

David M. Friedman (DFriedman@kasowitz.com)
Andrew K. Glenn (AGlenn@kasowitz.com)
Jeffrey R. Gleit (JGleit@kasowitz.com)
KASOWITZ, BENSON, TORRES & FRIEDMAN LLP
1633 Broadway
New York, New York 10019
Telephone: (212) 506-1700
Facsimile: (212) 506-1800

*Attorneys for Debtors
and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**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**

Pursuant to 28 U.S.C. § 1746, I, Holly Felder Etlin, hereby declare as follows:

1. I am a managing director of AlixPartners, LLP ("AlixPartners"). My business address is 40 West 57th Street, 29th Fl., New York, New York 10019. On February 18, 2011, I was appointed Senior Vice President – Restructuring ("SVPR") of Borders Group, Inc., as documented in an addendum dated as of February 23, 2011, to the engagement letter between AP Services, LLC ("APS") and Borders Group, Inc. dated as of February 9, 2011. On March 16,

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Borders Group, Inc. (4588); Borders International Services, Inc. (5075); Borders, Inc. (4285); Borders Direct, LLC (0084); Borders Properties, Inc. (7978); Borders Online, Inc. (8425); Borders Online, LLC (8996); and BGP (UK) Limited.

2011, the Court entered an order authorizing the Debtors to designate me as SVPR for the Debtors [Docket No. 397].

2. The Debtors have duly authorized me to make and submit this declaration (the “Declaration”) 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* (the “Motion”).²

3. The facts set forth in this Declaration are based upon my personal knowledge, upon information and belief (where indicated), or upon client matter records kept in the ordinary course of business that were reviewed by me or other employees of APS under my supervision and direction. If called and sworn as a witness, I could and would testify competently to the matters set forth herein.

4. The Debtors are a nationwide retailer and a leading operator of book, music and movie superstores and mall-based bookstores. On the Commencement Date, the Debtors operated 642 stores under the Borders, Waldenbooks, Borders Express and Borders Outlet names (as well as Borders-branded airport stores) with 639 of these stores located throughout forty-eight (48) states and the District of Columbia, and three (3) located in Puerto Rico. As of May 19, 2011, the Debtors operate 405 stores. In addition, the Debtors operate a proprietary e-commerce web site, www.Borders.com, launched in May 2008, which includes both in-store and online e-commerce components. For the fiscal year ended January 29, 2011, the Debtors recorded net sales of approximately \$2.3 billion. The Debtors’ Schedules list \$1,649,799,850 of assets and \$2,626,757,691 of liabilities.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

5. The Debtors currently employ approximately 3,792 full-time employees and approximately 7,244 part-time employees, located throughout the United States and Puerto Rico. Since the Commencement Date, the Debtors' employees -- in particular, their management, corporate administrative employees and in-house counsel -- have devoted significant time and resources, in addition to diligently attending to their pre-petition day-to-day obligations, to navigating the Debtors' business in the purview of chapter 11. This has included, among other things, responding to a litany of inquiries raised by landlords, subtenants, vendors, employees, taxing authorities, utility companies and other parties in interest in these cases.

6. The Debtors are working with their retained professionals, including the Deloitte entities, to establish post-petition accounting practices and file required forms with the Securities and Exchange Commission. The Debtors, with the assistance of their professionals, have recently filed their Schedules and Statements of Financial Affairs [Docket Nos. 491-506] and their first monthly operating report [Docket No. 752]. The Debtors have also closed approximately 237 stores since the Commencement Date, and are working with their real estate consultants, DJM Realty Services, LLC, to negotiate lease modifications, including rent concessions, for the remaining stores.

7. The Debtors have been reviewing over a thousand executory contracts and unexpired leases. As of the Commencement Date, the Debtors were parties to approximately 1,493 contracts. Of these contracts, approximately 684 were non-residential real property leases. The Debtors are in the process of assessing their leases and, based upon their analysis, taking one of two courses of action. The Debtors may decide to reject a lease associated with an underperforming store pursuant to the Lease Rejection Procedures Order, thereby maximizing the profitability of their store footprint. To date, the Debtors have rejected approximately 240

leases pursuant to these procedures. Or, the Debtors may negotiate lease modification agreements with their landlords pursuant to the Lease Modifications Order. Moreover, the Court-approved KEIP incentivizes the Debtors' management to achieve rent reductions as a result of real estate lease amendments, and/or cost reductions associated with contract rejection or renegotiation, by May 31 and June 30, 2011, respectively, which deadlines will not both have passed by the expiration of the Exclusive Filing Period.

8. Since the Commencement Date, the Debtors have been working cooperatively with their publishers, landlords, vendors and other creditors towards an operational restructuring and ensuring that the Debtors' business remains a viable enterprise. On April 6, 2011, the Debtors presented their business plan to the Committee in a private meeting with the Debtors, the Committee and their respective professionals. Based on feedback from the Committee, the Debtors continue to refine and finalize their business plan and respond to Committee inquiries with respect to the plan. Further, and as set forth above, the Debtors have obtained the Lease Modifications Order and continue to negotiate lease modification agreements with their landlords. In addition to negotiations with their landlords, the Debtors are also in the process of negotiating trade terms with their publishers, and have reached agreements with many of their smaller publishers already.

9. The Debtors have embarked on a dual-path sale process to market their business to buyers as a going concern. This process is ongoing and has produced promising offers that the Debtors and their advisors are diligently pursuing.

10. The Debtors are current on their administrative obligations and continue to pay their bills as they come due.

11. Terminating the Debtors' Exclusive Periods will result in a default of Section 7.1(m)(8) of the DIP Credit Agreement.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: May 19, 2011

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Holly Felder Etlin', written over a horizontal line.

Holly Felder Etlin
Senior Vice President - Restructuring