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Borders files for bankruptcy

Borders customers see no difference in service

Despite stock's delisting and job worries, stores operate as usual

Brian J. O' Connor and Melissa Burden / The Detroit News

A visit to a Borders store Wednesday didn't seem any different than browsing for books, CDs and periodicals there on any other day. But behind the scenes, the embattled bookseller's long-awaited entry to bankruptcy protection made a big difference.

Investors wondered about their stake in the Ann Arbor-based retailer, employees worried about their jobs and customers fretted over balances owed on gift cards.

"If you walked into a Borders one hour after a filing, you wouldn't see one thing different," said Van Conway, a Birmingham turnaround consultant. "It's seamless to the customer."

It was a different story at the New York Stock Exchange, however, which halted trading in Borders shares and delisted the stock.

Instead, the stock traded Wednesday under its new ticker symbol— BGPIQ (the Q stands for bankruptcy) — on the OTC Markets exchange, an electronic trading bulletin board.

"The bulletin board is less regulated than the NYSE, with fewer requirements, but the shares can still be quoted electronically and computer-traded," said Nicholas Hopwood of Park Avenue Wealth Management in Livonia.

Shares of Borders ended at 23 cents Tuesday, then started their new over-the-counter life at 18 cents Wednesday.

More than 10.3 million shares changed hands after Wednesday's bankruptcy filing, ranging from 15 cents to as much as 23 cents during the day.

"There is a lot of speculation that happens with bankrupt companies' shares," said Ed McCann, an analyst with the exchange operator, OTC Markets Group. "I've seen that kind of gain before but I've also seen it where the shares tanked once they got here."

Borders shares will trade until the company is liquidated or new shares of the restructured business are issued.

For employees, Borders said their benefits and paychecks would continue, and the company's court filing says it will continue its 33 percent employee discount program, but the big concern is jobs.

Four stores are set to close, including Arborland in Ann Arbor and the Grosse Pointe location. Employees at Arborland said workers at stores that close can apply to transfer to another Borders store. Workers at the Grosse Pointe store said they were told of the closing in an e-mail, but haven't heard when the store will shut for good. The state labor department said it already was arranging to send representatives to brief laid-off workers on unemployment benefits, retraining and other job-hunting resources.

James McTevia, managing member of McTevia & Associates Inc. in Bingham Farms, expects to see dramatic downsizing at the company's Ann Arbor headquarters.

About 500 people work at Borders' headquarters, down from more than 1,000 in 2008. In total, Borders employs about 17,500 full- and part-time workers, according to the filing.

For customers, Borders still is operating its stores and website and has announced it's honoring all gift cards, rewards cards and teacher discounts.

In its bankruptcy filing, Borders sought permission to honor \$275 million in outstanding gift cards, and nearly \$8 million in discounts for its Borders Rewards customer loyalty program. Borders also asked to extend its 500,000-member teacher discount program.

John Pottow, a law professor and expert in bankruptcy and commercial law at the University of Michigan Law School, said customers shouldn't panic.

"I don't think you have to worry about your gift card at Borders not working next week," he said.

Typically, stores in a bankruptcy reorganization do as little as possible to anger or dissuade customers. If Borders should be liquidated, however, gift-card holders would be wiped out along with unsecured creditors.