



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

February 14, 2011

Borders files for Bankruptcy

Book retail giant Borders Inc. has filed for bankruptcy protection in New York after years of losses. Borders initiated job cuts, management changes and debt restructuring in an attempt to stay afloat financially but to no avail as total liabilities of \$1.29 billion overtook its \$1.28 billion in assets as at December 25 last year.

Borders will continue operating despite the Chapter 11 filing in US Bankruptcy Court in Manhattan. The book retailer has secured a \$505 million debtor in possession loan from financier GE Capital. Borders has been in business for 40 years but has in recent times faced fierce competition from online book retailers like Amazon.com and other competitors like Wal-Mart Stores Inc.

The principal reason why Borders lost out to Amazon, Wal-Mart etc is their failure to innovate and change with the times. While Amazon revolutionized the way people bought books with their online store in

<http://tampabankruptcy.pro/blog/>

1990's, Borders only started their e-commerce site in 2008, more than ten years too late. Then they fell further behind when Amazon introduced virtual reading with ebooks and ebook readers like the Kindle in 2007.

Borders only caught up in this type of market in July last year.

As its lenders began to cut back on the credit they offered, Borders was compelled to search for alternative financing in December last year.

Should they fail to secure replacement credit, they would be in violation of their loan agreements and experience a 'liquidity shortfall' in the first quarter of 2011.

Borders, based in Ann Arbor, Michigan, owns 642 stores under its Borders, Waldenbooks, Borders Express and Borders Outlet names in the US and Puerto Rico. It will close those that are unproductive and a drain to its cash flow.

The company owes \$302 million to vendors for their inventory, among which are Penguin Putnam, a unit of Pearson Pls (owed 41 million), Hachette Book Group (\$36.9 million), Simon & Schuster Inc. (\$33.8 million), Random House (\$33.5 million). In addition, Borders owes the Bank of America and General Electric Capital Corp. \$196.05 million, and it had a term loan with \$48.6 million yet to be paid.

On the other hand, Borders has \$109 million in guarantees for liquidated foreign units, according to bankruptcy papers.

In January 2010, Borders announced it would close some of its US bookstores and cut 11% of staff at its headquarters and layoff 76 other jobs. Its CEO at the time, Ron Marshall resigned after being in the job for a year. In December last year, Borders said that it was delaying payment to publishers in its efforts to restructure financing arrangements with vendors.

If you wish to file for bankruptcy protection, call us at (813) 200 4133 for a free consultation.