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Is Chapter 11 coming next?

Borders says little with loan payment date approaching

By GRETA GUEST
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Borders Group has been quiet about its finances as a deadline looms Thursday to repay a \$42.5-million loan to its largest shareholder.

The Ann Arbor-based bookseller typically reports its fourth-quarter results around this time of year, but has not announced when it would release its critical year-end income statement.

Two CEOs have left the bookseller in the past 15 months as it has tried to restructure its operations. Borders has also had to contend with the worst economy in decades while its business model is under attack by Internet retailers — and a new way to deliver books digitally.

Borders officials declined to comment.

The fourth quarter is probably the last thing Borders is worried about, said Ken Dalto, a Farmington Hills-based turnaround expert.

"One of the reasons they are probably late on their financials is because they are feverishly trying to renegotiate the loan," Dalto said.

The \$42.5-million loan due to Pershing Square Capital Management — made in 2008 at 9.8% interest — has already been extended three times. And despite assurances from Pershing that a bankruptcy is unlikely, concerns about a filing persist.

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