

Issues Of Reorganization (Restructuring) Of Corporate Companies: Uzbekistan and Foreign Experience

Azimjon Azamatovich Eshonkulov

Lecturer at Training Institute for Lawyers under the Ministry of Justice of the Republic of Uzbekistan

Received: 30 October 2025; **Accepted:** 18 December 2025; **Published:** 30 December 2025

Abstract: This article analyzes the theoretical and practical aspects of the institution of restructuring corporate entities. Within the framework of the legislation of the Republic of Uzbekistan, the forms and procedures of reorganization, issues of legal succession, and mechanisms for protecting the rights of creditors and shareholders were studied. The experience of the USA (Delaware), Germany, and other developed countries was also analyzed using the comparative legal method. The article presents the scientific views of domestic and foreign legal scholars and puts forward the author's proposals for improving the corporate legislation of Uzbekistan.

Keywords: Reorganization, restructuring, merger, acquisition, division, spin-off, succession, creditor rights, joint-stock company, Delaware law.

Introduction: In the context of a modern market economy, there is a constant need to change the structure of corporate entities, consolidate capital, and adapt to market requirements. The reorganization (restructuring) of corporate societies is widely used worldwide as a legal mechanism that meets these needs. In recent years, serious work has been carried out in the Republic of Uzbekistan to reform corporate relations, and legislation in this area has been significantly improved.

The relevance of this scientific article lies in the fact that several legislative acts adopted in Uzbekistan in 2023-2025 radically changed corporate structures: the forms of "unitary enterprise" and "company with additional responsibility" were abolished, corporate agreements (joint-stock agreements) and consortium institutions were introduced (Law of the Republic of Uzbekistan dated February 7, 2025 No. ZRU-1025). These reforms are aimed at bringing the legal framework of corporate relations closer to international standards.

The purpose of the article is to study the theoretical foundations of the reorganization of corporate companies, compare the legislation of Uzbekistan and foreign countries (USA, Germany, South Korea), identify existing problems and propose their solutions.

Research Methods: The article uses comparative legal,

systemic-structural, historical-legal, and formal-logical methods.

CONCEPT AND FORMS OF REORGANIZATION

Legal essence of reorganization

Reorganization (restructuring) is the process of changing the legal form or organizational structure of a legal entity, as a result of which legal succession arises. Articles 49-52 of the Civil Code of the Republic of Uzbekistan establish general rules for the reorganization of legal entities. As Professor S.S. Gulyamov noted, "reorganization, unlike liquidation, allows the legal entity to continue all its rights and obligations, which is an important legal tool for ensuring business continuity" [12].

According to the German jurist Professor Karsten Schmidt, "corporate transformation (Umwandlung) is a transformation in the legal life of a company, in which property, rights, and obligations are transferred to a new entity on the basis of universal succession"[15]. This theoretical approach is also reflected in the legislation of Uzbekistan - according to Article 50 of the Civil Code, in the case of merger or acquisition, all rights and obligations are transferred to the heir in full.

Forms of reorganization

The legislation of Uzbekistan defines five main forms of reorganization of legal entities:

Firstly, merger - the merger of two or more legal entities into a new legal entity. In this case, all participants are liquidated, and their rights and obligations are transferred to the new society.

Secondly, a merger is a merger of one legal entity into another, in which the merging company is liquidated, and its rights and obligations are transferred to the receiving company.

Thirdly, division - the division of a legal entity into two or more new legal entities, in which the previous company is liquidated and its rights and obligations are transferred to new companies based on the distribution balance sheet.

Fourthly, separation - one or more new legal entities separate from the legal entity and become independent, while the parent company continues to exist.

Fifthly, transformation - a change in the organizational and legal form of a legal entity, for example, the transformation of a limited liability company into a joint-stock company.

LEGAL INHERITANCE AND PROTECTION OF CREDITOR RIGHTS

Principle of succession

An important legal consequence of reorganization is universal succession. According to this principle, all rights and obligations of the liquidated legal entity are automatically transferred to the newly created legal entity. As noted by Professor Robert Clark, a specialist in corporate law in the USA, "the doctrine of universal succession forms the legal basis of corporate associations and provides an opportunity for the continuous protection of the rights of creditors and the parties to the contract"[10].

According to Section 259 of the Delaware General Corporate Law, "upon the completion of the merger, all assets, rights, privileges, and debts are transferred in full to the new company, with the creditors' claims remaining in force with respect to the new successor company"[5]. The same principle is enshrined in the legislation of Uzbekistan - according to the law adopted in February 2025, in the event of reorganization, rights and obligations automatically pass to the heir, regardless of whether they are recorded in the distribution balance sheet.

Creditors' protection mechanisms

Protecting the interests of creditors during reorganization is an important task of any legal system. According to the legislation of Uzbekistan, the company is obliged to notify all creditors in writing and make a public announcement within 30 days after making a decision on reorganization (Article 66 of the Law "On

Joint-Stock Companies and Protection of Shareholders' Rights") . Creditors have the right to demand early payment of their claims or compensation for losses.

According to Professor Markus Lönig, a specialist in German corporate law, "German Umwandlungsgesetz (Law on Transformation) has a stronger mechanism for protecting creditors - if the creditor believes that the debt is insufficiently secured, they have the right to demand an additional guarantee within 3 months, and the reorganization cannot be registered until this requirement is satisfied"[14]. This can be an exemplary experience for Uzbekistan.

FOREIGN EXPERIENCE: US AND EUROPEAN MODEL

US Delaware Model

Delaware holds a special place in US corporate law - most of the country's largest corporations (more than 60% of companies on the Fortune 500 list) are registered in Delaware. In 1983, the Delaware Supreme Court *Weinberger v. UOP, Inc.* implemented the principle of "total fairness," according to which in merger agreements both the process (fair dealing) and the price (fair price) must be fair [17].

As noted by U.S. law professor William Allen - former chairman of the Delaware Chancellor's Court - "the 'entire fairness' standard in corporate associations guarantees the protection of minority shareholders and prevents the arbitrariness of majority shareholders" [7]. The Delaware model also implies appraisal rights - a shareholder who disagrees with the association has the right to sue and recover the fair value of their share (Delaware General Corporation Law, § 262) [5].

European Union experience

The Corporate Mobility Directive (Corporate Mobility), adopted in the European Union in 2019, regulated the procedures for cross-border mergers, divisions, and transformations on a general scale. As noted by the German jurist Professor Peter Hommelhoff, "this Directive allowed European companies to freely restructure in a single market, but also preserved the requirements for the protection of the rights of employees and creditors"[13].

A distinctive feature of the European experience is the special attention paid to the rights of employees. In accordance with the Mobility Directive, if there is a risk of a decrease in the level of employee participation in management as a result of reorganization, a special negotiation process will be held and mechanisms for maintaining employee participation will be introduced.

PROBLEMS IN UZBEK LEGISLATION AND THEIR SOLUTIONS

Despite the fact that the institution of reorganization is

formed in the corporate legislation of Uzbekistan in the main aspects, there are a number of problems in practice. Their analysis and solutions are presented below.

First problem: insufficient development of mechanisms for the protection of minority shareholders.

The essence of the problem: In the legislation of Uzbekistan, there is a minority shareholders who oppose the decision of the general meeting of shareholders have the right to demand the purchase of their shares at a "fair value" (Article 52 of the Law "On Joint-Stock Companies and Protection of Shareholders' Rights"). However, the criteria and procedure for determining "fair value" are not sufficiently detailed in the law. In practice, this deficiency may lead to infringement of the interests of the shareholders.

The proposed solution: It is advisable to study the Aprilisan (fair price) institution of the state of Delaware and introduce the following into the legislation of Uzbekistan: 1) mandatory involvement of an independent appraiser in the reorganization; 2) deficiency more precise definition of shareholders' right to demand a fair value in court; 3) standardization of the methodology for determining "fair value" (DCF, market multipliers, and other methods).

Second problem: Uncertainty of tax consequences in the process of reorganization

The essence of the problem: Although the Tax Code generally defines the revaluation of assets and tax consequences in the process of reorganization, in practice, tax authorities allow various interpretations. This creates uncertainty for entrepreneurs and sometimes forces them to abandon reorganization.

The proposed solution: Based on the experience of the USA, it is necessary to introduce the institution of "tax-free reorganization." According to it, if the reorganization meets certain conditions (for example, if the main part of the payment is made in shares), no tax arises during the reorganization, and shareholders do not pay tax when exchanging shares for shares of a new company. This provision may be included in the Tax Code as a separate article.

Third problem: the issue of the transfer of contractual rights

The essence of the problem: In international practice, some agreements also contain clauses prohibiting "assignment by operation of law." In the legislation of Uzbekistan, the issue of the transfer of contractual rights during reorganization is generally defined in the Civil Code, however, a position on such specific clauses is not defined.

The proposed solution: It is advisable to include the

following norm in the Civil Code or the Law "On Joint-Stock Companies and Protection of Shareholders' Rights": "Even if the contract prohibits the transfer of contractual rights without the consent of the counterparty, this prohibition does not apply to legal succession as a result of reorganization carried out on the basis of law, unless otherwise specified in the contract." This norm stabilizes relations between counterparties.

ANALYSIS OF SCIENTIFIC VIEWS OF SCIENTISTS

There are different views of domestic and foreign legal scholars on the topic of corporate reorganization.

Professor Zufar Ashurov (TSUL), emphasizing the need to adapt corporate governance in Uzbekistan to international standards, writes that "corporate restructuring is an important factor in increasing the competitiveness of national companies, but this process should be based on the principles of transparency and accountability" [8]. This opinion is acceptable, since modern corporate governance models require transparency.

Legal expert O.Rakhmonov analyzing the forms of reorganization and the mechanisms of their implementation, concludes that "each form has its own legal consequences and procedures, and it is necessary to clearly distinguish them from each other" [16]. Indeed, while mergers and acquisitions look similar, their processes are different.

US lawyer Professor Ronald Gilson (Stanford Law School) warns that "corporate mergers increase economic efficiency, but they must be under strong legal control, otherwise there is a risk of abuse by insiders" [11]. This conclusion is also relevant for Uzbekistan - it is necessary to strengthen antimonopoly and corporate governance control over large transactions.

European Bank for reconstruction and development expert C. Bridge Zoller emphasizes the need to digitize corporate restructuring legislation, recommending that "national legislators reform the sphere of bankruptcy and restructuring in order to be prepared for economic crises" [9]. This idea aligns with the development of a single interactive public services portal in Uzbekistan.

CONCLUSION

As a result of the conducted research, the following conclusions can be drawn:

Firstly, the reorganization of corporate companies is a necessary legal mechanism in a modern market economy, allowing companies to optimize their activities, consolidate capital, and adapt to market requirements. In the legislation of Uzbekistan, this institution has been formed in key aspects and has

been significantly improved in recent years.

Secondly, the principle of legal succession is a central element of reorganization. This principle is firmly established in the USA, Delaware, Germany, and other developed countries. Amendments to the legislation of Uzbekistan in 2025 strengthened the automatic nature of legal succession.

Thirdly, the study of foreign experience provides important opportunities for further improvement of the corporate legislation of Uzbekistan. Particularly noteworthy are the Delaware Apriseal Law, Germany's creditors' protection mechanisms, and the European Union's rules for maintaining employee participation.

Fourthly, the proposals put forward regarding the identified problems in the article (deficiency shareholder protection, uncertainty of tax consequences, transfer of contractual rights) can serve to improve legislation.

In conclusion, the introduction of advanced international standards in the field of corporate reorganization and the continuation of reforms, taking into account national characteristics, will strengthen the legal framework of the country's corporate relations and improve the investment climate.

REFERENCES

Legislation:

1. Civil Code of the Republic of Uzbekistan (1997). Retrieved: <https://lex.uz/docs/111189>
2. Law "On Joint-Stock Companies and Protection of Shareholders' Rights" (2014). Retrieved: <https://lex.uz/docs/-2382409>
3. Law "On Limited and Additional Liability Companies" (2001). Retrieved: <https://lex.uz/docs/-22525>
4. Law of the Republic of Uzbekistan dated February 7, 2025 No. 3PY-1025 "On Amendments and Additions to Certain Legislative Acts of the Republic of Uzbekistan in Connection with the Further Improvement of the Legal Framework of Corporate Relations." Retrieved: <https://lex.uz/uz/docs/7367697>
5. Delaware General Corporation Law, § 251, § 259, § 262. Received: <https://delcode.delaware.gov/title8/c001/sc09/>
6. Directive (EU) 2019/2121 (Cross-Border Conversions, Mergers and Divisions Directive).
1. Scientific literature:
7. Allen, W. T. (1992). Our Schizophrenic Conception of the Business Corporation. *Cardozo Law Review*, 14 (2), 261-281.

8. Ashurov, Z. (2017). Reforming Corporate Governance in Uzbekistan in Line with Global Principles. *SAARJ Journal on Banking & Insurance Research*, 6 (1), 44-55.
9. Bridge Zoller, C. (2023). Corporate Restructuring Laws Under Stress: Policy-Making in Uncertain Times. *European Business Organization Law Review*, 24 (2), 387-407.
10. Clark, R. C. (1986). *Corporate Law*. Boston: Little, Brown and Company.
11. Gilson, R. J. (2006). Controlling Shareholders and Corporate Governance. *Harvard Law Review*, 119 (6), 1641-1679.
12. Gulyamov, S. S. (2004). Some problems of the processes of reorganization of joint-stock companies in Uzbekistan. *Review of Legislation of Uzbekistan*, (4), 13.
13. Hommelhoff, P. (2020). Cross-Border Corporate Mobility in the EU. *European Company Law Journal*, 17 (3), 78-92.
14. Lönig, M. (2020). Creditor Protection in German Corporate Restructuring. *Journal of Corporate Law Studies*, 20 (1), 145-168.
15. Schmidt, K. (2017). *Gesellschaftsrecht* (5th ed.). Cologne: Carl Heymanns Verlag.
16. Rakhmonov O. (2023). Forms of reorganization of subjects of corporate law. *Legal Bulletin*, 3 (1), 27-33.
17. *Weinberger v. UOP, Inc.*, 457 A.2d 701 (Del. 1983).