

# Deadline means Borders' saga nears happy ending or sad death

-- By Daniel Duggan

The clock is now ticking for Borders Group Inc.

With last week's \$215.1 million bid for the Ann Arbor-based company by Phoenix-based Najafi Cos. also comes a court-imposed deadline to close the deal by August or liquidate the company.

"It's what you call a 'gun to the head clause,'" said James McTevia, managing partner of the Bingham Farms-based consulting firm McTevia & Associates. "It's something that the courts and the creditors use to send a message that they want this thing over with."

Last week Borders said the bid was put in by BB Brands LLC, owned by Najafi division Direct Brands, a group that also owns the Book-of-the-Month Club, Doubleday Book Clubs and Columbia House.

BB Brands will buy the company and most of its stores for \$215.1 million while taking on \$220 million in liabilities and the \$15 million cost to wind down the bankruptcy case.

The bid, however, is just the start. Other companies can enter bid, with an auction set for July 19.

There has been plenty of interest, according to court documents. Of 83 investors that showed interest in Borders, 20 executed a confidentiality agreement. Five companies indicated interest -- but only two, including Najafi, offered to buy the entire company.

Alec Gores, brother of Detroit Pistons owner Tom Gores, reportedly has shown interest in the company through his Gores Group LLC.

If the deal is derailed or does not close by the end of July, a joint venture of liquidation companies will take over the assets to close the stores and wind down Borders, according to the purchase agreement.

McTevia said the race against the clock is needed to have the new owner in place by the fall.

"If I'm buying this in the summer, I had better be able to be selling in the busy season starting in September," he said. "Otherwise, I'm sitting on this until next year."

Behind-the-scenes objections by creditors, appeals and legal issues all can stall the process, McTevia said.

But with the Borders team using Najafi as a so-called stalking-horse bidder, it means the creditors have had a chance to consider Najafi and are comfortable with the bid, said Barry Lefkowitz, managing director of the Southfield-based turnaround firm BBK Ltd.

Other companies can submit bids. If the bidding rises out of Najafi's comfort zone, it is possible that the winner can't close.

But "when they're using a stalking-horse bidder, it's rare to see it not go to a closing," said Lefkowitz. "Generally, it won't get to that point and not close."

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