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Borders Group (BGPIQ.PK) Cancels Auction, Appears to Give Up Hope of Going Concern Sale

Borders Group, Inc. (BGPIQ.PK) announced this afternoon that "it did not require" the auction which was scheduled for tomorrow afternoon because it did not receive a "formal proposal from a going concern bidder." The company had received a stalking horse bid from Direct Brands, a portfolio company of Najafi Companies, which offered hope of some Borders stores remaining open. However, that bid fell apart, reportedly because agreements could not be reached between the bidder and some important vendors and creditors. As a result, a back-up bid from liquidators Hilco and Gordon Brothers replaced the Direct Brands bid as the stalking horse. The deadline for competing bids to be submitted was yesterday.

Because no competing bids were received, Borders will now seek final bankruptcy court approval of the Hilco/Gordon Brothers agreement at a hearing on Thursday. If court approval is received, Borders has said that "liquidation is expected to commence for some stores and facilities as soon as Friday, July 22." The going-out-of-business sales are expected to be completed at all Borders stores by the end of September. Borders currently has 399 remaining stores and over 10,000 employees.

In the press release announcing Borders' failure to receive any going concern bids, Borders Group President Mike Edwards is quoted as saying:

Following the best efforts of all parties, we are saddened by this development. We were all working hard towards a different outcome, but the headwinds we have been facing for quite some time, including the rapidly changing book industry, eReader revolution, and turbulent economy, have brought us to where we are now.

Copies of bankruptcy court documents relating to Borders' sale and liquidation can be found at:

http://www.chapter11cases.com/Sales-Non-Ordinary-Course-Transactions_c_23882.html