale would yield \$2 billion. According to expert
15 testimony¹¹--not refuted by the objectors--an immediate

¹⁰ The bankruptcy court noted that Chrysler had discussed potential alliances with General Motors, Fiat, Nissan, Hyundai-Kia, Toyota, Volkswagen, Tata Motors, GAZ Group, Magna International, Mitsubishi Motors, Honda, Beijing Automotive, Tempo International Group, Hawtai Automobiles, and Chery Automobile Co. Sale Opinion at 6.

¹¹ The Indiana Pensioners moved to strike the testimony of Chrysler's valuation witness because he has a financial interest in the outcome of the case: his firm would receive a transaction fee when the Sale was consummated. The bankruptcy court denied the motion on the grounds that such arrangements are typical; that the Indiana Pensioners did not object to the retention of the witness's

1 liquidation of Chrysler as of May 20, 2009 would yield in
2 the range of nothing to \$800 million.¹² Id. at 19.
3 Crucially, Fiat had conditioned its commitment on the Sale
4 being completed by June 15, 2009. While this deadline was
5 tight and seemingly arbitrary, there was little leverage to
6 force an extension. To preserve resources, Chrysler
7 factories had been shuttered, and the business was
8 hemorrhaging cash. According to the bankruptcy court,
9 Chrysler was losing going concern value of nearly \$100
10 million each day. Sale Order at 7.

11 On this record, and in light of the arguments made by
12 the parties, the bankruptcy court's approval of the Sale was
13 no abuse of discretion. With its revenues sinking, its
14 factories dark, and its massive debts growing, Chrysler fit

firm; and that the witness's interest goes to weight of the evidence, not admissibility. Sale Opinion at 19 n.17. The Indiana Pensioners have not persuaded us that the bankruptcy court abused its discretion. See generally Gen. Elec. Co. v. Joiner, 522 U.S. 136, 138-39, 141-43 (1997); Ball v. A.O. Smith Corp., 451 F.3d 66, 69 (2d Cir. 2006) ("We review the bankruptcy court's evidentiary decisions for abuse of discretion.").

¹² The expert's earlier estimates of liquidation value had been higher. For example, in early May 2009, the same expert opined that a liquidation might yield between nothing and \$1.2 billion. But, from the beginning of May until the end, Chrysler expended \$400 million in cash collateral. Sale Opinion at 19.

1 the paradigm of the melting ice cube. Going concern value
2 was being reduced each passing day that it produced no cars,
3 yet was obliged to pay rents, overhead, and salaries.
4 Consistent with an underlying purpose of the Bankruptcy
5 Code--maximizing the value of the bankrupt estate--it was no
6 abuse of discretion to determine that the Sale prevented
7 further, unnecessary losses. See Toibb v. Radloff, 501 U.S.
8 157, 163 (1991) (Chapter 11 "embodies the general
9 [Bankruptcy] Code policy of maximizing the value of the
10 bankruptcy estate.").

11 The Indiana Pensioners exaggerate the extent to which
12 New Chrysler will emerge from the Sale as the twin of Old
13 Chrysler. New Chrysler may manufacture the same lines of
14 cars but it will also make newer, smaller vehicles using
15 Fiat technology that will become available as a result of
16 the Sale--moreover, at the time of the proceedings, Old
17 Chrysler was manufacturing no cars at all. New Chrysler
18 will be run by a new Chief Executive Officer, who has
19 experience in turning around failing auto companies. It may
20 retain many of the same employees, but they will be working
21 under new union contracts that contain a six-year no-strike
22 provision. New Chrysler will still sell cars in some of its

1 old dealerships in the United States, but it will also have
2 new access to Fiat dealerships in the European market. Such
3 transformative use of old and new assets is precisely what
4 one would expect from the § 363(b) sale of a going concern.

5
6 **II**

7 The Indiana Pensioners next challenge the Sale Order's
8 release of all liens on Chrysler's assets. In general,
9 under § 363(f), assets sold pursuant to § 363(b) may be sold
10 "free and clear of any interest" in the assets when, *inter*
11 *alia*, the entity holding the interest consents to the sale.
12 11 U.S.C. § 363(f)(2). The bankruptcy court ruled that,
13 although the Indiana Pensioners did not themselves consent
14 to the release, consent was validly provided by the
15 collateral trustee, who had authority to act on behalf of
16 all first-lien credit holders.

17 We agree. Through a series of agreements, the
18 Pensioners effectively ceded to an agent the power to
19 consent to such a sale; the agent gave consent; and the
20 Pensioners are bound. Accordingly, questions as to the
21 status or preference of Chrysler's secured debt are simply
22 not presented in this case.

1 The first-lien holders--among them, the Indiana
2 Pensioners--arranged their investment in Chrysler by means
3 of three related agreements: a First Lien Credit Agreement,
4 a Collateral Trust Agreement, and a Form of Security
5 Agreement. Together, these agreements create a framework
6 for the control of collateral property. The collateral is
7 held by a designated trustee for the benefit of the various
8 lenders (including the Indiana Pensioners). In the event of
9 a bankruptcy, the trustee is empowered to take any action
10 deemed necessary to protect, preserve, or realize upon the
11 collateral. The trustee may only exercise this power at the
12 direction of the lenders' agent; but the lenders are
13 required to authorize the agent to act on their behalf, and
14 any action the agent takes at the request of lenders holding
15 a majority of Chrysler's debt is binding on all lenders,
16 those who agree and those who do not.

17 When Chrysler went into bankruptcy, the trustee had
18 power to take any action necessary to realize upon the
19 collateral--including giving consent to the sale of the
20 collateral free and clear of all interests under § 363. The
21 trustee could take such action only at the direction of the
22 lenders' agent, and the agent could only direct the trustee
23 at the request of lenders holding a majority of Chrysler's

1 debt. But if those conditions were met--as they were here--
2 then under the terms of the various agreements, the minority
3 lenders could not object to the trustee's actions since they
4 had given their authorization in the first place.

5 The Indiana Pensioners argue that, by virtue of a
6 subclause in one of the loan agreements, Chrysler required
7 the Pensioners' written consent before selling the
8 collateral assets. The clause in question provides that
9 the loan documents themselves could not be amended without
10 the written consent of *all* lenders if the amendment would
11 result in the release of all, or substantially all, of the
12 collateral property. This clause is no help to the Indiana
13 Pensioners. The § 363(b) Sale did not entail amendment of
14 any loan document. To the contrary, the § 363(b) sale was
15 effected by implementing the clear terms of the loan
16 agreements--specifically, the terms by which (1) the lenders
17 assigned an agent to act on their behalf, (2) the agent was
18 empowered, upon request from the majority lenders, to direct
19 the trustee to act, and (3) the trustee was empowered, at
20 the direction of the agent, to sell the collateral in the
21 event of a bankruptcy. Because the Sale required no
22 amendment to the loan documents, Chrysler was not required
23 to seek, let alone receive, the Pensioners' written consent.

1 Anticipating the consequence of this contractual
2 framework, the Indiana Pensioners argue as a last resort
3 that the majority lenders were intimidated or bullied into
4 approving the Sale in order to preserve or enhance relations
5 with the government, or other players in the transaction.
6 Absent this bullying, the Pensioners suggest, the majority
7 lenders would not have requested the agent to direct the
8 sale of the collateral, and the Sale would not have gone
9 through. The Pensioners argue that this renders the
10 lenders' consent ineffective or infirm.

11 The record before the bankruptcy court, and the record
12 before this Court, does not support a finding that the
13 majority lenders were coerced into agreeing to the Sale. On
14 the whole, the record (and findings) support the view that
15 they acted prudently to preserve substantial value rather
16 than risk a liquidation that might have yielded nothing at
17 all. Moreover, it is not at all clear what impact a finding
18 of coerced consent would have on the validity of the consent
19 given, or whether the bankruptcy court would have
20 jurisdiction--or occasion--to adjudicate the Indiana
21 Pensioners' allegation. Because the facts alleged by the
22 Indiana Pensioners are not substantiated in this record,
23 their arguments based on those allegations provide no ground

1 for relief in this proceeding, and we decline to consider
2 whether the allegations might give rise to some independent
3 cause of action.

5 III

6 The Indiana Pensioners argue that the Secretary of the
7 Treasury ("Secretary") exceeded his statutory authority and
8 violated the Constitution by using TARP money to finance the
9 sale of Chrysler's assets. Pensioners raise interesting and
10 unresolved constitutional issues concerning the scope of the
11 Secretary's authority under TARP and the use of TARP money
12 to bail out an automobile manufacturer. However, federal
13 courts are constrained by our own constitutional
14 limitations, including the non-waivable Article III
15 requirement that we have jurisdiction over the case or
16 controversy before us. See, e.g., United States v. Hays,
17 515 U.S. 737, 742 (1995); Lujan v. Defenders of Wildlife,
18 504 U.S. 555, 560 (1992); United States v. City of New York
19 972 F.2d 464, 469-70 (2d Cir. 1992). We do not decide
20 whether the Secretary's actions were constitutional or
21 permitted by statute, because we conclude that the Indiana
22 Pensioners lack standing to raise the TARP issue, and that

1 we lack jurisdiction in this case to entertain that
2 challenge.

3 Congress enacted the Emergency Economic Stabilization
4 Act ("EESA") on October 3, 2008 in order "to immediately
5 provide authority and facilities that the Secretary of the
6 Treasury can use to restore liquidity and stability to the
7 financial system of the United States" 12 U.S.C.
8 § 5201(1). Title I of EESA authorizes the Treasury
9 Secretary "to establish the Troubled Asset Relief Program
10 (or 'TARP') to purchase, and to make and fund commitments to
11 purchase, troubled assets from any financial institution, on
12 such terms and conditions as are determined by the
13 Secretary." Id. § 5211(a)(1). Financial institutions
14 include, but are not limited to, "any bank, savings
15 association, credit union, security broker or dealer, or
16 insurance company." Id. § 5202(5).

17 The statute details procedures for judicial review of
18 the Secretary's decisions, limitations on available relief
19 for TARP violations, and a host of legislative oversight
20 mechanisms. See, e.g., id. §§ 5214-15, 5229(a), 5233. For
21 example, courts review the Secretary's TARP decisions in
22 accordance with standards set forth in the Administrative

1 Procedure Act, 5 U.S.C. § 701 *et. seq.*, and the Secretary's
2 actions "shall be held unlawful and set aside if found to be
3 arbitrary, capricious, an abuse of discretion, or not in
4 accordance with law." 12 U.S.C. § 5229(a)(1). Injunctions
5 are available only to remedy constitutional violations and
6 must be "considered and granted or denied by the court on an
7 expedited basis," id. § 5229(a)(2)(A), (C), (D); likewise,
8 requests for temporary restraining orders must be considered
9 and decided by the court "within 3 days of the date of the
10 request," id. § 5229(a)(2)(B). As for legislative
11 oversight, the statute calls for (among other things) the
12 creation of the Financial Stability Oversight Board, which
13 reviews the exercise of the Secretary's authority (§ 5214),
14 the submission of periodic reports from the Secretary to
15 Congress (§ 5215), the creation of a Congressional Oversight
16 Panel to provide periodic updates to Congress (§ 5233), and
17 the appointment of a special TARP Inspector General
18 (§ 5214(a)(3)). In short, the statute provides swift,
19 narrow, and deferential judicial review of the Secretary's
20 TARP decisions, limits judicial relief, and relies instead
21 on multi-faceted legislative oversight.

22 The Indiana Pensioners contend that the Secretary

1 exceeded his statutory authority and violated the
2 Constitution by using TARP money to fund the Sale because,
3 *inter alia*: auto companies are not "financial institutions"
4 under TARP; TARP does not authorize the Secretary to arrange
5 and finance the reorganization of a private company; and the
6 Sale effects an unconstitutional taking. In sum, they
7 contend that the Secretary--and by extension, the Executive
8 branch--violated the Constitution by dispensing federal
9 money in excess of the statutory authority awarded by
10 Congress under TARP.¹³

11 It is clear that TARP gives the Secretary broad
12 discretion to apply financial aid when and where he decides
13 it will best promote the stated goal of restoring stability
14 to the financial markets. But, as detailed above, TARP also
15 contains explicit limitations on the Secretary's authority,
16 and provides for review and oversight, so that TARP is not
17 all-purpose. At oral argument, the government suggested
18 that any industry so "inter-related" with banks that its
19 dealings could adversely impact the national banking system

¹³ See, e.g., Youngstown Sheet & Tube Co. v. Sawyer,
343 U.S. 562, 585 (1952) (Executive power "must stem either
from an act of Congress or from the Constitution itself").

1 is, for TARP purposes, a financial institution.¹⁴ This is
2 surely an expansive definition of "financial institution,"
3 albeit broadly protective of the nation's financial
4 structures and arguably related to TARP's mandate of
5 "restor[ing] liquidity and stability" to our markets. The
6 scope of TARP is a consequential and vexed issue that may
7 inevitably require resolution in some later case; but this
8 Court lacks power to resolve it in the present dispute.

9 Article III of the Constitution limits the judicial
10 power of the United States to the resolution of "cases" and
11 "controversies." U.S. Const. art. III, § 2. This
12 limitation is effectuated in part through the requirement of

¹⁴ The government asserted at oral argument that:

[T]he Secretary of the Treasury, in determining what is a financial institution, looks at the interrelatedness [of the company and its financing arm].

. . . .

Chrysler Financial can't survive without Chrysler. . . . Without [Chrysler], the financial institution goes down. . . . [Chrysler Financial] is the financial institution and the relationship [with Chrysler is the one] that the Secretary of the Treasury based his determination on, and that determination is entitled to deference by this court under administrative law principles.

Transcript of Oral Argument at 52.

1 standing. See Valley Forge Christian Coll. v. Ams. United
2 for Separation of Church and State, Inc., 454 U.S. 464, 471-
3 72 (1982). The doctrine of standing separates “those
4 disputes which are appropriately resolved through the
5 judicial process,” Whitmore v. Arkansas, 495 U.S. 149, 155
6 (1990), from those “generalized grievances” which are
7 reserved for other branches of government, Valley Forge, 454
8 U.S. at 475 (internal quotation marks omitted). The
9 requirement of standing would be unnecessary if the “federal
10 courts [were] merely publicly funded forums for the
11 ventilation of public grievances or the refinement of
12 jurisprudential understanding.” Id. at 473.

13 At an “irreducible constitutional minimum,” Article III
14 standing requires that: (1) the plaintiff suffer an injury
15 in fact; (2) the injury be fairly traceable to the
16 challenged conduct; and (3) the injury will likely be
17 redressed by a favorable decision from the court. Lujan,
18 504 U.S. at 560-61. “The party invoking federal
19 jurisdiction bears the burden of establishing these
20 elements.” Id. at 561. We conclude that the Indiana
21 Pensioners lack standing because they cannot demonstrate
22 they have suffered an injury in fact.

1 An injury in fact is "an invasion of a legally
2 protected interest which is (a) concrete and particularized,
3 and (b) 'actual or imminent, not conjectural or
4 hypothetical.'" Lujan, 504 U.S. at 560 (internal citations,
5 quotation marks and footnote omitted). The Indiana
6 Pensioners contend primarily that their injury in fact
7 arises from the release of the collateral supporting their
8 secured loans. But that collateral was released in exchange
9 for a \$2 billion cash payment and a residual deficiency
10 claim. At oral argument, the Pensioners touted the value of
11 the collateral at "around \$25 billion" and complained that
12 the value received pursuant to the Sale was a tithe of the
13 actual asset value and an inadequate return on their
14 investment. However, the Indiana Pensioners' argument
15 ignores the bankruptcy court's *finding* that, in the absence
16 of another buyer, the only viable alternative--liquidation--
17 would yield an even *lower* return than the one achieved
18 through the sale funded by TARP money. Judge Gonzales
19 found, as a fact, that the liquidation value of the
20 collateral "was no greater than \$2 billion, *i.e.*, the same
21 amount the first lien secured lenders are receiving under
22 the transaction." Opinion and Order Regarding Emergency

1 Economic Stabilization Act of 2008 and Troubled Asset Relief
2 Program, May 31, 2009, at 5. Since "the Indiana
3 [Pensioners] will receive [their] pro-rata distribution of
4 the value of the collateral," they simply "cannot allege
5 injury in fact." Id. The release of collateral for fair
6 (but less-than-hoped-for) value is not injury in fact
7 sufficient to support standing.

8 Furthermore, even if the Indiana Pensioners could
9 demonstrate injury in fact, there would still be a question
10 as to whether they have standing to challenge the use of
11 TARP funds here. Under the terms of the various agreements
12 (as outlined in Section II), the lenders had authorized the
13 trustee to consent to the Sale on their behalf. Under those
14 circumstances (and well-established agency principles), such
15 consent may bar the Pensioners from challenging the
16 trustee's actions and litigating a claim that would in
17 effect bind all of the first-lien creditors.

18 19 **IV**

20 Finally, several objectors appeal from that portion of
21 the Sale Order extinguishing all existing and future claims
22 against New Chrysler, that "(a) arose prior to the Closing

1 Date, (b) relate[] to the production of vehicles prior to
2 the Closing Date or (c) otherwise [are] assertable against
3 the Debtors or [are] related to the Purchased Assets prior
4 to the closing date.” Sale Order at 40. The objectors can
5 be divided into three groups: (1) plaintiffs with existing
6 product liability claims against Chrysler; (2) plaintiffs
7 with existing asbestos-related claims against Chrysler; and
8 (3) lawyers undertaking to act on behalf of claimants who,
9 although presently unknown and unidentified, might have
10 claims in the future arising from Old Chrysler’s production
11 of vehicles. We consider each group’s arguments in turn.

12 13 **A. Existing Product Liability Claims**

14 The Ad Hoc Committee of Consumer-Victims of Chrysler
15 LLC and William Lovitz et al. challenge the foreclosing of
16 New Chrysler’s liability for product defects in vehicles
17 produced by Old Chrysler.¹⁵ Section 363(f) provides, in
18 relevant part, that a “trustee may sell property . . . free
19 and clear of *any interest in such property*,” under certain

¹⁵ The Sale Order does not limit the right of tort plaintiffs to pursue existing claims against Old Chrysler. However, it is undisputed that little or no money will be available for damages even if suits against Old Chrysler succeed.

1 circumstances. 11 U.S.C. § 363(f) (emphasis added). The
2 objectors argue that personal injury claims are not
3 “interests in property,” and that the district court’s
4 reliance on In re Trans World Airlines, Inc., 322 F.3d 283
5 (3d Cir. 2003) (“TWA”), which advances a broad reading of
6 “interests in property,” was misplaced.

7 We have never addressed the scope of the language “any
8 interest in such property,” and the statute does not define
9 the term. See, e.g., Precision Indus., Inc. v. Qualitech
10 Steel SBO, LLC, 327 F.3d 537, 545 (7th Cir. 2003) (“The
11 Bankruptcy Code does not define ‘any interest,’ and in the
12 course of applying section 363(f) to a wide variety of
13 rights and obligations related to estate property, courts
14 have been unable to formulate a precise definition.”).

15 In TWA, the Third Circuit considered whether
16 (1) employment discrimination claims and (2) a voucher
17 program awarded to flight attendants in settlement of a
18 class action constituted “interests” in property for
19 purposes of § 363(f). See 322 F.3d at 285. The Third
20 Circuit began its analysis by noting that bankruptcy courts
21 around the country have disagreed about whether “any

1 interest" should be defined broadly or narrowly.¹⁶ Id. at
2 288-89. The Third Circuit observed, however, that "the
3 trend seems to be toward a more expansive reading of
4 'interests in property' which 'encompasses other obligations
5 that may flow from ownership of the property.'" Id. at 289
6 (quoting 3 Collier on Bankruptcy ¶ 363.06[1]); see also
7 George W. Kuney, *Misinterpreting Bankruptcy Code Section*
8 *363(f) and Undermining the Chapter 11 Process*, 76 Am. Bankr.
9 L.J. 235, 267 (2002) ("[T]he dominant interpretation is that
10 § 363(f) can be used to sell property free and clear of

¹⁶ For examples of bankruptcy courts' divergent rulings on this issue, compare, e.g., P.K.R. Convalescent Ctrs., Inc. v. Commonwealth of Va., Dept. of Med. Assistance Serv. (In re P.K.R. Convalescent Ctrs., Inc.), 189 B.R. 90, 94 (Bankr. E.D. Va. 1995) (holding that Virginia's depreciation-recoupment interest in the debtor's property was an "interest in property," even though the interest was not a lien), and Am. Living Sys. v. Bonapfel (In re All Am. of Ashburn, Inc.), 56 B.R. 186, 189-90 (Bankr. N.D. Ga. 1986) (holding that § 363(f) permitted the sale of assets free and clear and precluded successor liability in product liability suit against purchaser for cause of action that arose prior to date of sale), with Schwinn Cycling and Fitness, Inc. v. Benonis (In re Schwinn Bicycle Co.), 210 B.R. 747, 761 (Bankr. N.D. Ill. 1997) (holding that § 363(f) "in no way protects the buyer from current or future product liability; it only protects the purchased assets from lien claims against those assets"), and Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White Motor Credit Corp.), 75 B.R. 944, 948 (Bankr. N.D. Ohio 1987) (stating that "[g]eneral unsecured claimants including tort claimants, have no specific interest in a debtor's property" for purposes of § 363(f)).

1 claims that could otherwise be assertable against the buyer
2 of the assets under the common law doctrine of successor
3 liability.”).

4 The Third Circuit reasoned that “to equate interests in
5 property with only *in rem* interests such as liens would be
6 inconsistent with section 363(f)(3), which contemplates that
7 a lien is but one type of interest.” 322 F.3d at 290.
8 After surveying its own precedents and the Fourth Circuit’s
9 decision in United Mine Workers of Am. 1992 Benefit Plan v.
10 Leckie Smokeless Coal Co. (In re Leckie Smokeless Coal Co.),
11 99 F.3d 573 (4th Cir. 1996),¹⁷ the TWA court held that
12 “[w]hile the interests of the [plaintiffs] in the assets of
13 TWA’s bankruptcy estate are not interests in property in the
14 sense that they are not *in rem* interests, . . . they are
15 interests in property within the meaning of section 363(f)
16 in the sense that they *arise from the property* being sold.”

¹⁷ In Leckie, the Fourth Circuit held that Coal Act premium payment obligations owed to employer-sponsored benefit plans were interests in property under § 363(f). 99 F.3d at 582. The Fourth Circuit explained “while the plain meaning of the phrase ‘interest in such property’ suggests that not all general rights to payment are encompassed by the statute, Congress did not expressly indicate that, by employing such language, it intended to limit the scope of section 363(f) to *in rem* interests, strictly defined, and [it would] decline to adopt such a restricted reading of the statute” Id.

1 322 F.3d at 290 (emphasis added).

2 Shortly after TWA was decided, the Southern District of
3 California concluded that TWA applied to tort claimants
4 asserting personal injury claims. See Myers v. United
5 States, 297 B.R. 774, 781-82 (S.D. Cal. 2003). Myers
6 involved claims arising from the negligent handling of toxic
7 materials transported pursuant to a government contract.
8 Id. at 781. Applying TWA, the Myers court ruled that the
9 plaintiff's "claim for personal injury does arise from the
10 property being sold, i.e. the contracts to transport toxic
11 materials." Id.; see also Faulkner v. Bethlehem Steel/Int'l
12 Steel Group, No. 2:04-CV-34 PS, 2005 WL 1172748, at *3 (N.D.
13 Ind. April 27, 2005) (applying TWA to bar successor
14 liability for racial discrimination claim).

15 Appellants argue that these decisions broadly
16 construing the phrase "any interest in such property" fail
17 to account for the language of 11 U.S.C. § 1141(c), a
18 provision involving confirmed plans of reorganization.
19 Section 1141(c) provides that "except as otherwise provided
20 in the [reorganization] plan or in the order confirming the
21 plan, after confirmation of a plan, the property dealt with
22 by the plan is free and clear of *all claims and interests* of
23 creditors, equity security holders, and of general partners

1 in the debtor.” 11 U.S.C. § 1141(c) (emphasis added).
2 Appellants argue that Congress must have intentionally
3 included the word “claims”¹⁸ in § 1141(c), and omitted the
4 word from § 363(f), because it was willing to extinguish
5 tort claims in the reorganization context, but unwilling to
6 do so in the § 363 sale context. Appellants account for
7 this discrepancy on the basis that reorganization provides
8 unsecured creditors procedural rights that are not assured
9 in a § 363(b) sale.

10 We do not place such weight on the absence of the word
11 “claims” in § 363(f). The language and structure of
12 § 1141(c) and § 363(f) differ in many respects. Section
13 1141(c), for example, applies to all reorganization plans;

¹⁸ The Bankruptcy Code defines “claim” as:

(A) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or

(B) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

11 U.S.C. § 101(5).

1 § 363(f), in contrast, applies only to classes of property
2 that satisfy one of five criteria. See 11 U.S.C.
3 § 363(f)(1)-(5). Thus, while § 363 sales do not afford many
4 of the procedural safeguards of a reorganization, § 363(f)
5 is limited to specific classes of property.

6 Given the expanded role of § 363 in bankruptcy
7 proceedings, it makes sense to harmonize the application of
8 § 1141(c) and § 363(f) to the extent permitted by the
9 statutory language. See In re Golf, L.L.C., 322 B.R. 874,
10 877 (Bankr. D. Neb. 2004) (noting that, while § 363(f)
11 requires less notice and provides for less opportunity for a
12 hearing than in the reorganization process, "as a practical
13 matter, current practice seems to have expanded § 363(f)'s
14 use from its original intent"). Courts have already done
15 this in other contexts. For example, § 1141(c) does not
16 explicitly reference the extinguishment of liens, while
17 § 363(f) does. Notwithstanding this distinction, courts
18 have uniformly held that confirmation of a reorganization
19 can act to extinguish liens. See, e.g., JCB, Inc. v. Union
20 Planters Bank, NA, 539 F.3d 862, 870 (8th Cir. 2008)
21 ("Confirmation of the reorganization plan replaces prior
22 obligations, and a lien not preserved by the plan may be
23 extinguished." (internal citation omitted)); Elixir Indus.,

1 Inc. v. City Bank & Trust Co. (In re Ahern Enters., Inc.),
2 507 F.3d 817, 820-22 (5th Cir. 2007) (holding that § 1141(c)
3 extinguishes liens that are not specifically preserved in a
4 reorganization plan, and citing cases from the Fourth,
5 Seventh, Eighth and Tenth Circuits reaching the same
6 conclusion).

7 We agree with TWA and Leckie that the term “any
8 interest in property” encompasses those claims that “arise
9 from the property being sold.” See TWA, 322 F.3d at 290.
10 By analogy to Leckie (in which the relevant business was
11 coal mining), “[appellants’] rights are grounded, at least
12 in part, in the fact that [Old Chrysler’s] very assets have
13 been employed for [automobile production] purposes: if
14 Appellees had never elected to put their assets to use in
15 the [automobile] industry, and had taken up business in an
16 altogether different area, [appellants] would have no right
17 to seek [damages].” Leckie, 99 F.3d at 582.

18 “To allow the claimants to assert successor liability
19 claims against [the purchaser] while limiting other
20 creditors’ recourse to the proceeds of the asset sale would
21 be inconsistent with the Bankruptcy Code’s priority scheme.”
22 TWA, 322 F.3d at 292. Appellants ignore this overarching
23 principle and assume that tort claimants faced a choice

1 between the Sale and an alternative arrangement that would
2 have assured funding for their claims. But had appellants
3 successfully blocked the Sale, they would have been
4 unsecured creditors fighting for a share of extremely
5 limited liquidation proceeds. Given the billions of dollars
6 of outstanding secured claims against Old Chrysler,
7 appellants would have fared no better had they prevailed.

8 The possibility of transferring assets free and clear
9 of existing tort liability was a critical inducement to the
10 Sale. As in TWA, "a sale of the assets of [Old Chrysler] at
11 the expense of preserving successor liability claims was
12 necessary in order to preserve some [55],000 jobs, . . . and
13 to provide funding for employee-related liabilities,
14 including retirement benefits [for more than 106,000
15 retirees]." TWA, 322 F.3d at 293; see also Sale Opinion at
16 3.

17 It is the transfer of Old Chrysler's tangible and
18 intellectual property to New Chrysler that could lead to
19 successor liability (where applicable under state law) in
20 the absence of the Sale Order's liability provisions.
21 Because appellants' claims arose from Old Chrysler's
22 property, § 363(f) permitted the bankruptcy court to
23 authorize the Sale free and clear of appellants' interest in

1 the property.

2
3 **B. Asbestos Claims**

4 On behalf of herself and others with outstanding or
5 potential claims against Old Chrysler resulting from
6 exposure to asbestos, Patricia Pascale argues that the Sale
7 Order improperly grants New Chrysler immunity without
8 assuring compliance with 11 U.S.C. § 524(g).

9 Section 524(g) “provides a unique form of supplemental
10 injunctive relief for an insolvent debtor confronting the
11 particularized problems and complexities associated with
12 asbestos liability.” Johns-Manville Corp. v. Chubb Indem.
13 Ins. Co. (In re Johns-Manville Corp.), 517 F.3d 52, 67 (2d
14 Cir. 2008), overruled on other grounds by Travelers Indem.
15 Co. v. Bailey, 129 S.Ct. 2195 (2009). The statute
16 authorizes the court “to enjoin entities from taking legal
17 action for the purpose of directly or indirectly collecting,
18 recovering, or receiving payment or recovery with respect to
19 any [asbestos-related] claim or demand.” 11 U.S.C.
20 § 524(g)(1)(B). To obtain relief under § 524(g), a debtor
21 must “[c]hannel[] asbestos-related claims to a personal
22 injury trust [to] relieve[] the debtor of the uncertainty of
23 future asbestos liabilities.” In re Combustion Eng’g, Inc.,

1 391 F.3d 190, 234 (3d Cir. 2004). Injunctions granting
2 relief under this provision are subject to numerous
3 requirements and conditions. See 11 U.S.C.
4 § 524(g)(2)(B); Combustion Eng'g, 391 F.3d at 234 & n.45.

5 By its terms, however, § 524(g) applies only to "a
6 court that enters an order confirming a plan of
7 reorganization under chapter 11." 11 U.S.C. § 524(g)(1)(A);
8 see also Combustion Eng'g, 391 F.3d at 234 n.46. Sections I
9 and II of this opinion conclude that the Sale was proper
10 under § 363. That determination forecloses the application
11 of § 524(g) because there is no plan of reorganization as
12 yet. Moreover, the bankruptcy court in this case did not
13 issue an injunction, as is permitted by § 524(g)(1)(B), and
14 the debtor did not establish a trust subsuming its asbestos
15 liability. Accordingly, there is no merit to Pascale's
16 argument that the Sale Order violates § 524(g).

17
18 **C. Future Claims**

19 The Sale Order extinguished the right to pursue claims
20 "on any theory of successor or transferee liability, . . .
21 whether known or unknown as of the Closing, now existing or
22 hereafter arising, asserted or unasserted, fixed or
23 contingent, liquidated or unliquidated." Sale Order at 40-

1 41. This provision is challenged on the grounds that:
2 (1) the Sale Order violates the due process rights of future
3 claimants by extinguishing claims without providing notice;
4 (2) a bankruptcy court is not empowered to trump state
5 successor liability law; (3) future, unidentified claimants
6 with unquantifiable interests could not be compelled "to
7 accept a money satisfaction," 11 U.S.C. § 363(f)(5); and (4)
8 future causes of action by unidentified plaintiffs based on
9 unknown events cannot be classified as "claims" under the
10 Bankruptcy Code.

11 We affirm this aspect of the bankruptcy court's
12 decision insofar as it constituted a valid exercise of
13 authority under the Bankruptcy Code. However, we decline to
14 delineate the scope of the bankruptcy court's authority to
15 extinguish future claims, until such time as we are
16 presented with an actual claim for an injury that is caused
17 by Old Chrysler, that occurs after the Sale, and that is
18 cognizable under state successor liability law.

19
20 **CONCLUSION**

21 We have considered all of the objectors-appellants'
22 contentions on these appeals and have found them to be

1 without merit. For the foregoing reasons, we affirm the
2 June 1, 2009 order of the bankruptcy court authorizing the
3 Sale.