

GX Bankruptcy

Doug:

*Why is it necessary for shareholders to be "wiped-out in this reorganization?"
With all of the assets/value locked up in GX, I can't believe that management and the Board of directors could not structure the reorg so as to preserve some value for existing shareholders.*

There are two parties to the deal, the current owners and creditors on the one side and the "rescuers" on the other.

The rescuers are in effect is saying: "This is what we're willing to pay, take it or leave it."

The current owners and creditors can take the offer or refuse it (if the bankruptcy court agrees). But the interests and the rights of the owners (shareholders) and of the creditors (banks and bond holders) are different. Creditors basically want their money back while shareholders would like to keep the company. But the creditors come ahead of the shareholders. If the amount offered by the rescuers is less than what is owed to the creditors, then the creditors split that up amongst themselves and the shareholders get nothing.

The intrinsic value of the bankrupt company is relatively insignificant in the negotiations. If the court feels that the bid is too low it can look for other rescuers to see if they will offer a higher price or better conditions. The company will be sold to the highest bidder. If the accepted prices is less than what is owed to the creditors, then the shareholders get zip.

You can see from the above description why the book value of the company and your wishes as a shareholders have very little weight, if any, in the proceedings. It's only money that talks!

These discussions are very interesting from an educational point of view. Investors should know what will happen to their money -- and why -- if their company goes under. Ignorance of these details and of the real situation at GX combined with a good deal of naiveté is what caused the AOL poster to say that the Chinese rescuers would be very kind to GX shareholders. When it comes to money remember that you are swimming in shark infested waters and big sharks

eat little minnows for breakfast, lunch and dinner, all the time.

The last point I would like to make is that it is time to move on. As the English are wont to say: "The King is dead! Long live the King!" GX was proclaimed King by Gilder but GX is now dead. We need to direct our efforts to more useful tasks than mourning the dead king. The world is still out there, the sun came up this morning, I had breakfast as usual like I'm sure most of you did. We have a portfolio to manage. Let's get on with it!

Some people want to take part in shareholder suits against all and sundry. That too is a waste of time. The lawyers will make money and you might get a crumb or two. Yes, revenge is sweet but it is a waste of time, besides, the Lord said that Revenge was His! Let's not try to be too godly.

Denny

"Demand creates queues. Supply gets rid of them."

[Software Times](#)