

## Borders Wins Approval to Liquidate 200 Stores

**B**orders Group Inc., the second-biggest U.S. bookstore chain, won bankruptcy court approval to liquidate 200 stores in a deal that may bring in \$175 million to creditors.

U.S. Bankruptcy Judge Arthur Gonzalez in Manhattan today approved the closings of about 30 percent of Borders' stores after a group of liquidators made the highest bid for rights to sell merchandise and furniture. The sales will begin Feb. 19, allowing Borders to take advantage of the President's Day holiday in the U.S.

"These are neglected stores," David Friedman, a lawyer for Borders, told Gonzalez. The shelves are under-stocked, and that "daily drives away customers, not just from those stores — it diminishes the brand as well," Friedman said.

Hilco Merchant Resources LLC, SB Capital Group, Tiger Capital Group LLC and Gordon Brothers Group won the bidding to handle the liquidation sales, Adam Shiff, another lawyer for Borders, told Gonzalez today. Gordon and Hilco, which initially led competing groups, joined forces to make the winning bid after a nine-hour auction that drew 38 bids.

The deal would return almost 86 percent of the cost value of merchandise at the stores, topping an initial offer from liquidators led by Hilco that would have returned 73 percent and brought in about \$148 million, Shiff said. The liquidators will fund operations during the sales and share 50 percent of any sale proceeds.



A display celebrates the 40th anniversary of Borders Group Inc. inside a store in Ann Arbor, Michigan. Photographer: Jeff Kowalsky/Bloomberg

### 'MINIMIZING DISTRACTIONS'

"The debtors believe bringing in a professional liquidator will allow them to maximize sale proceeds while minimizing distractions to management" as it focuses on reorganizing other stores, Shiff told Gonzalez.

Borders, based in Ann Arbor, Michigan, filed for Chapter 11 protection yesterday after management changes, job cuts and debt restructuring failed to make up for sagging book sales in the face of competition from Amazon.com Inc. and Wal-Mart Stores Inc.

The company made an emergency request to close at least 200 of its 642 stores, and potentially 75 more, to stem losses of about \$2 million a week.

Borders will try to save "thousands and thousands" of jobs at remaining stores, Friedman told Gonzalez yesterday. The stores are under the Borders, Waldenbooks, Borders Express and Borders Outlet names in the U.S. and Puerto Rico, according to a court filing.

Gonzalez yesterday allowed Borders to draw \$400 million on a \$505 million loan from lenders led by General Electric Capital Corp. He first demanded that a budget for the bookstore chain's use of the money be filed with the court.

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Borders, whose market value shrank by more than \$3 billion since 1998, racked up losses by failing to adapt to shifts in how consumers shop. Its first e-commerce site debuted in 2008, more than a decade after Amazon.com revolutionized publishing with online sales. The world's largest online retailer beat it again by moving into digital books with the Kindle e-reader in 2007, a market Borders entered in July.

Gonzalez handled the case today and yesterday in the absence of Judge Martin Glenn, who was assigned the case.

The case is In re Borders Group Inc., 11-10614, U.S. Bankruptcy Court, Southern District of New York (Manhattan).

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