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Borders Bankruptcy Puts Paid to Ackman Merger

William Ackman, founder of Pershing Square Capital Management LP, a hedge fund firm will likely be dealt a double blow by the bankruptcy of Borders Inc. As a major shareholder, he might see his stake in the bookstore chain wiped out and his proposed plan to merge Borders with Barnes & Noble is not likely to materialize.

In December last year, Ackman sought to help Borders purchase Barnes & Noble. But Barnes & Noble was not likely to agree to a merger because Borders did not have a strong presence in the digital reader market and desirable real estate. Now Borders has filed for bankruptcy last month and is set to close some 200 of its stores nationwide. This turn of events is likely to see Barnes & Noble gain a big proportion of the \$550 million in book sales arising from the bankruptcy of Borders.

According to court papers, Pershing owns about 31.3% of Borders public shares. Pershing bought 5.1 million Borders shares in 2006 when it was

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trading at between \$18 and \$20 per share. The value of Borders shares held by Pershing was at its highest in March 2007 at \$173.3 million.

Ackman said Pershing lost about \$125 million on its investment in Borders.

Borders market value has shrunk by more than \$3 billion since 1998. The second-largest book retailer in the US started losing business when it failed to adapt as customers switched to online purchasing and digital reading.

In March 2008, Borders put itself up for sale and speculation was that Barnes & Noble would buy it. At that time, Pershing owned stakes in both companies. But by November of that year, Borders called off its offer for sale after failing to secure a buyer. Pershing in turn sold its interest in Barnes & Noble in December 2008. Ackman then approached Leonard Riggio, chairman of Barnes & Noble and Ronald Burkle, a major shareholder about the possibility of merging the two companies. Riggio disagreed with the idea because he did not want to invest in any more retail space.

Borders bankruptcy is expected to result in about \$550 million in sales up for grabs as its customers may shop elsewhere. This may benefit Barnes & Noble or it may go digital as companies like Apple and Sony battle for more market share in the ebook business along with Amazon.

If you are considering filing for bankruptcy, call us at (813) 200 4133 for a free consultation.

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Borders Bankruptcy Puts Paid to Ackman Merger William Ackman, founder of Pershing Square Capital Management LP, a hedge fund firm will likely be dealt a double blow by the bankruptcy of Borders Inc. As a major shareholder, he might see his stake in the bookstore chain wiped out and his proposed plan to merge Borders with Barnes & Noble is not likely to materialize. In December last year, Ackman sought to help Borders purchase Barnes & Noble. But Barnes & Noble was not likely to agree to a merger because Borders did not have a strong presence in the digital reader market and desirable real estate. Now Borders has filed for bankruptcy last month and is set to close some 200 of its stores nationwide. This turn of events is likely to see Barnes & Noble gain a big proportion of the \$550 million in book sales arising from the bankruptcy of Borders. According to court papers, Pershing owns about 31.3% of Borders public shares. Pershing bought 5.1 million Borders shares in 2006 when it was trading at between \$18 and \$20 per share. The value of Borders shares held by Pershing was at its highest in March 2007 at \$173.3 million. Ackman said Pershing lost about \$125 million on its investment in Borders. Borders market value has shrunk by more than \$3 billion since 1998. The second-largest book retailer in the US started losing business when it failed to adapt as customers switched to online purchasing and digital reading. In March 2008, Borders put itself up for sale and speculation was that Barnes & Noble would buy it. At that time, Pershing owned stakes in both companies. But by November of that year, Borders called off its offer for sale after failing to secure a buyer. Pershing in turn sold its interest in Barnes & Noble in December 2008. Ackman then

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