
Should CIT just get on with it?

Posted by HJohnson - 2009/07/23 21:00

What is the market telling CIT this morning? The price of its \$1 billion floating-rate notes due August 17 fell to 79.5 cents this morning, the WSJ reported, below the 82.5 CIT said it's willing to pay during the tender offer.

The tender offer is make or break, CIT has said.

Is prepackaged bankruptcy the best course, as investment firm Houlihan Lokey apparently wants? What about smaller bondholders? Are they really willing to take it on the chin?

Re:Should CIT just get on with it?

Posted by HJohnson - 2009/10/19 18:33

Well, just about three months later, CIT is still in the same boat, but Icahn stepped in today to rebuke the company, but also possibly to throw them a lifeline.

The WSJ reported that Icahn said that CIT has "shamelessly" offered \$6 billion in secured loans at "well below" market value. By underwriting the \$6 billion, he will save CIT about \$150 million, WSJ said.

More will unfold today, but is all this just prolonging the agony?

Re:Should CIT just get on with it?

Posted by mcole - 2009/10/26 07:01

I find it very interesting how long it is taking for CIT, which hasn't been found "too big to fail," to either find a savior or file for bankruptcy, when you think how quickly the fates of Bear Stearns or even Lehman Brothers (which wasn't either too big to fail apparently) were decided.

Re:Should CIT just get on with it?

Posted by HJohnson - 2009/10/29 04:51

And yet another lifeline today.. yes, it is interesting. Dealing with all the bondholders must be like herding cats.

Re:Should CIT just get on with it?

Posted by mcole - 2009/10/29 05:13

Especially since not all bondholders have the same interest in the company. Some may want to first recover as much of the value on the bonds as they can, while others may have also credit default swaps on CIT and may be better off if the company filed for bankruptcy.

Here's a few paragraphs from a DJ Newswires story on recovery on the bonds:

CIT is offering bondholders 70 cents on the dollar plus equity in the reorganized entity if they vote in favor of a prepackaged bankruptcy. If they agree to the exchange offer, bondholders can get as much as 90 cents on the dollar of new debt plus some equity.

Icahn, who owns \$2 billion of CIT's bonds, believes bondholders could potentially get back all of their investment in a traditional bankruptcy. On Tuesday morning, he announced a 30-day tender offer to buy bonds from CIT's smaller bondholders at 60 cents on the dollar if they help him block the firm's reorganization plan.

Re:Should CIT just get on with it?

Posted by mcole - 2009/11/02 06:17

The moment has arrived and CIT has filed for a prepackaged bankruptcy. Such bankruptcies, which have been on the rise during this crisis, allow companies to reorganize faster without disrupting business too much.

It seems like it's a good thing for its small business clients, which will continue to be served. Bondholders will also be better off than with a bankruptcy without pre-approved terms. What about shareholders, I wonder what will be left for them?

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Re:Should CIT just get on with it?

Posted by SherylNash01 - 2009/11/02 13:13

At long last CIT Group filed for Chapter 11 protection on Sunday. It is one of the biggest in U.S. corporate history, following Lehman Brothers, Washington Mutual, WorldCom and General Motors.

CIT's move will wipe out current holders of its common and preferred stock. That means the U.S. government will likely lose the \$2.3 billion it sunk into CIT last year in return for preferred shares to prop up the company.

The company had received \$5.4 billion in credit from its own lenders and bondholders last week, reportedly made a deal with Goldman Sachs to lower debt payments, and negotiated a \$1 billion line of credit from Carl Icahn.

Analysts have warned that the bankruptcy could add to the uncertainty around loans for the nation's small businesses, especially retailers, which is a large chunk of CIT's clients.

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Re:Should CIT just get on with it?

Posted by HJohnson - 2009/11/02 17:43

When it comes to customer retention, I guess it's a matter of how transparent CIT is, how good their loan officers are in keeping lines of communication open, and how fast they can actually emerge from Chapter 11. Will be an interesting few months. What do you think the key success factors are, to employ annoying consultant-speak?

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