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## ***Borders Responds to Creditors' Committee Objection, Says Terminating Exclusivity Now Could "Disturb the Sale Process and Scare Away" Bidders***

Borders Group, Inc. filed a reply ([get a copy of the reply here](#)) today in support of its motion ([get a copy of the motion here](#)) to extend its exclusive periods to file and solicit acceptances of a plan of reorganization. The reply is focused primarily on responding to the objection ([get a copy of the objection here](#)) filed by the Official Committee of Unsecured Creditors appointed in the bankruptcy cases. In that objection, the Creditors' Committee proposed that it be excluded from the extension of the debtors' exclusive periods, which would permit the Creditors' Committee to file its own plan of reorganization at any time but exclude any party other than the debtors from proposing a competing plan. The Committee's objection also states that, to the extent that the court rejects its proposal (which it describes as offering a "middle ground" but states that the debtors have already rejected), the Committee supports a complete termination of exclusivity over an extension.

In [their reply](#), the debtors assert that they have pursued a dual-track reorganization strategy (pursuing both a going-concern sale and a stand-alone reorganization plan) thus far in their cases "at the request of the Committee" and that the sale process is "now at its most sensitive stage." The termination of the debtors' exclusive periods in the midst of the on-going sale process would "send the wrong message to buyers and create confusion in the process without any benefits to the estates." Beyond sending the wrong message and causing confusion, Borders alleges that terminating exclusivity could "scare away current interested bidders and future potential bidders."

The debtors also claim that the Committee's objection, which it calls an "extraordinary action," is notable in that "the Committee does not have its own plan proposal; nor does it claim to have done any preliminary work formulating its own plan." Rather, according to Borders, the objection "stems from unfounded and irrational concerns about" the debtors' sale and plan formulation processes. Borders also challenges the Committee's emphasis on the \$180 million in losses that Borders generated during its first two and a half months in bankruptcy. According to the debtors, these losses can be explained by several factors, including:

- their businesses are seasonal ("the debtors, like most retailers, historically suffer losses in each of the nine months leading up to the holiday season");
- large retail companies often "report seemingly high losses during the first few months of the case;"
- April's results reflect one-time costs "associated with the closure of the GOB locations and the rejection of the associated leases;" and
- the early results "do not reflect the impact of the debtors' substantial cost reductions, which began positively affecting losses in May."



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Borders argues that other, more important metrics support an extension of the exclusive periods. Specifically, Borders emphasizes that "the debtors have been paying all administrative obligations as they become due, over \$85 million is still available on their DIP financing facility, and the debtors consistently have performed at or above their DIP financing budget."

To review the pleadings referenced in this article, please visit the following links:

- [Debtors' Motion for Order Pursuant to 11 U.S.C § 1121\(d\) Extending Their Exclusive Periods for Filing and Soliciting Acceptances of a Chapter 11 Plan filed by Andrew K. Glenn on behalf of Borders Group, Inc.. with hearing to be held on 6/2/2011 at 10:00 AM at Courtroom 501 \(MG\) Responses due by 5/26/2011, \(Attachments: # \(1\) Exhibit A - Proposed Order\) \(Glenn, Andrew\)](#)
- [Declaration of Holly Felder Etlin in Support of the Debtors' Motion for Order Pursuant to 11 U.S.C § 1121\(d\) Extending Their Exclusive Periods for Filing and Soliciting Acceptances of a Chapter 11 Plan \(related document\(s\)\[864\]\) filed by Andrew K. Glenn on behalf of Borders Group, Inc.. \(Glenn, Andrew\)](#)
- [Objection of the Official Committee of Unsecured Creditors to Debtors Motion for Order Pursuant to 11 U.S.C. § 1121\(d\) Extending Their Exclusive Periods for Filing and Soliciting Acceptances of a Chapter 11 Plan \(related document\(s\)\[864\]\) filed by Bruce Buechler on behalf of Official Committee of Unsecured Creditors. \(Attachments: # \(1\) Exhibit A\) \(Buechler, Bruce\)](#)
- [Reply in Support of Debtors' Motion for Order Pursuant to 11 U.S.C. 1121\(d\) Extending Their Exclusive Periods for Filing and Soliciting Acceptances of a Chapter 11 Plan \(related document\(s\)\[864\]\) filed by Andrew K. Glenn on behalf of Borders Group, Inc.. \(Attachments: # \(1\) Exhibit A\) \(Glenn, Andrew\)](#)

The court granted an exclusivity extension at a hearing on June 2, 2011.

**To access copies of all significant court documents from the Borders Group chapter 11 bankruptcy cases, please visit: [http://www.chapter11cases.com/Borders-Group-Inc\\_c\\_22743.html](http://www.chapter11cases.com/Borders-Group-Inc_c_22743.html)**