



## Business

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# Troubled Borders to seek 4 more months to develop turnaround plan

Jaclyn Trop/ The Detroit News

The future of Borders Group Inc. may become clearer Thursday when a bankruptcy judge considers the bookseller's request for more time to craft a turnaround plan.

The Ann Arbor-based bookstore chain hopes to persuade U.S. Bankruptcy Judge Martin Glenn to give it four more months, until October, to put together a plan to exit Chapter 11 bankruptcy.

A committee of unsecured creditors — publishers and other companies that Borders owes money — filed an objection to the request, saying the retailer is still losing too much money and hasn't shown cause for an extension.

The committee says it should be allowed to recommend its own liquidation proposal — even if the judge gives Borders more time to develop a plan without outside interference.

Under Chapter 11 bankruptcy rules, a company has the exclusive right for a period of time to work out a reorganization plan. After that, other parties can propose alternative plans.

If the judge rejects Borders' request, it has until June 16 to submit a turnaround plan.

Publishers are stressed about the prospect of losing Borders, "but everybody still has hope that they can pull out of it," said Michael Norris, a senior trade analyst with Simba Information, a publishing consulting firm in Stamford, Conn.

John Pottow, a bankruptcy law expert at the University of Michigan Law School, said the Borders bankruptcy has been "unusually antagonistic," with creditors rejecting most of Borders' proposals and indicating they'd prefer liquidation.

"It sounds to me like they're jockeying for control," Pottow said. The committee's request to end Borders' exclusivity period for filing a plan is an aggressive move, he said.

### Borders' losses mount

Borders Group Inc., the Ann Arbor-based bookseller, continues to lose money after filing for bankruptcy protection on Feb. 16 following years of hundred-million-dollar losses.

#### Before bankruptcy filing

Period	Financial loss
Year ended Feb. 3, 2007	-\$151.3M
Year ended Feb. 2, 2008	-\$157.4M
Year ended Jan. 31, 2009	-\$186.7M
Year ended Jan. 30, 2010	-\$109.4M
Year ended Jan. 29, 2011	-\$299M

#### During and after bankruptcy filing

Period	Financial loss
Jan. 30-Feb. 26, 2011	-\$28.3M
Feb. 27-March 26	-\$24.3M
March 27-April 30	-\$132.2M

Source: Borders Group Inc. filings

The Detroit News

Borders executives are confident they are on the right path.

"Borders continues to make good progress in positioning the business for sustainable growth and profitability." Chief Executive Officer Mike Edwards said in a statement Tuesday.

The company points to achievements like significant savings from cost-reduction moves, improved sales in its children's section and the growth of its Borders Rewards program.

Borders continues to lose money — more than \$180 million between Feb. 16, when it filed for Chapter 11 protection, and April 30 — despite closing more than 200 stores and other cost-cutting moves.

The retailer requested last month to end a 2004 partnership agreement with Seattle's Best Coffee to save money by running its own cafes or finding a new vendor.

A company's finances are supposed to improve under bankruptcy protection, said Ken Dalto, a Metro Detroit retail analyst.

"It's normal to have enormous fees (during bankruptcy protection)," Dalto said. "What's not normal is to have continual operating losses in Chapter 11."

Between \$75 million and \$100 million of Borders' reported losses between Feb. 16 and April 30 came from operating deficits, he said.

While rival Barnes & Noble made an offer to buy 10 stores from Borders, no single buyer has emerged to scoop up the great majority of remaining stores. Meanwhile, Liberty Media Corp. has offered \$17 a share to buy Barnes & Noble, which last month rolled out a less expensive and simpler-to-operate Nook electronic reader. A Barnes & Noble board committee will evaluate Liberty's bid.

Borders continues to forge ahead on the digital book front, announcing last week the launch of a touch-based e-reader from Kobo for \$129. Borders also said it would drop the price of its original Kobo to \$99, a price point many analysts say is impulse-buy territory.

Though Borders seems to be struggling to form a restructuring plan, the success of the book industry still depends on the company's health, Norris said. The industry needs bookstores for digital books to succeed, he said.

"If Borders goes out of business, it's everyone's problem," Norris said. "If there are fewer print books out there, there are fewer opportunities for people to discover books in any form."

Though naysayers and e-book advocates have been "dancing on Borders' grave for years," the chain's potential liquidation should not be occasion "for the e-book people to pat themselves on the back," he said.

Still, the signs for Borders' long-term future aren't favorable, Pottow said.

"The idea of Borders as a stand-alone company with the same name and fewer stores is a less likely outcome."