

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re	:	Chapter 11
	:	
BORDERS GROUP, INC., et al.,	:	Case No. 11-10614
	:	
Debtors. <sup>1</sup>	:	(Jointly Administered)
	:	
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**ORDER APPROVING AGENCY AGREEMENT,  
STORE CLOSING SALES AND RELATED RELIEF**

Upon the Debtors' Emergency Motion for Entry of Order (I) Authorizing the Debtors to Sell Certain Assets Through Store Closing Sales and to Enter Into Agency Agreement With (A) Joint Venture Composed of Hilco Merchant Resources, LLC, SB Capital Group, LLC, and Tiger Capital Group, LLC or (B) Other Successful Bidder at the Auction, (II) Approving Stalking Horse Fee, (III) Authorizing Debtors to Abandon Unsold Property, (IV) Waiving Compliance With Contractual Store Closing Sale Restrictions, (V) Exempting (A) State and Local "Fast Pay" Laws and (B) Laws Restricting Store Closing Sales, and (VI) Granting Related Relief, (the "Motion");<sup>2</sup> and upon the Declaration of Scott Henry Pursuant to Local Bankruptcy Rule 1007-2 in Support of First Day Motions (the "Henry Declaration") and the Declaration of Holly Felder Etlin in Support of Store Closing Sale Motion (the "Etlin Declaration"); and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance

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<sup>1</sup> The Debtors in these cases, along with the last four digits of the federal tax identification number for the Debtors are the following: 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.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agency Agreement.

with 28 U.S.C. §§ 157 and 1334 and the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the parties set for in the Motion; and it appearing that no other or further notice need be provided; and an auction having been held on February 16, 2011 (the “Auction”); and a joint venture composed of Hilco Merchant Resources, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC and Gordon Brothers Retail Partners, LLC (the “Agent”) having been the successful bidder at the Auction; and the Debtors and the Agent having agreed to the terms of the sales (the “Sales”) of certain assets (the “Assets”) in accordance with that certain Agency Agreement, dated February 16, 2011, by and between the Agent and the Debtors, a copy of which is attached hereto as Exhibit A (the “Agency Agreement”), pursuant to which the Agent shall act as the Debtors’ exclusive agent for the Sales of the Assets as set forth in the Agency Agreement; and a hearing having been held on February 17, 2011 (the “Sale Hearing”) to consider the relief requested in the Motion and approval of the Agency Agreement; and the appearances of all interested parties having been noted in the record of the Hearing; and upon all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors, and all parties in interest and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefore, it is

FOUND AND DETERMINED THAT:

A. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of these cases and this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief requested are §§105(a), 363, 364, 365 and 554 of the Bankruptcy Code and Rules 2002, 4001, 6003, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

C. The findings and conclusions set forth herein constitute the Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the conclusions of law constitute findings of fact, they are adopted as such.

D. Notice of the Motion and of the Hearing was provided as set forth in the Motion and as required by applicable law.

E. The notice of the Motion and of the Hearing was adequate and sufficient under the circumstances, and any otherwise applicable requirement for notice is hereby waived and dispensed with. A reasonable opportunity to object or to be heard with respect to the Motion and the relief requested therein has been afforded to all interested persons and entities.

F. As demonstrated by the Henry Declaration, the Etlin Declaration, and representations of counsel to the Debtors and other parties in interest made at the Hearing, the Debtors have conducted the bidding solicitation and auction process fairly, with adequate opportunity for parties that either expressed an interest in liquidating the Debtors’ assets or who

the Debtors believed may have an interest in liquidating the Debtors' assets to submit competing bids.

G. The Agency Agreement attached hereto as Exhibit A, including the form and total consideration to be realized by the Debtors pursuant to the Agency Agreement, (i) is the highest and best offer received by the Debtors, (ii) is fair and reasonable, and (iii) is in the best interest of the Debtors, their estates, their creditors and all other parties in interest.

H. The Debtors' decision to (i) enter into the Agency Agreement and (ii) perform under and make payments required by the Agency Agreement is a reasonable exercise of the Debtors' sound business judgment consistent with their fiduciary duties and is in the best interests of the Debtors, their estates, their creditors, and all other parties in interest.

I. The transactions contemplated by the Agency Agreement do not include the sale or lease of personally identifiable information, as defined in section 101(41A) of the Bankruptcy Code ("Personally Identifiable Information") (or assets containing personally identifiable information).

J. Time is of the essence in effectuating the Agency Agreement and proceeding with the Sales contemplated therein uninterrupted. Based on the record of the Sale Hearing, the Motion, the Henry Declaration, the Etlin Declaration, and for the reasons stated on the record at the Sale Hearing, the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates.

K. The Debtors (i) have full corporate power and authority to execute and deliver the Agency Agreement and all other documents contemplated thereby, and the Sales of the Assets have been duly and validly authorized by all necessary corporate action of the Debtors, (ii) have all of the corporate power and authority necessary to consummate the transactions contemplated

by the Agency Agreement, and (iii) have taken all corporate action necessary to authorize and approve the Agency Agreement and the consummation of the transactions contemplated thereby. No consents or approvals, other than those expressly provided for in the Agency Agreement, are required for the Debtors to consummate such transactions.

L. The Agency Agreement was negotiated between the Agent and the Debtors and entered into in good faith, based upon arm's length bargaining, and without collusion or fraud. Neither the Debtors nor Agent has engaged in any conduct that would prevent the application of section 363(m) of the Bankruptcy Code or cause the application of or implicate section 363(n) of the Bankruptcy Code to the Agency Agreement or to the consummation of the transactions contemplated thereby. The Agent's performance and payment of the Guaranteed Amount under the Agency Agreement are in good faith and for valid business purposes and uses.

M. The Debtors have demonstrated a compelling and sound business justification for authorization to enter into the Agency Agreement.

N. The Debtors were free to deal with any other party interested in liquidating some or all of the Assets. The Agent has not violated section 363(n) of the Bankruptcy Code by any action or inaction. Specifically, the Agent has not acted in a collusive manner with any person and was not controlled by any agreement among bidders. The Agent is not an "insider" as that term is defined in section 101(31) of the Bankruptcy Code. No common identity of directors or controlling stockholders exists between the Agent and the Debtors.

O. The Motion contemplates seeking authority to assume the Letter Agreement Governing Inventory Disposition dated December 9, 2010, between Hilco Merchant Resources, LLC ("Hilco") and Borders, Inc., a copy of which is attached to the Motion as Exhibit D (as amended by the First Amendment to Letter Agreement dated January 7, 2011, the "Existing

Agreement”), under which Hilco continues to perform store liquidations at certain retail store locations.

P. Hilco Merchant Resources, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC, on the one hand, and Gordon Brothers Retail Partners, LLC, on the other, each agree that neither party shall submit any joint bid at any future auction of Borders Group, Inc. and its affiliate Debtors without the prior consent of the Debtors and the agent for the Debtors’ debtor-in-possession lenders.

Now, therefore, it is hereby ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is granted to the extent provided herein. All objections to the Motion that have not been withdrawn, waived, settled, or specifically addressed in this Order, and all reservations of rights, are overruled in all respects and denied.

2. The Agency Agreement is approved pursuant to section 363 of the Bankruptcy Code. The Debtors are hereby authorized and empowered to enter into the Agency Agreement, and the Agency Agreement (and each of the transactions contemplated therein) is hereby approved in its entirety and is incorporated herein by reference. All amounts payable to the Agent under the Agency Agreement shall be payable to the Agent without the need for any application of the Agent therefor or any further order of the Court.

3. Subject to the provisions of this Order, the Debtors and the Agent are hereby authorized, pursuant to sections 105(a) and 363(b)(1) of the Bankruptcy Code, to conduct the Sales at the Stores in accordance with the Agency Agreement and the sale guidelines (the “Sale Guidelines”) attached hereto as Exhibit B, which Sale Guidelines are hereby approved in their entirety. To the extent that anything contained in this Order explicitly conflicts with a provision in the Agency Agreement or the Sale Guidelines, this Order shall govern and control.

4. Pursuant to section 365 of the Bankruptcy Code, assumption by the Debtors of the Existing Agreement is hereby directed, authorized and approved as a valid exercise of the Debtors' business judgment and all amounts payable to Hilco under the Existing Agreement shall be payable to Hilco without the need for any application of Hilco therefor or any further order of the Court.

5. Except as otherwise provided in the Agency Agreement, pursuant to section 363(f) of the Bankruptcy Code, upon payment of the Guaranteed Amount Deposit and delivery of the Letter of Credit, the Agent shall be authorized to sell all Assets pursuant to the Agency Agreement free and clear of any and all mortgages, security interests, conditional sales or title retention agreements, pledges, hypothecations, liens, judgments, encumbrances or claims of any kind or nature (including, without limitation, any and all "claims" as defined in section 101(5) of the Bankruptcy Code), including, without limitation, the liens and security interests of GECC and GA, as agents for Lenders under the DIP Facility, as the same may have been amended from time to time, and the Debtors' prepetition lenders whether arising by agreement, any statute or otherwise and whether arising before, on or after the date on which this chapter 11 case was commenced (collectively, the "Liens"), with any presently existing liens encumbering all or any portion of the Assets or the Proceeds thereof attaching only to the Guaranteed Amount, or other amounts payable to the Debtors under the Agency Agreement (collectively, the "Transaction Proceeds") with the same validity, force and effect as the same had with respect to the assets at issue, subject to any and all defenses, claims and/or counterclaims or setoffs that may exist.

6. All of the transactions contemplated by the Agency Agreement shall be protected by section 363(m) of the Bankruptcy Code in the event that this Order is reversed or modified on

appeal. The transactions contemplated by the Agency Agreement are not subject to avoidance pursuant to section 363(n) of the Bankruptcy Code.

7. Unless otherwise ordered by the Court, all newspapers and other advertising media in which the Sales may be advertised and all landlords are directed to accept this Order as binding authority so as to authorize the Debtors and the Agent to consummate the Agency Agreement and to consummate the transactions contemplated therein, including, without limitation, to conduct and advertise the Sales in the manner contemplated by the Agency Agreement, including, without limitation, conducting and advertising of the Sales (at the contractual rates charged to the Debtors prior to the Petition Date) in accordance with the Agency Agreement, the Sale Guidelines, and this Order.

8. The Sales shall not be exempt from, and the Agent shall be required to comply with, laws of general applicability, including, without limitation, public health and safety, criminal, tax, labor, employment, environmental, antitrust, fair competition, traffic and consumer protection laws, including consumer laws regulating deceptive practices and false advertising (collectively, “General Laws”). Nothing in this Order shall be deemed to bar any Governmental Unit (as defined in Bankruptcy Code section 101(27)) from enforcing General Laws in the applicable non-bankruptcy forum, subject to the Debtors’ or the Agent’s right to assert in that forum or before this Court that any such laws are not in fact General Laws or that such enforcement is impermissible under the Bankruptcy Code, this Order, or otherwise, pursuant to Paragraph 9 hereunder. Notwithstanding any other provision in this Order, no party waives any rights to argue any position with respect to whether the conduct was in compliance with this Order and/or any applicable law, or that enforcement of such applicable law is preempted by the



Bankruptcy Code. Nothing in this Order shall be deemed to have made any rulings on any such issues.

9. To the extent that the Sales are subject to any federal, state or local statute, ordinance, or rule, or licensing requirement solely directed at regulating "going out of business," "store closing," similar inventory liquidation sales, or bulk sale laws (each a "GOB Law," and together, the "GOB Laws"), including laws restricting safe, professional and non-deceptive, customary advertising such as signs, banners, posting of signage, and use of sign-walkers solely in connection with GOB Sales and including ordinances establishing license or permit requirements, waiting periods, time limits or bulk sale restrictions that would otherwise apply solely to GOB Sales (collectively, the "Liquidation Laws"), the following provisions shall apply:

a. Provided that the Sales are conducted in accordance with the terms of this Order, the Agency Agreement and the Sale Guidelines, and in light of the provisions in the laws of many Governmental Units that exempt court-ordered sales from their provisions, the Debtors shall be presumed to be in compliance with any GOB Laws and Liquidation Laws and, subject to Paragraphs 8 and 9 herein, are authorized to conduct the Sales in accordance with the terms of this Order and the Sale Guidelines without the necessity of further showing compliance with any such GOB Laws and Liquidation Laws.

b. Within five (5) business days of entry of this Order, the Debtors shall serve copies of this Order, the Agency Agreement and the Sale Guidelines via e-mail, facsimile or regular mail, on: (i) the Attorney General's office for each state where the Sales are being held, (ii) the county consumer protection agency or similar agency for each county where the Sales will be held, (iii) the division of consumer protection for each state where the Sales will be held; and (iv) the chief legal counsel for the local jurisdiction.

c. To the extent there is a dispute arising from or relating to the Sales, this Order, the Agency Agreement, or the Sale Guidelines, which dispute relates to any GOB Laws or Liquidation Laws (a "Reserved Dispute"), the Court shall retain exclusive jurisdiction to resolve the Reserved Dispute. Any time within fifteen (15) days following service of this Order, any Governmental Unit may assert that a Reserved Dispute exists by serving written notice of such Reserved Dispute to counsel for the Debtors and counsel for the Agent at the addresses set forth in the Agency Agreement so as to ensure delivery thereof within one (1) business day thereafter. If the Debtors, the Agent and the Governmental Unit are unable to resolve the Reserved Dispute within fifteen (15) days of service of the notice, the aggrieved party may file a motion with this Court requesting that this Court resolve the Reserved Dispute (a "Dispute Resolution Motion").

d. In the event a Dispute Resolution Motion is filed, nothing in this Order shall preclude the Debtors, a landlord, the Agent or other interested party from asserting (i) that the provisions of any GOB Laws and/or Liquidation Laws are preempted by the Bankruptcy Code or (ii) that neither the terms of this Order, nor the Debtors or the Agent's conduct pursuant to this Order, violates such GOB Laws and/or Liquidation Laws. Filing a motion as set forth in this Paragraph shall not be deemed to affect the finality of this Order or to limit or interfere with the Debtors' or the Agent's ability to conduct or to continue to conduct the Sales pursuant to this Order and the Agency Agreement, absent further order of this Court. The Court grants authority for the Debtors and the Agent to conduct the Sales pursuant to the terms of this Order, the Agency Agreement, and/or the Sale Guidelines attached hereto and to take all actions reasonably related thereto or arising in connection therewith. The Governmental Unit shall be entitled to assert any jurisdictional, procedural, or substantive arguments it wishes with respect to the requirements of its Liquidation Laws or the lack of any preemption of such GOB Laws and/or

Liquidation Laws by the Bankruptcy Code. Nothing in this Order shall constitute a ruling with respect to any issues to be raised in any Dispute Resolution Motion.

e. If, at any time, a dispute arises between the Debtors and/or the Agent and a Governmental Unit as to whether a particular law is a GOB Law and/or Liquidation Law, and subject to any provisions contained in this Order related to GOB Laws and/or Liquidation Laws, then any party to that dispute may utilize the provisions of Subparagraphs (c) and (d) hereunder by serving a notice to the other party and proceeding thereunder in accordance with those Paragraphs. Any determination with respect to whether a particular law is a GOB Law and/or Liquidation Law shall be made *de novo*.

f. Notwithstanding anything herein to the contrary, and in view of the importance of the use of sign-walkers, banners, and other advertising to the Sales, to the extent that disputes arise during the course of the Sales regarding laws regulating the use of sign-walkers and banner advertising and the Debtors and the Agent are unable to resolve the matter consensually with the Governmental Unit, any party may request an immediate telephonic hearing with this Court pursuant to these provisions. Such hearing will, to the extent practicable, be scheduled initially within two (2) business days of such request. This scheduling shall not be deemed to preclude additional hearings for the presentation of evidence or arguments as necessary.

10. Except to the extent of the reserved rights of Governmental Units expressly granted elsewhere in this Order, the Debtors and Agent are hereby authorized to take such actions necessary and appropriate to implement the Agency Agreement and to conduct the Sales without necessity of further order of this Court as provided in the Agency Agreement or the Sale Guidelines, including, but not limited to, advertising the Sales as “store-closing” or similar-

themed sales through the posting of signs (including the use of exterior banners at non-enclosed mall Stores, and at enclosed mall Stores to the extent the applicable Store entrance does not require entry into the enclosed mall common area), use of signwalkers and street signage. The Agent shall not conduct the Sales as a “going out of business” or similar-themed sale.

11. Except as expressly provided in the Agency Agreement, the Sales shall be conducted by the Debtors and the Agent notwithstanding any restrictive provision of any lease, sublease or other agreement relative to occupancy affecting or purporting to restrict the conduct of the Sales, the rejection of leases, abandonment of assets or “going dark” provisions; provided, however, that nothing in this Order shall impact any objection that any of the Debtors’ landlords may have to the assumption, assignment or rejection of their respective lease or to any proposed cure amount or rejection damages claim in association with such assumption, assignment or rejection. The Agent and landlords of the Stores are authorized to enter into agreements (“Side Letters”) between themselves modifying the Sale Guidelines without further order of the Court, and such Side Letters shall be binding as among the Agent and any such landlords, provided that nothing in such Side Letters affects the provisions of Paragraphs 8 and 9. In the event of any conflict between the Sale Guidelines and any Side Letter, the terms of such Side Letter shall control.

12. Except as expressly provided for herein or in the Sale Guidelines, and except with respect to any Governmental Unit (as to which Paragraphs 8 and 9 shall apply), no person or entity, including but not limited to any landlord, licensor, or creditor, shall take any action to directly or indirectly prevent, interfere with, or otherwise hinder consummation of the Sales, or the advertising and promotion (including the posting of signs or the use of signwalkers) of such Sales, and all such parties and persons of every nature and description, including landlords,

licensors, creditors and utility companies and all those acting for or on behalf of such parties, are prohibited and enjoined from (i) interfering in any way with, or otherwise impeding, the conduct of the Sales and/or (ii) instituting any action or proceeding in any court or administrative body seeking an order or judgment against, among others, the Debtors, the Agent, or the landlords at the Debtors' Stores that might in any way directly or indirectly obstruct or otherwise interfere with or adversely affect the conduct of the Sales or other liquidation sales at the Stores and/or seek to recover damages for breach(es) of covenants or provisions in any lease, sublease or license based upon any relief authorized herein.

13. Except with respect to any Governmental Unit (as to which the provisions of Paragraph 8 and 9 shall apply), this Court shall retain exclusive jurisdiction with regard to all issues or disputes relating to this Order or the Agency Agreement, including, but not limited to, (i) any claim or issue relating to any efforts by any party or person to prohibit, restrict or in any way limit banner and signwalker advertising, including with respect to any allegations that such advertising is not being conducted in a safe, professional and non-deceptive manner, (ii) any claim of the Debtors, the landlords and/or the Agent for protection from interference with the Sales, and (iii) any other disputes related to the Sales. No such parties or person shall take any action against the Debtors, the Agent, the landlords or the Sales until this Court has resolved such dispute. This Court shall hear the request of such parties or persons with respect to any such disputes on an expedited basis, as may be appropriate under the circumstances.

14. The Agent shall have the right to use the Stores and all related Store services, furniture, fixtures, equipment and other assets of the Debtors for the purpose of conducting the Sales, free of any interference from any entity or person, subject to compliance with the Sale Guidelines and this Order and subject to Paragraphs 8 and 9 of this Order.

15. During the Sale Term, Agent shall accept Debtors' gift cards, Borders Rewards Plus Loyalty Program discounts, Borders Bucks, and Merchandise credits issued by the Debtors and the Debtors shall reimburse Agent for such amounts during the weekly sale reconciliation provided for in Section 8.6 of the Agency Agreement. During the Sale Term, the Agent shall accept returns of merchandise sold by the Debtors prior to the Sale Commencement Date, provided that such return is accompanied by the original Store register receipt and is otherwise in compliance with the Debtors' return and price adjustment policy in effect as of the date such item was purchased. The Debtors shall promptly reimburse Agent in cash for any refunds Agent is required to issue to customers in respect of any such returns.

16. All state and federal laws relating to implied warranties for latent defects shall be complied with and are not superseded by the sale of said goods or the use of the terms "as is" or "final sales". Debtors and/or Agent shall accept return of any goods purchased during the Sales that contain a defect which the lay consumer could not reasonably determine was defective by visual inspection prior to purchase for a full refund, provided that the consumer must return the merchandise within twenty-one (21) days of their purchase, the consumer must provide a receipt, and the asserted defect must in fact be a "latent" defect. The Debtors shall promptly reimburse Agent in cash for any refunds Agent is required to issue to customers in respect of any goods purchased during the Sales that contain such a latent defect.

17. Until the Sale Termination Date, the Agent shall be granted a limited license and right to use the trade names, logos and customer, mailing and e-mail lists relating to and used in connection with the operation of the Stores, solely for the purpose of advertising the Sale in accordance with the terms of the Agency Agreement; provided, however, that the Agent shall not receive Personally Identifiable Information from the Debtors.

18. Except as expressly provided for in the Agency Agreement, nothing in this Order or the Agency Agreement, and none of the Agent's actions taken in respect of the Sale shall be deemed to constitute an assumption by Agent of any of the Debtors' obligations relating to any of the Debtors' employees. Moreover, the Agent shall not become liable under any collective bargaining or employment agreement or be deemed a joint or successor employer with respect to such employees.

19. The Agent shall not be liable for sales taxes except as expressly provided in the Agency Agreement and the payment of any and all sale taxes is the responsibility of the Debtors. The Agent shall collect, remit to the Debtors and account for sales taxes as and to the extent provided in the Agency Agreement. If Agent fails to perform its responsibilities in accordance with Section 8.3 of the Agency Agreement, Agent shall indemnify and hold harmless the Debtors from and against any and all costs, including, but not limited to, reasonable attorneys' fees, assessments, fines or penalties which the Debtors sustain or incur as a result or consequence of the failure by Agent to collect and/or remit Sales Taxes and/or the failure by Agent to promptly deliver any and all reports and other documents required to enable the Debtors to file any requisite returns with taxing authorities.

20. Except as set forth in the Agency Agreement or the Sale Guidelines, the Debtors and/or the Agent (as the case may be) are authorized and empowered to transfer assets among the Debtors' distribution center and/or the Stores as provided in the Agency Agreement.

21. In accordance with the terms of the Agency Agreement and effective as of the Payment Date, pursuant to section 364(d) of the Bankruptcy Code, Agent is granted a valid, binding, enforceable and perfected first priority security interest in and lien upon (x) the Merchandise, (y) proceeds realized from the disposition of the Agent Sale FF&E up to the

amount of the Agent's disposition commission related to Agent Sale FF&E as provided for in Section 15.9 of the Agency Agreement, and (z) the Proceeds, to secure all obligations of the Debtors to Agent under the Agency Agreement, provided, however, that the security interest granted to Agent shall remain junior and subordinate in all respects to (a) Agent's Payment Obligations and (b) the liens, security interests and claims of the GECC and the Lenders, to the extent of the unpaid portion of Agent's Payment Obligations. Upon entry of this Order and payment of the Guaranteed Amount Deposit and the issuance of the Letter of Credit, the security interest granted to the Agent shall be deemed properly perfected without the necessity of filing financing statements or other documentation. Subject to the Agent having satisfied its payment obligations under the Agency Agreement, any amounts owed by the Debtors to the Agent under the Agency Agreement are granted and shall have the status and priority of superpriority liens and claims pursuant to section 364(c) of the Bankruptcy Code, junior to the superpriority claims of the Lenders.

22. The Debtors shall have authority, in accordance with Section 5.6 of the Agency Agreement, to include the Put Option Stores in the Sales, and to enter into an agreement with the Agent governing the Sales related to the Put Option Stores, either through a new agency agreement or an amendment to the Agency Agreement, without further motion to or order of the Court; provided that the Debtors will provide written notice to the landlord of each affected store identifying each Put Option Store the Debtors elect to include in the Sales, which notice shall be given as soon as practicable upon notifying the Agent of such election, but at least five (5) days prior to commencement of Sales at such locations.

23. The Debtors and the Agent shall not extend the Sale Termination Date beyond April 30, 2011 without notice and further order of the Court; *provided, however*, that no notice



or further order of the Court shall be required for an extension that does not exceed fifteen (15) days; and *provided further, however*, that the Sale Termination Date with respect to any Put Option Store shall be as set forth in any agency agreement or amendment to the Agency Agreement, as applicable, but in no event shall the Sale Term with respect to any Put Option Store exceed ninety (90) days without notice and further order of the Court.

24. The Agent's performance and payment of the Guaranteed Amount under the Agency Agreement will be made in good faith and for valid business purposes and uses, and accordingly the Agent is entitled to the protection and benefits of section 364(e) of the Bankruptcy Code. In the event any provisions of this Order are modified, amended or vacated by a subsequent order of the Bankruptcy Court or any other court, the Agent shall be entitled to the protections provided in section 364(e) of the Bankruptcy Code and no such appeal, modification, amendment or vacatur shall affect the validity and enforceability of the liens or priority authorized or created under the Agency Agreement or this Order.

25. This Order and the terms and provisions of the Agency Agreement shall be binding on all of the Debtors' creditors (whether known or unknown), the Debtors, the Agent, and their respective affiliates, successors and assigns, and any affected third parties including, but not limited to, all persons asserting an interest in the Assets, notwithstanding any subsequent appointment of any trustee, party, entity or other fiduciary under any section of the Bankruptcy Code with respect to the forgoing parties, and as to such trustee, party, entity or other fiduciary, such terms and provisions likewise shall be binding. The provisions of this Order and the Agency Agreement, and any actions taken pursuant hereto or thereto shall survive the entry of any order which may be entered confirming or consummating any plan of the Debtors or converting the Debtors' cases from chapter 11 to chapter 7, and the terms and provisions of the

Agency Agreement, as well as the rights and interests granted pursuant to this Order and the Agency Agreement, shall continue in these or any superseding cases and shall be binding upon the Debtors, the Agent and their respective successors and permitted assigns, including any trustee or other fiduciary hereafter appointed as a legal representative of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code. Any trustee appointed in these cases shall be and hereby is authorized to operate the business of the Debtors to the fullest extent necessary to permit compliance with the terms of this Order and the Agency Agreement, and Agent and the trustee shall be and hereby are authorized to perform under the Agency Agreement upon the appointment of the trustee without the need for further order of this Court.

26. The Agent shall not be liable for any claims against the Debtors, and the Debtors shall not be liable for any claims against Agent, in each case, other than as expressly provided for in the Agency Agreement. The Agent shall have no successor liability whatsoever with respect to any Liens or claims of any nature that may exist against the Debtors.

27. Pursuant to section 554(a) of the Bankruptcy Code, the Debtors and the Agent, as applicable, are permitted to abandon property of the Debtors' estates in accordance with the terms and provisions of the Agency Agreement without incurring liability to any person or entity. In the event of any such abandonment, all applicable landlords shall be authorized to dispose of such property without any liability to any individual or entity that may claim an interest in such abandoned property, and such abandonment shall be without prejudice to any landlord's right to assert any claim based on such abandonment and without prejudice to the Debtors or other party in interest to object thereto.

28. Before any sale, abandonment or other disposition of the Debtors' computers (including software) and/or cash registers and any other point of sale Owned FF&E located at

the Stores (collectively, "POS Equipment") which may contain customer lists, identifiable personal and/or confidential information about the Debtors' employees and/or customers, or credit card numbers ("Confidential Information") takes effect, the Debtors shall remove or cause to be removed the Confidential Information from the POS Equipment.

29. All entities that are presently in possession of some or all of the Assets in which the Debtors hold an interest hereby are directed to surrender possession of the Assets to the Agent.

30. The Debtors, the Agent and each of their respective officers, employees and agents are hereby authorized to execute such documents and to do such acts as are necessary or desirable to carry out the Sales and effectuate the Agency Agreement and each of the transactions and related actions contemplated or set forth therein.

31. The Agent and Debtors agree that no FFE (which includes supplies) at Seattle Best Coffee's ("SBC") Borders cafes will be sold without SBC's prior consent as to the protections, if applicable, of its trademarks, trade names and other propriety information / trade secrets under its licensing agreement with the Debtor, such consent not to be unreasonably withheld. Without limitation, the parties, including SBC, understand and agree that retail inventory will be sold to consumers as part of the going out of business sale by Agent (but not in bulk to third parties), café supplies subject to the SBC license agreement will be transferred to other SBC Borders cafes (and not sold in bulk to third parties), FFE bearing SBC marks may be sold after being de-identified, and espresso machines may be sold after removal of any SBC marks and proprietary data (including computer chips).

32. Any landlord seeking relief from the Sales Guidelines approved in this Order (the "Sales Guidelines Relief") must follow the procedures set forth in this Paragraph for seeking

such relief. At any time before the fifth (5th) business day following entry of this Order, or with respect to any Put Option Store before the fifth (5th) business day following service of a notice that any such store has been selected as a Put Option Store, any landlord (other than a landlord that is a party to a Side Letter with respect to the Store(s) at issue) may seek Sales Guidelines Relief by first emailing and faxing a notice explaining the nature of such relief to (i) counsel for the Debtors (Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019, Attn: Adam L. Shiff and Daniel A. Fliman, email: [AShiff@kasowitz.com](mailto:AShiff@kasowitz.com); [DFliman@kasowitz.com](mailto:DFliman@kasowitz.com), fax: (212) 506-1800) and (ii) counsel for the Agent (Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attn: Shai Y. Waisman and Victoria Vron, email: [Shai.Waisman@weil.com](mailto:Shai.Waisman@weil.com); [Victoria.Vron@weil.com](mailto:Victoria.Vron@weil.com), fax: (212) 310-8007). If the Debtors, the Agent and the landlord are unable to resolve the landlord's request for Sales Guidelines Relief within five (5) days of service of a notice of Sales Guidelines Relief, the landlord may file an objection with the Court seeking the Sales Guidelines Relief (a "Sales Guidelines Relief Objection") to be heard by the Court on an expedited basis subject to the Court's availability. Any issues relating to any Sales Guidelines Relief shall not affect the finality of this Order or limit or interfere with the conduct of the Sales prior to any ruling by this Court on the Sales Guidelines Relief Objection.

33. Nothing contained in any plan confirmed in the Debtors' chapter 11 cases or any order of this Court confirming such plan or in any other order in these chapter 11 cases (including any order entered after any conversion of these cases to cases under chapter 7 of the Bankruptcy Code) shall alter, conflict with, or derogate from, the provisions of the Agency Agreement or the terms of this Order.

34. Notwithstanding Bankruptcy Rules 4001 and 6004, or any other law that would serve to stay or limit the immediate effect of this Order, this Order shall be effective and enforceable immediately upon entry and its provisions shall be self-executing. In the absence of any person or entity obtaining a stay pending appeal, the Debtors and the Agent are free to perform under the Agency Agreement at any time, subject to the terms of the Agency Agreement.

35. Based on the record of the Sale Hearing, the Motion, the Henry Declaration, the Etlin Declaration, and for the reasons stated on the record at the Sale Hearing, the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates, and accordingly the requirements of Bankruptcy Rule 6003 have been satisfied.

36. The Agent is a party in interest and shall have the ability to appear and be heard on all issues related to or otherwise connected to this Agency Agreement and the conduct of the Sale.

37. All references in this Order to “Stores” shall include any Put Option Stores as to which a Put Option is exercised.

Dated: February 18, 2011  
New York, New York

/s/ Arthur J. Gonzalez  
ARTHUR J. GONZALEZ  
Chief United States Bankruptcy Judge

**EXHIBIT A**  
**AGENCY AGREEMENT**

## EXECUTION VERSION

### AGENCY AGREEMENT

This Agency Agreement (this "Agreement") is made as of February 16, 2011, by and between Borders Group, Inc., a Michigan corporation, with executive offices located at 100 Phoenix Drive, Ann Arbor, MI 48108, and its affiliated companies set forth in Exhibit A hereto (collectively, the "Merchant") and a joint venture composed of Hilco Merchant Resources, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC and Gordon Brothers Retail Partners, LLC (collectively, the "Agent").

### R E C I T A L S

WHEREAS, the Merchant operates retail stores in the United States and desires that the Agent act as the Merchant's exclusive agent for the limited purpose of (a) selling all of the Merchandise located in Merchant's retail store location(s) identified on Exhibit 1 attached hereto (each individually a "Store" and collectively, the "Stores") by means of a promotional "store closing" or similar themed sale (as further described below, the "Sale"); (b) selling Distribution Center Merchandise; (c) selling all of the Merchandise located in the Put Option Stores to the extent Merchant exercises its Put Option, and (d) disposing of the Agent Sale FF&E.

WHEREAS, commencing on and after December 16, 2010, Merchant commenced store closing sales at its retail store locations identified on Exhibit 1A attached hereto (those stores that are currently open shall be referred to as the "Current Stores"), pursuant to a Consulting Agreement between Merchant and Hilco Merchant Resources, LLC ("Hilco"), dated December 9, 2010, as amended as of January 7, 2011 (the "Existing Agreement");

WHEREAS, Merchant intends to request, in connection with the Approval Order, that the Existing Agreement be assumed pursuant to Section 365 of the Bankruptcy Code, pursuant to which Hilco would be authorized to continue the store closing sales at the Current Stores under the terms of the Existing Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Agent and the Merchant hereby agree as follows:

Section 1. Defined Terms. The terms set forth below are defined in the referenced sections of this Agreement:

<u>Defined Term</u>	<u>Section Reference</u>
Additional Inventory Taking	Section 5.1(b)
Additional Test Stores	Section 5.1(b)
Adjusted Cost Inventory	Section 5.1(b)
Agency Accounts	Section 7.2(b)

Agency Documents	Section 11.1(b)
Agent	Preamble
Agent Indemnified Parties	Section 13.1
Agent Sale FF&E	Section 15.9
Applicable General Laws	Section 2(c)
Approval Order	Section 2(b)
Bankruptcy Case	Section 2(b)
Bankruptcy Court	Section 2(b)
Bankruptcy Code	Section 2(b)
Beneficiary	Section 3.4
Benefits Cap	Section 4.1(b)
Central Service Expenses	Section 4.1(i)
Cost Factor	Section 11.1(m)
Cost Factor Threshold	Section 11.1(m)
Cost Value	Section 5.3(a)
Current Stores	Recitals
Defective Merchandise	Section 5.2(b)
Designated Deposit Accounts	Sections 7.2(a)
DIP Facility	Section 3.5
Display Merchandise	Section 5.2(b)
Distribution Center Merchandise	Section 5.2(b)
Distribution Center Expenses	Section 5.5
Events of Default	Section 14
Excluded Benefits	Section 4.1(ii)
Excluded Defective Merchandise	Section 5.2(b)
Excluded Owned FF&E	Section 15.9
Excluded Price Adjustments	Section 5.3(b)
Existing Agreement	Recitals
Expenses	Section 4.1
FF&E	Section 5.2(a)
Final Inventory Report	Section 3.5
GA	Section 15.9
GECC	Section 3.5
Global Inventory Adjustment	Section 5.3(b)
Gross Rings	Section 5.1(f)
Guaranteed Amount	Section 3.1(a)
Guaranteed Amount Deposit	Section 3.3(a)
Guaranty Percentage	Section 3.1(a)
Hilco	Recitals
Inventory Taking	Section 5.1(a)
Inventory Taking Service	Section 5.1(a)
Lenders	Section 3.5
Letter of Credit	Section 3.4
Liquidation Sale Laws	Section 2(c)
Lowest Location Price	Section 11.1(m)
Merchandise	Section 5.2(a)



Merchandise Threshold	Section 3.1(c)
Merchant	Preamble
Merchant Account	Section 3.3(a)
Merchant Consignment Goods	Sections 5.4
News Stand Inventory	Section 5.2(b)
Non-Inventoried Stores	Section 5.1(b)
Occupancy Expenses	Section 4.1(iii)
Owned FF&E	Section 15.9
Payment Date	Section 3.3(a)
Perpetual Inventory File	Section 5.3(a)
Proceeds	Section 7.1
Put Option	Section 5.6
Put Option Store(s)	Section 5.6
Receipt Deadline	Section 5.5
Remaining Guaranteed Amount	Section 3.3(b)
Remaining Merchandise	Section 3.2(b)
Retail Price	Section 11.1(m)
Retained Employee	Section 9.1
Retention Bonuses	Section 9.4
Returned Defective Merchandise	Section 8.5
Returned Merchandise	Section 8.5
Sale	Recitals
Sale Commencement Date	Section 6.1
Sale Guidelines	Section 8.1
Sale Term	Section 6.1
Sale Termination Date	Section 6.1
Sales Taxes	Section 8.3(a)
Sales Taxes Account	Section 8.3(a)
Shipment Deadline	Section 5.5
Store(s)	Recitals
Supplies	Section 8.4
Test Store(s)	Section 5.1(a)
Test Stores Results	Section 5.1(b)
Vacate Notice	Section 6.1
Variance	Section 5.1(b)

## Section 2. Appointment of Agent/Liquidation Sale Laws/Approval Order.

(a) Effective on the date hereof and subject to the entry of the Approval Order, the Merchant hereby appoints the Agent, and the Agent hereby agrees to serve, as the Merchant's exclusive agent for the limited purpose of conducting the Sale at the Stores and disposing of the Agent Sale FF&E in the Stores in accordance with the terms and conditions of this Agreement.

(b) On or about February 16, 2011, Merchant filed a motion with the United States Bankruptcy for the District ("Bankruptcy Court") in which it commences a Chapter 11

proceeding (“Bankruptcy Case”) for entry of an order approving this Agreement and authorizing Merchant to conduct the Sale in connection with the Merchandise and the Agent Sale FF&E in accordance with the terms hereof and for the assumption of the Existing Agreement (the “Approval Order”).

The Approval Order shall provide, in a form reasonably satisfactory to the Merchant and Agent, *inter alia*, that (i) this Agreement is in the best interest of Merchant, Merchant’s estate, creditors, and other parties in interest, (ii) this Agreement (and each of the transactions contemplated hereby) is approved in its entirety; (iii) Merchant and Agent shall be authorized to continue to take any and all actions as may be necessary or desirable to implement this Agreement and each of the transactions contemplated hereby; (iv) upon payment of the Guaranteed Amount Deposit and delivery of the Letter of Credit, Agent shall be entitled to sell all Merchandise, Distribution Center Merchandise, and Agent Sale FF&E hereunder free and clear of all liens, claims or encumbrances thereon, with any presently existing liens encumbering all or any portion of the Merchandise, Distribution Center Merchandise or Agent Sale FF&E or the Proceeds thereof attaching only to the Guaranteed Amount and other amounts to be received by Merchant under this Agreement; (v) Agent shall have the right to use the Stores and all related Store services, furniture, fixtures, equipment and other assets of Merchant as designated hereunder for the purpose of conducting the Sale, free of any interference from any entity or person subject to compliance with the Sale Guidelines and Approval Order; (vi) Agent, as agent for Merchant, is authorized to conduct, advertise, post signs, utilize signwalkers, and otherwise promote the Sale as a “store closing”, or similar themed sale, in accordance with the Sale Guidelines (as the same may be modified and approved by the Bankruptcy Court) and without further compliance with the Liquidation Sale Laws, subject to compliance with the Sale Guidelines and Approval Order; (vii) Agent shall be granted a limited license and right to use until the Sale Termination Date the trade names, logos, customer, mailing and e-mail lists relating to and used in connection with the operation of the Stores, solely for the purpose of advertising the Sale in accordance with the terms of the Agreement; (viii) all newspapers and other advertising media in which the Sale is advertised shall be directed to accept the Approval Order as binding and to allow Merchant and Agent to consummate the transactions provided for in this Agreement, including, without limitation, the conducting and advertising of the Sale in the manner contemplated by this Agreement; (ix) all utilities, landlords, creditors and all persons acting for or on their behalf shall not interfere with or otherwise impede the conduct of the Sale, institute any action in any court (other than in the Bankruptcy Court) with respect to Merchandise, Distribution Center Merchandise or the Agent Sale FF&E before any administrative body which in any way directly or indirectly interferes with or obstructs or impedes the conduct of the Sale; (x) the Bankruptcy Court shall retain jurisdiction over the parties to enforce this Agreement; (xi) Agent shall not be liable for any claims against the Merchant other than as expressly provided for in this Agreement; (xii) subject to Agent having satisfied its payment obligations hereunder, any amounts owed by Merchant to Agent under this Agreement shall be granted the status of superpriority claims in Merchant's Bankruptcy Case pursuant to section 364(c) of Title 11, United States Code, 11 U.S.C. §§ 101-1330 (the “Bankruptcy Code”) but junior to the superpriority claims of the Lenders; (xiii) Agent shall be granted a valid, binding, enforceable and perfected security interest as provided for in Section 16 hereof (without the necessity of filing financing statements to perfect the security interests); (xiv) the Bankruptcy Court finds that time is of the essence in effectuating this Agreement and

proceeding with the Sale at the Stores uninterrupted; (xv) the Bankruptcy Court finds that the Merchant's decisions to (a) enter into this Agreement and (b) perform under and make payments required by this Agreement is a reasonable exercise of the Merchant's sound business judgment consistent with its fiduciary duties and is in the best interests of the Merchant, its estates, its creditors, and other parties in interest; (xvi) the Bankruptcy Court finds that this Agreement was negotiated in good faith and at arms' length between the Merchant and Agent; (xvii) the Bankruptcy Court finds that Agent's performance under this Agreement will be, and payment of the Guaranteed Amount under this Agreement will be made, in good faith and for valid business purposes and uses, as a consequence of which Agent is entitled to the protection and benefits of section 364(e) of the Bankruptcy Code; (xviii) this Agreement is approved pursuant to Bankruptcy Code section 363; and (xix) in the event any of the provisions of the Approval Order are modified, amended or vacated by a subsequent order of the Bankruptcy Court or any other court, Agent shall be entitled to the protections provided in Bankruptcy Code section 364(e) and, no such appeal, modification, amendment or vacatur shall affect the validity and enforceability of the liens or priority authorized or created under this Agreement or the Approval Order. The Merchant intends to request that the Court approve assumption of the Existing Agreement pursuant to Section 365 of the Bankruptcy Code in connection with seeking to obtain the Approval Order.

(c) Subject to entry of the Approval Order, Agent shall be authorized to advertise the Sale as a "store closing" or similar-themed sale, and the Approval Order shall provide that Agent shall be required to comply with applicable federal, state and local laws, regulations and ordinances, including, without limitation, all laws and regulations relating to advertising, permitting, privacy, consumer protection, occupational health and safety and the environment, together with all applicable statutes, rules, regulations and orders of, and applicable restrictions imposed by, governmental authorities (collectively, the "Applicable General Laws"), other than all applicable laws, rules and regulations in respect of "store closing" or similar-themed sales (collectively, the "Liquidation Sale Laws"), provided that such Sale is conducted in accordance with the terms of this Agreement, the Sale Guidelines and Approval Order; and provided further that the Approval Order shall provide that so long as the Sale is conducted in accordance with the Sale Guidelines and in a safe and professional manner, Agent shall be deemed to be in compliance with any Applicable General Laws.

### Section 3. Consideration to Merchant and Agent.

#### 3.1 Payments to Merchant.

(a) As a guaranty of Agent's performance hereunder, Agent guarantees that Merchant shall receive: (i) eighty-five and 75/100 percent (85.75%) (the "Guaranty Percentage") of the aggregate Cost Value of the Merchandise included in the Sale (the "Guaranteed Amount") plus (ii) the aggregate amount calculated in accordance with Section 7.4.

(b) The Guaranteed Amount, shall be paid in the manner and at the times specified in Section 3.3 below. The Guaranteed Amount will be calculated based upon the aggregate Cost Value of the Merchandise as determined by (A) the final certified report of the Inventory Taking Service after verification and reconciliation thereof by Agent and Merchant plus (B) amount of

Gross Rings, as adjusted for shrinkage per this Agreement.

(c) The Guaranty Percentage has been fixed based upon the aggregate Cost Value of the Merchandise not being less than \$180,600,000 and no more than \$204,000,000 (the "Merchandise Threshold") as of the Sale Commencement Date, excluding News Stand Inventory, periodical items, and café items. To the extent that the aggregate Cost Value of the Merchandise included in the Sale is less than or more than the Merchandise Threshold, the Guaranty Percentage shall be adjusted in accordance with Exhibit 3.1(c) annexed hereto (in addition to any adjustment applicable pursuant to section 11.1(m) hereof), as and where applicable.

### 3.2 Compensation to Agent. Subject to entry of the Approval Order:

(a) Agent shall be entitled to the Proceeds above the Guaranteed Amount and Expenses. Agent shall also be entitled to receive a commission based on the net proceeds of the sale of the Agent Sale FF&E as provided for in Section 15.9 hereof.

(b) Provided that no Event of Default has occurred and continues to exist on the part of the Agent, and after all payments are made to Merchant as required hereunder, all Merchandise remaining at the Sale Termination Date (the "Remaining Merchandise") shall become the property of Agent, free and clear of all liens, claims and encumbrances of any kind or nature, and the proceeds received by Agent from the disposition, in a commercially reasonable manner, of such unsold Merchandise shall constitute Proceeds hereunder. Notwithstanding the foregoing, Agent shall exercise commercially reasonable efforts to dispose of all of the Merchandise during the Sale Term. Merchant shall have the right to audit Agent's books and records to verify its share of the Proceeds. Agent shall not sell any Remaining Merchandise to wholesalers for return to publishers. To the extent that Agent desires to sell any Merchandise or Remaining Merchandise in bulk to a non-retail customer or abandon the Remaining Merchandise Agent shall provide 48 hours written notice, via e-mail, to the official committee of unsecured creditors so that the committee may verify that the prospective purchaser does not have return to vendor privileges or approve of the proposed abandonment. If the official committee of unsecured creditors objects to the proposed sale or the proposed abandonment, the parties will request the court resolve the matter on an emergent basis.

### 3.3 Time of Payments.

(a) On the first business day following issuance of the Approval Order (the "Payment Date"), Agent shall pay 80% of the estimated Guaranteed Amount to Merchant (the "Guaranteed Amount Deposit") by wire transfer to the account(s) designated on Exhibit 3.3(a) annexed hereto (the "Merchant Account"). The Guaranteed Amount Deposit shall be based on the estimated Cost Value (as determined in accordance with Section 5.1 of the Agreement) of the Merchandise in the Stores on the Sale Commencement Date.

(b) The balance of the Guaranteed Amount (the "Remaining Guaranteed Amount"), shall be paid as follows: Agent shall pay the unpaid and undisputed balance of the Guaranteed Amount, which amount shall be paid to the Merchant Account no later than the earlier of (i) the date that is forty five (45) days after the Sale Commencement Date (in which

case payment shall be of the undisputed portion of the balance of the estimated Guaranteed Amount) and (ii) the second business day following the issuance of the Final Inventory Report, and Agent's failure to pay such balance or undisputed portion shall entitle the Merchant and GECC to draw upon the Agent Letter of Credit (as defined below) in accordance with section 3.4 to the extent of such balance or undisputed portion. In the event that after the issuance of the Final Inventory Report as verified and reconciled, the Guaranteed Amount is greater than the sum of the Guaranteed Amount Deposit plus the payment of the undisputed portion of the estimated Guaranteed Amount, Agent shall pay the remainder of the Guaranteed Amount to the Merchant within two (2) business days after the Final Inventory Report has been issued as verified and reconciled. In the event that there is a dispute with respect to the reconciliation of the aggregate Cost Value of the Merchandise following the Inventory Taking, then any such dispute shall be resolved in the manner and at the times set forth in Section 8.6 hereof.

(c) All amounts required to be paid by Agent or Merchant under any provision of this Agreement shall be made by wire transfer of immediately available funds which shall be wired by Agent or Merchant, as applicable, no later than 2:00 p.m. (Eastern Time) on the date that such payment is due; provided, however, that all of the information necessary to complete the wire transfer has been received by Agent or Merchant, as applicable, by 10:00 a.m. (Eastern Time) on the date that such payment is due. In the event that the date on which any such payment is due is not a business day, then such payment shall be made by wire transfer on the next business day.

(d) Merchant agrees that if at any time during the Sale Term, Merchant holds any undisputed amounts due to Agent as Proceeds hereunder, Agent may, in its discretion, offset such Proceeds being held by Merchant against any amounts due and owing to Merchant pursuant to this Section 3.3 or otherwise under this Agreement. In addition, Merchant and Agent further agree that except as provided in the following sentence, if at any time during the Sale Term, Agent holds any undisputed amounts due to Merchant under this Agreement, Agent may, in its discretion, offset such amounts being held by it against any amounts due and owing by, or required to be paid by, Merchant hereunder. Notwithstanding the foregoing or any other provision to the contrary herein, in no event shall Agent offset any amounts against the proceeds realized from the disposition of the Agent Sale FF&E.

(e) If and to the extent that Agent over-funds any amounts in respect of the Guaranteed Amount based on the results of the Final Inventory Report, then Merchant agrees to promptly reimburse such undisputed overpayment amounts to Agent. To the extent that any over-funded amounts in respect of the Guaranteed Amount based on the results of the Final Inventory Report have been received by GECC and have not been reimbursed by Merchant, Agent shall inform GECC by written notice of such overpayment and GECC agrees to disgorge such overpayment to Agent within two (2) business days of such notice.

3.4 Letter of Credit. In order to secure the Agent's obligations under this Agreement, in respect of (x) the payment of the Remaining Guaranteed Amount, and (y) Expenses of the Sale on the Payment Date, Agent shall furnish Merchant an irrevocable standby letter of credit naming Merchant and GECC as co-beneficiaries (collectively, the "Beneficiaries") as beneficiary in the aggregate original face amount equal to the sum of (i) twenty percent (20%) of the

estimated Guaranteed Amount, plus (ii) three (3) weeks estimated Expenses that would be payable by Merchant, which shall be in the form of Exhibit 3.4 hereof (collectively, the “Letter of Credit”). The Letter of Credit shall have an expiry date of no earlier than sixty (60) days after the Sale Termination Date. Unless the parties shall have mutually agreed, in consultation with GECC, that they have completed the final reconciliation under this Agreement, then, at least thirty (30) days prior to the initial or any subsequent expiry date, the Beneficiaries shall receive an amendment to the Letter of Credit solely extending (or further extending, as the case may be) the expiry date by at least sixty (60) days. If the Beneficiaries fail to receive such amendment to the Letter of Credit no later than thirty (30) days before the expiry date, then all amounts hereunder shall become immediately due and payable and the Beneficiaries, individually or collectively, shall be permitted to draw under the Letter of Credit in payment of amounts owed and the Beneficiaries shall hold the balance of the amount drawn under the Letter of Credit as security for amounts that may become due and payable to Merchant hereunder. At Agent’s request, the Beneficiaries shall take all actions reasonably required to reduce the amount available to be drawn under the Letter of Credit by amounts credited against the Guaranteed Amount; provided, however, that the Letter of Credit shall not be reduced below three (3) weeks of estimated Expenses of the Sale. In the event that Agent, after receipt of three (3) business days notice (which notice shall not be required if Agent or any member of Agent shall be a debtor under title 11, United States Code), fails to pay the Guaranteed Amount, or portion thereof or any Expenses when due, the Beneficiaries, individually or collectively, may draw on the Letter of Credit in an amount equal to the unpaid, past due, amount of the Agent’s obligations hereunder that is not the subject of a reasonable dispute.

3.5 Inventory Reconciliation. Within twenty (20) days after the completion of the Inventory Taking, Merchant, Agent and General Electric Capital Corporation (“GECC”), in its capacity as administrative agent for itself and the other lenders (the “Lenders”) party to the Merchant’s senior secured, super-priority debtor-in-possession credit facility (the “DIP Facility”), shall review, reconcile and verify the final report of the aggregate Cost Value of the Merchandise by the Inventory Taking Service (the “Final Inventory Report”).

#### Section 4. Expenses of the Sale.

4.1 Expenses. Agent shall be unconditionally responsible for all Expenses incurred in conducting the Sale during the Sale Term, which expenses shall be paid by Agent in accordance with Section 4.2 below. As used herein, “Expenses” shall mean the Store-level operating expenses of the Sale which arise during the Sale Term limited to those set forth below:

(a) all payroll and commissions, if applicable, for all Retained Employees used in conducting the Sale for actual days/hours worked during the Sale Term as well as payroll, to the extent retained by Agent for the Sale, for any of Merchant’s former employees or temporary labor;

(b) any amounts payable by Merchant for benefits for Retained Employees in respect of FICA, unemployment taxes, workers’ compensation and healthcare insurance, and vacation benefits that accrue during the Sale Term, exclusive of Excluded Benefits for Retained Employees used in the Sale, in an amount up to 24% of the base payroll for each Retained Employee on a per store, per month basis (the “Benefits Cap”);

(c) costs of all security in the Stores (to the extent customarily provided in the Stores) including, without limitation, security systems, courier and guard service, building alarm service and alarm service maintenance;

(d) 50% of the fees and costs of the Inventory Taking Service to conduct the Inventory Taking at the Stores and the Distribution Center to the extent a third party service is used; provided that Agent shall be responsible for the actual payroll and related costs for the Retained Employees who work at a Store during the Inventory Taking at such Inventoried Location;

(e) Retention Bonuses for Retained Employees, as provided for in Section 9.4 below;

(f) except as included in Section 4.1 (s), advertising and direct mailings relating to the Sale, signwalking expenses, and Store interior and exterior signage and banners relating to the Sale;

(g) local and long-distance telephone and internet/wifi expenses incurred at the Stores;

(h) credit card fees, chargebacks and discounts with respect to Merchandise sold in the Sale;

(i) bank service charges (for Store and corporate accounts), check guarantee fees, and bad check expenses to the extent attributable to the Sale;

(j) costs for additional Supplies used at the Stores to the extent requested by Agent;

(k) Intentionally Omitted;

(l) Store cash theft and other store cash shortfalls in the registers;

(m) any and all costs relating to the processing, transfer and consolidation of Merchandise between and among the Stores, including delivery and freight costs, it being understood that Agent shall be responsible for coordinating such transfer of Merchandise;

(n) housekeeping and cleaning expenses related to the Stores;

(o) Store trash and snow removal;

(p) on-site supervision of the Stores, including base fees and bonuses of Agent's field personnel, travel to and from the Stores and incidental out-of-pocket and commercially reasonable travel expenses relating thereto (including reasonable and documented corporate travel to monitor and manage the Sale);

(q) postage, courier and overnight mail charges to and from or among the Stores and central office to the extent relating to the Sale;

(r) actual Occupancy Expenses for the Stores on a per location and per diem basis in an amount up to the per Store per diem amount set forth on Exhibit 4.1(r) hereto;

(s) Central Service Expenses equal to \$25,000 per week plus the charges with respect to e-mail distribution set forth on Exhibit 4.1(s);

(t) Agent's actual cost of capital (including Letter of Credit fees), insurance and legal fees; and

(u) a pro-rata portion of Merchant's insurance attributable to the Merchandise.

Notwithstanding anything herein to the contrary, to the extent that any Expense category listed in Section 4.1 is also included on Exhibit 4.1(r), then Exhibit 4.1(r) shall control, and such Expenses shall not be double counted. There will be no double payment of Expenses to the extent that Expenses appear or are contained in more than one Expense category.

As used herein, the following terms have the following respective meanings:

(i) "Central Service Expenses" means costs and expenses for Merchant's central administrative services necessary for the Sale, including, but not limited to, MIS services, payroll processing, cash reconciliation, inventory processing and handling, data processing and reporting, and, subject to separate charges set forth in Exhibit 4.1(s), e-mail distribution.

(ii) "Excluded Benefits" means benefits in excess of the Benefits Cap.

(iii) "Occupancy Expenses" means base rent, percentage rent, HVAC, utilities, CAM, storage costs, real estate and use taxes, merchant's association dues and expenses, and a pro rata portion of comprehensive public liability insurance attributable to the Stores personal property leases (including, without limitation, point of sale equipment), cash register maintenance, building maintenance and rental for furniture, fixtures and equipment, all of the foregoing only as categorized and reflected on Exhibit 4.1(r) hereto.

"Expenses" shall not include: (i) Excluded Benefits; (ii) Central Service Expenses, except as provided in Section 4.1(s); (iii) Occupancy Expenses, except as provided in Section 4.1(r); and (iv) any other costs, expenses or liabilities payable by Merchant not provided for herein.

4.2 Payment of Expenses. Effective from and after entry of the Approval Order:



(a) Agent shall be responsible for the payment of all Expenses, whether or not there are sufficient Proceeds collected to pay such Expenses after the payment of the Guaranteed Amount. All Expenses incurred during each week of the Sale (i.e. Sunday through Saturday) shall be paid by Agent to or on behalf of Merchant immediately following the weekly Sale reconciliation by Merchant and Agent pursuant to Section 8.6 below; provided, however, in the event that the actual amount of an Expense is unavailable on the date of the reconciliation (such as payroll), Merchant and Agent shall agree to an estimate of such amounts, which amounts will be reconciled once the actual amount of such Expense becomes available. Agent and/or Merchant may review or audit the Expenses at any time.

(b) Notwithstanding anything herein to the contrary, (i) Merchant shall not be required to fund or otherwise pay any Expenses of Sale except to the extent there are sufficient Proceeds and (ii) without limitation on Expenses that may be funded in advance by Agent at Merchant's reasonable request, to the extent that Proceeds are insufficient, Agent shall fund, in advance, all payroll and related expenses for Retained Employees at least two (2) business days prior to the date that such payments are due by Merchant.

## Section 5. Inventory Valuation; Merchandise.

### 5.1 Inventory Taking.

(a) Subject to the provisions of this paragraph, the parties have agreed to use the average landed cost of inventory as reflected in the master inventory file(s) provided to Agent on February 8, 2011 (the "Perpetual Inventory File") to determine the aggregate Cost Value of the Merchandise (a) located in the Stores on the Sale Commencement Date and (b) Distribution Center Merchandise. In order to test the validity of the aggregate Cost Value of the Merchandise as reflected on Merchant's current books and records, subject to the availability of the Inventory Taking Service, on or within ten (10) days after the Sale Commencement Date (the "Inventory Completion Date"), Merchant and Agent shall cause to be taken an SKU and Retail Price physical inventory (the "Inventory Taking") of the Merchandise located in 40 of the Stores, each with a representative sampling of Stores located in each district (each a "Test Store" and collectively, the "Test Stores"), which Test Stores shall be jointly selected by Merchant and Agent. (The date of the Inventory Taking at each Test Store shall be referred to as the "Inventory Date" for such Test Store). Merchant and Agent shall jointly employ RGIS, LLC or another mutually acceptable inventory taking service (the "Inventory Taking Service"), in consultation with GECC, to conduct the Inventory Taking (and, if applicable, the Additional Inventory Taking, as defined below) in accordance with procedures set forth on Exhibit 5.1 annexed hereto. Merchant, Agent, and at its election, GECC, shall each have representatives present during the Inventory Taking, and shall each have the right to review and verify the listing and tabulation of the Inventory Taking Service. Merchant and Agent agree that during the conduct of the Inventory Taking in each of the Stores, the applicable Stores shall be closed to the public and no sales or other transactions shall be conducted.

(b) The results of the Inventory Taking at the Test Stores and the Additional Test Stores (as defined below), if any (the "Test Store Results") shall be used to determine any adjustment as may be required to the calculation of the aggregate Cost Value of the Merchandise located in the Stores on the Sale Commencement Date, as follows:

(i) for purposes of calculating the aggregate Cost Value of the Merchandise at the Test Stores and Additional Test Stores, if any (collectively, the “Inventoried Stores”), the actual Test Store Results for the Inventoried Stores, as adjusted by Gross Rings for the period between the Sale Commencement Date and the applicable Inventory Date (the “Gross Rings Period”);

(ii) for purposes of calculating the aggregate Cost Value of the Merchandise at the Stores that do not constitute Inventoried Stores (the “Non-Inventoried Stores”), the actual Test Store Results at the Inventoried Stores shall be compared to the Perpetual Inventory File (as adjusted in accordance with Section 5.3 hereof), as updated to reflect sales through the Sale Commencement Date and after taking into account the average landed cost as reflected in the Perpetual Inventory File of Merchandise sold during the Gross Rings Period (the “Adjusted Cost Inventory”), and an average variance shall be calculated (the “Variance”), and the Variance shall be applied to adjust Cost Value of the Merchandise located at the Non-Inventoried Stores; provided however; that for the purposes of calculating the Variance, the Inventoried Stores having the results from the two Stores with highest and two Stores with the lowest variance percentage shall be excluded. In the event that the initial Variance at the Inventoried Stores is greater than ten (10%) of the current average landed cost value of the Merchandise in the Inventoried Stores, then either Merchant or Agent shall have the right to request an Inventory Taking at additional Stores (the “Additional Test Stores”), to be mutually and reasonably agreed upon by the parties (the “Additional Inventory Taking”), to establish whether an adjustment to the Variance is required, with the costs and fees associated with the Additional Inventory Taking, to be paid by the party requesting such Additional Inventory Taking.

(c) The Agent and Merchant agree that they will, and agree to cause their respective representatives to, cooperate and assist in the preparation and the calculation of the aggregate Cost Value of the Merchandise included in the Sale, including, without limitation, making available to the extent necessary, books, records, work papers and personnel.

(d) With respect to Distribution Center Merchandise, in order to test the validity of the aggregate Cost Value of the Distribution Center Merchandise as reflected on Merchant’s current books and records, on or within two (2) days after the Sale Commencement Date (the “DC Inventory Completion Date”), Merchant and Agent, either jointly or through a third party inventory taking service, shall cause to be taken an SKU and Retail Price physical inventory per mutually agreeable inventory taking instructions (the “DC Inventory Taking”) of the inventory of a mutually agreeable number of vendors, which number will reflect a reasonable percentage of the Distribution Center Merchandise (the “Test Vendors”). The Test Vendors shall be selected by Agent.

(e) Subject to Section 5.5, the results of the DC Inventory Taking of the Test Vendors (the “Test DC Results”) shall be used to determine any adjustment as may be required to the calculation of the aggregate Cost Value of the Distribution Center Merchandise located in the Distribution Center on the Sale Commencement Date, as follows: for purposes of calculating the aggregate Cost Value of the Distribution Center Merchandise at the Distribution Center, the

actual count of the Test Vendors shall be compared to the Perpetual Inventory File and a variance shall be calculated (the “DC Variance”), and the DC Variance shall be applied to adjust Cost Value of the Distribution Center Merchandise. For example, if the results of counting the Test Vendors showed that the inventory of those Test Vendors was 4% short of what was reflected on the Perpetual Inventory File, the 4% DC Variance shall be applied to all Distribution Center Merchandise for purposes of calculating the starting aggregate Cost Value of the Distribution Merchandise. The Guaranteed Amount with respect of the Distribution Center Merchandise will be paid during the weekly reconciliation immediately following the week in which such Distribution Center Merchandise is received at the Stores.

(f) In the event that the Sale commences at any Test Store or Additional Test Store prior to the completion of the Inventory Taking at such Store, then, for the period from the Sale Commencement Date for such Store until the Inventory Date for such Store, Agent and Merchant shall jointly keep (i) a strict count of gross register receipts less applicable Sales Taxes but excluding any prevailing discounts (“Gross Rings”), and (ii) cash reports of sales within such Store. Agent and Merchant shall keep a strict count of register receipts and reports to determine the actual Cost Value and Retail Price of the Merchandise sold by SKU and the markdown, if any, granted by the Agent. All such records and reports shall be made available to Agent and Merchant during regular business hours upon reasonable notice. Any Merchandise included in the Sale using the Gross Rings shall be included in Merchandise using the average landed cost of such Merchandise as set forth in the Perpetual Inventory File. Agent shall pay that portion of the Guaranteed Amount calculated on the Gross Rings basis to account for shrinkage on the basis of 103% of the aggregate Cost Value of the Merchandise (without taking into account any of Agent’s point of sale discounts or point of sale markdowns) sold during the Gross Rings period.

## 5.2 Merchandise Subject to This Agreement.

(a) For purposes of this Agreement, “Merchandise” shall mean: all finished goods inventory that is owned by Merchant and located at the Stores as of the Sale Commencement Date, including (A) Defective Merchandise; (B) Display Merchandise, (C) Merchandise subject to Gross Rings, and (D) Distribution Center Merchandise which is shipped from the Distribution Center prior to the Shipment Deadline. Notwithstanding the foregoing, “Merchandise” shall not include: (1) goods which belong to sublessees, licensees, department lessees, or concessionaires of Merchant; (2) goods held by Merchant on memo, on consignment, or as bailee; (3) supplies not packaged for retail sale to customers, furnishings, trade fixtures, equipment and/or improvements to real property which are located in the Stores (collectively, “FF&E”); provided that, Agent shall sell Agent Sale FF&E (other than Excluded Owned FF&E) as set forth in Section 15.9; (4) Excluded Defective Merchandise and (5) Merchant Consignment Goods which includes News Stand Inventory.

(b) As used in this Agreement, the following terms have the respective meanings set forth below:

“Defective Merchandise” means any item of Merchandise that is defective or otherwise not saleable in the ordinary course because it is worn, scratched, broken, faded, torn, mismatched, tailored or affected by other similar defenses rendering it not first quality. Display Merchandise shall not per se be deemed to be Defective Merchandise.

“Display Merchandise” means those items of inventory used in the ordinary course of business as displays or floor models, including inventory that has been removed from its original packaging for the purpose of putting such item on display but not customarily sold or saleable by Merchant, which goods are not otherwise damaged or defective. For the avoidance of doubt, Merchandise created for display and not saleable in the ordinary course of business shall not constitute Display Merchandise.

“Distribution Center Merchandise” means those items of inventory located on the Sale Commencement Date at each of the Distribution Centers as identified on Exhibit 5.2(b) annexed hereto other than those items of inventory associated with the vendor codes listed on Exhibit 5.2(b)(i) and any stripped books (i.e., covers of books only) (the “Stripped Books”). Merchant and Agent will use commercially reasonable efforts to identify and exclude all Stripped Books inventory from the Distribution Center Merchandise. To the extent that Stripped Books are received in Stores, and have not already been excluded from the inventory at the Distribution Center, the aggregate Cost Value of the Distribution Center Merchandise as determined by DC Inventory Taking shall be adjusted to exclude the Stripped Books provided that Agent provides Merchant will at least five (5) business days notice of receipt of any Stripped Books at the Stores.

“Excluded Defective Merchandise” means those items of Defective Merchandise that are not saleable in the ordinary course because they are so damaged or defective that such inventory cannot reasonably be used for their intended purpose.

“News Stand Inventory” means items of inventory designated by Merchant, in the ordinary course of business, as “news stand.”

### 5.3 Valuation.

(a) For purposes of this Agreement, “Cost Value” shall mean with respect to each item of Merchandise, the lower of (i) average landed actual cost for such item of Merchandise, as reflected in the Perpetual Inventory File ; which landed actual costs values include vendor cost, freight from the vendor to the Distribution Centers, duties, harbor maintenance fees, drayage, brokers fees, insurance, commissions, processing costs and other costs directly associated with landing the product in the Distribution Centers or (ii) the Retail Price for such item of Merchandise. Notwithstanding the foregoing, the Cost Value of all calendars that are included in Merchandise shall be \$.50 per item and the Retail Price for such calendars shall be \$1.00 per item (the “Calendar Adjustment”). The Perpetual Inventory File does not account for any advertising co-op allowances or discounts associated with expedited payment terms offered by any vendor.

(b) Other than Excluded Defective Merchandise and the Calendar Adjustment, in lieu of any other adjustments to the Cost Value of Merchandise under this Agreement (e.g., adjustments for Defective Merchandise, clearance merchandise, mis-mates and near-mates, sample merchandise and/or Excluded Price Adjustments), the aggregate Cost Value of the Merchandise shall be adjusted (i.e., reduced) by means of a single global downward adjustment

equal to one half of one percent (0.5%) of the aggregate Cost Value of (a) the Merchandise in the Stores on the Sale Commencement Date and (b) the Distribution Center Merchandise (as applicable, the "Global Inventory Adjustment").

For the purposes of this Agreement, "Excluded Price Adjustments" means the following discounts or price adjustments offered by the Merchant: (i) point of sale discounts or similar adjustments regardless of duration for which the current selling price is reflective of point of sale discounts, as reflected on the Perpetual Inventory File; (ii) Borders Rewards Plus Loyalty Program discounts; (iii) multi-unit purchase discounts; (iv) adjustments for damaged, defective or "as-is" items; (v) gift cards; (vi) obvious ticketing or marking errors; (vii) instant (in-store) or mail in rebates; or (viii) similar customer specific, temporary, or employee non-product specific discounts or pricing accommodations.

(c) Excluded Defective Merchandise located in the Stores shall be identified and counted during the Inventory Taking and thereafter removed from the sales floor and segregated. Other than as identified during the Inventory Taking at a Store, no other goods can be categorized as Excluded Defective Merchandise, regardless of their condition.

5.4 Excluded Goods. Merchant shall retain all responsibility for any goods not included as "Merchandise" hereunder. If Merchant elects at the beginning of the Sale Term, Agent shall accept goods not included as "Merchandise" hereunder for sale as "Merchant Consignment Goods" at prices established by the Agent. News Stand Inventory shall be deemed Merchant Consignment Goods. The Agent shall retain 20% of the sale price for all sales of Merchant Consignment Goods, and Merchant shall receive 80% of the receipts in respect of such sales. Merchant shall receive its share of the receipts of sales of Merchant Consignment Goods on a weekly basis in accordance with Section 3.3, immediately following the weekly Sale reconciliation by Merchant and Agent pursuant to Section 8.6 below. If Merchant does not elect to have Agent sell goods not included as Merchandise, then all such items will be removed by Merchant from the Stores at its expense as soon as practicable after the Sale Commencement Date.

5.5. Distribution Center Expenses. Although Agent shall be responsible for allocating and designating the shipment of the Distribution Center Merchandise to the Stores, the actual costs and expenses, including use and occupancy at the Distribution Centers, transfer and delivery (ticketed in the ordinary course consistent with historic practices), related to the processing, transfer and consolidation of Distribution Center Merchandise from the Distribution Center to the Stores (collectively, the "Distribution Center Expenses") for a period commencing on the Sale Commencement Date through the Sale Termination Date shall be the obligation of the Merchant; provided however, that in the event Agent chooses to use a method of picking-up or transportation in a manner that is not consistent with Merchant's ordinary course method of transport, then Agent shall be solely responsible for all increased costs and expenses associated with such modification (such additional costs shall be treated as an Expense hereunder). On or prior to the Sale Commencement Date, after consulting with Merchant, Merchant and Agent shall cooperate with each other and shall mutually agree upon a schedule and allocation of the Distribution Center Merchandise to the Stores (as reflected on Exhibit 5.5 hereof), which schedule and allocation shall have all Distribution Center Merchandise shipped out of the Distribution Center to the Stores on or prior to a date that is ten (10) days after the Sale

Commencement Date (excluding the Sale Commencement Date for purposes of such calculation) (the "Shipment Deadline"). To the extent that the Distribution Center Merchandise is not shipped out of the Distribution Center prior to the Shipment Deadline, Merchant and Agent shall mutually agree on adjustment to the aggregate Cost Value of the Distribution Center Merchandise.

5.6. Put Option. During the period commencing on the fifteenth (15<sup>th</sup>) calendar day after the Sale Commencement Date and ending at 5:00 pm on the 30th calendar day after the Sale Commencement Date, Merchant shall have the absolute right, in its discretion (after consultation with GECC), to include some or all of the Put Option Stores set forth in Exhibit 5.6 hereto (the "Put Option Stores") and the Merchandise and Agent Sale FF&E located therein in the Sale (the "Put Option"). If and to the extent the Merchant exercises the Put Option, the Merchant and the Agent shall promptly enter into an agency agreement (or an amendment to this Agreement) governing such Sale, which agreement shall provide, among other things, the same Guaranty Percentage set forth herein. By executing this Agency Agreement, the Agent agrees to carry out a Sale at any Put Option Stores for which the Merchant exercises its Put Option, provided that, the inventory located within such Put Option Stores shall have the substantially the same levels, mix, and quality as the Stores and that such Put Option Stores shall have been operated in the ordinary course of business, including ordinary course inventory replenishment.

## Section 6. Sale Term.

6.1 Term Subject to satisfaction of the conditions precedent set forth in Section 10 hereof, the Sale shall commence at each Store on the first business day following the entry of the Approval Order, but in no event later than February 19, 2011 (the "Sale Commencement Date"). Subject to the prior expiration of the term of any Store Lease (as reflected on Exhibit 4.1(r)), the Agent shall complete the Sale at each Store and vacate such Store in broom-clean condition by no later than April 30, 2011, unless the Sale is extended by mutual written agreement of Agent, Merchant and GECC (the "Sale Termination Date"; the period from the Sale Commencement Date to the Sale Termination Date as to each Store being the "Sale Term"). The Agent may, in its discretion, terminate the Sale at any Store upon not less than seven (7) days' prior written notice (a "Vacate Notice") to Merchant. In the event the Agent fails to provide Merchant with such timely notice, Agent shall be liable for and pay Occupancy Expenses for the days by which notice of a Store closing was less than seven (7) days.

6.2 Vacating the Stores. At the conclusion of the Sale, Agent agrees to leave the Stores in "broom clean" condition, ordinary wear and tear excepted, except for unsold items of FF&E and remaining Supplies. Agent shall vacate the Stores on or before the Sale Termination Date, as provided for herein, at which time Agent shall surrender and deliver the Store premises and Store keys to Merchant. Agent's obligations to pay Occupancy Expenses, for each Store shall continue until the later of (i) the date specified in the Vacate Notice (which must be at least seven days from the date of the Vacate Notice) and (ii) the date the Agent vacates such Store. All assets of Merchant used by Agent in the conduct of the Sale (e.g. FF&E, etc.) shall be returned by Agent to Merchant at the end of the Sale Term to the extent the same have not been consumed in the conduct of the Sale (e.g., Supplies) or sold. Agent shall be responsible for all Occupancy Expenses (irrespective of any per diem cap on Occupancy Expenses) for a Store for

which Merchant is or becomes obligated resulting from Agent's failure to vacate such Store in a satisfactory and timely manner.

## Section 7. Sale Proceeds.

7.1 Proceeds. For purposes of this Agreement, "Proceeds" shall mean the aggregate of (a) the total amount (in dollars) of all sales of Merchandise made under this Agreement, exclusive of Sales Taxes; and (b) all proceeds of Merchant's insurance for loss or damage to Merchandise or loss of cash arising from events occurring during the Sale Term. Proceeds shall also include any and all proceeds received by Agent from the disposition, in a commercially reasonable manner, of unsold Merchandise at the end of the Sale, whether through salvage, bulk sale or otherwise.

### 7.2 Deposit of Proceeds.

(a) All Proceeds of the Sale and Agent Sale FF&E (including credit card proceeds) shall be collected by Agent and deposited on a daily basis into depository accounts designated by Merchant for the Stores, which accounts shall be designated solely for the deposit of Proceeds of the Sale (including credit card proceeds), and the disbursement of amounts payable by Agent hereunder (the "Designated Deposit Accounts"), and Merchant shall exercise sole signatory authority and control with respect to the Designated Deposit Accounts. Upon request, Merchant shall deliver to Agent copies of all bank statements and other information relating to such accounts. Merchant shall not be responsible for, and Agent shall pay as an Expense hereunder, all bank fees and charges, including wire transfer charges, related to the Designated Deposit Accounts, whether notice of such expense is received during or after the Sale Term.

(b) Agent may establish its own accounts, dedicated solely for the deposit of the Proceeds and the disbursement of amounts payable to Agent hereunder (the "Agency Accounts") and Merchant shall promptly upon Agent's request execute and deliver all necessary documents to open and maintain the Agency Accounts; provided, however, Agent may elect to continue to use Merchant's Designated Deposit Accounts (as defined above) as the Agency Accounts. The Agency Accounts shall be dedicated solely to the deposit of Proceeds and the disbursement of amounts payable hereunder, and Agent shall exercise sole signatory authority and control with respect to the Agency Accounts. Upon request, Agent shall deliver to Merchant and GECC copies of all bank statements and other information relating to such accounts. Merchant shall not be responsible for, and Agent shall pay as an Expense hereunder, all bank fee and charges, including wire transfer charges, related to the Agency Accounts, whether received during or after the Sale Term. Upon Agent's designation of the Agency Accounts, all Proceeds of the Sale (including credit card proceeds) shall be deposited into the Agency Accounts. To the extent that Agent uses the Merchant's Designated Accounts as the Agency Accounts, Merchant shall pay by wire funds transfer, on a daily basis, to Agent all collected funds constituting Proceeds (including credit card proceeds) deposited in Merchant's Designated Deposit Accounts (but not any other funds, including, without limitation, any proceeds of Merchant's inventory sold prior to the Sale Commencement Date).

7.3 Credit Card Proceeds. To the extent available, Agent shall use Merchant's credit card facilities (including Merchant's credit card terminals and processor(s), credit card processor coding, Merchant identification number(s) and existing bank accounts) for credit card Proceeds relating solely to the Sale and Agent Sale FF&E. Merchant shall process credit card transactions on behalf of Agent and for Agent's account, applying customary practices and procedures. Agent may accept Merchant's proprietary card. Merchant shall cooperate with Agent to download data from all credit card terminals each day during the Sale Term and to effect settlement with Merchant's credit card processor(s) and shall take such other actions necessary to process credit card transactions on behalf of Agent under Merchant's identification number(s). Merchant shall not be responsible for, and Agent shall pay as an Expense hereunder, all credit card fees, charges and chargebacks related to the Sale and Agent Sale FF&E, whether received during or after the Sale Term.

7.4 Petty Cash. In addition to the Guaranteed Amount, Agent shall purchase all cash in the Stores on and as of the start of business on the Sale Commencement Date and shall reimburse Merchant on a dollar for dollar basis therefor. Agent also shall purchase, on a dollar for dollar basis, all cash located in Merchant's bank accounts which are used by Agent hereunder, which shall be determined, and paid for, as of the Sale Commencement Date.

Section 8. Conduct of the Sale. Subject to entry of the Approval Order, Agent shall be permitted to conduct the Sale in accordance with the Sale Guidelines. In addition to any other rights granted to Agent hereunder, in conducting the Sale, Agent, in the exercise of its sole discretion, shall have the following rights, limited only by the Sale Guidelines:

8.1 Rights of Agent. Subject to the provisions of Section 2 hereof and except as may otherwise be provided for in the Approval Order, the Agent shall be permitted to conduct the Sale as a "store closing" or similar themed sale throughout the Sale Term. The Agent shall conduct the Sale in the name of and on behalf of the Merchant in a commercially reasonable manner and in compliance with the terms of this Agreement and, except as modified by the Approval Order, all governing laws and applicable agreements to which Merchant is a party. The Agent shall conduct the Sale in accordance with the sale guidelines attached hereto as Exhibit 8.1(a) (the "Sale Guidelines"). In addition to any other rights granted to Agent hereunder in conducting the Sale, but subject to any applicable agreements to which Merchant is a party except as modified by the Approval Order, as applicable, the Agent, in the exercise of its reasonable discretion, shall have the right:

(a) to establish Sale prices and Store hours which are consistent with the terms of applicable leases and local laws or regulations, including without limitation Sunday closing laws; provided however, to the extent that Agent extends the hours of operation at one or more of the Stores beyond the hours historically operated by Merchant, which results in additional utilities and increased Occupancy Expenses in excess of the amounts set forth on Exhibit 4.1(r), Agent shall reimburse Merchant the amounts, if any, of such additional costs and such additional costs shall constitute Expenses of the Sale.

(b) except as otherwise expressly included as an Expense and subject to applicable privacy and other laws, to use without charge during the Sale Term all FF&E, Store-



level customer lists, mailing lists and email lists for the Stores (provided, however, such access shall be provided solely through Merchant's outside advertisement services for which Merchant shall use commercially reasonable efforts to cause such outside service providers to cooperate with and assist Agent, and the Agent shall not have direct access to any personally identifiable information contained therein), computer hardware and software, existing supplies located at the Stores, intangible assets (including Merchant's name, logo and tax identification numbers), Store keys, case keys, security codes and safe and lock combinations required to gain access to and operate the Stores, and any other assets of Merchant located at the Stores (whether owned, leased, or licensed) consistent with applicable terms of leases or licenses (except as modified by the Approval Order);

(c) so long as such access does not unreasonably disrupt the business operations of Merchant, to use (i) Merchant's central office facilities, central administrative services and personnel to process payroll, perform MIS and provide other central office services necessary for the Sale to the extent that such services are normally provided by Merchant in house, at no additional cost to Agent (except where otherwise designated as an Expense pursuant to Section 4.1(s) hereof); provided, however, that, in the event that Agent expressly requests Merchant to provide services other than those normally provided to the Stores and relating to the sale of merchandise by Merchant, Agent shall be responsible for the actual incremental cost of such services as an Expense; and (ii) sufficient office space located at Merchant's central office facility;

(d) to establish and implement advertising, signage and promotion programs consistent with "store closing" or similar theme (including, without limitation, by means of media advertising, A-frame and similar interior and exterior signs and banners and use of sign walkers) in a manner consistent with the Sale Guidelines and the Approval Order; and

(e) to transfer Merchandise between and among the Stores; provided, however, the Agent shall not transfer Merchandise between Stores unless the Inventory Taking at the transferring Store has been completed unless Merchant and Agent can mutually agree on a process to capture the transfers.

## 8.2 Terms of Sales to Customers.

(a) All sales of Merchandise will be "final sales" and "as is," and all advertisements and sales receipts will reflect the same. Agent shall not warrant the Merchandise in any manner, but will, to the extent legally permissible, pass on all manufacturers' warranties to customers. All sales will be made only for cash, nationally recognized bank credit cards and, in Agent's discretion, personal checks, provided, however, if Agent determines to accept personal checks, Agent shall bear the risk of nonpayment or loss with respect thereto. Agent shall clearly mark all tickets and receipts for the Merchandise sold at the Stores during the Sale Term, so as to distinguish such Merchandise from the merchandise sold prior to the Sale Commencement Date and shall use commercially reasonable efforts to have all UPC codes blacked out with a marker at the point of sale.

(b) Gift Cards/Borders Rewards Plus Loyalty Program/Discounts. During the Sale Term, Agent shall accept Merchant's gift cards, Borders Rewards Plus Loyalty Program

discounts, Borders Bucks, and Merchandise credits issued by Merchant prior to the Sale Commencement Date to the extent the Merchant has authority to honor such items from the Bankruptcy Court and Merchant shall reimburse Agent for such amounts during the weekly sale reconciliation provided for in Section 8.6.

### 8.3 Sales Taxes.

(a) During the Sale Term, all sales, excise, gross receipts and other taxes attributable to sales of Merchandise, Agent Sale FF&E and/or Additional Goods, as indicated on Merchant's point of sale equipment (other than taxes on income) payable to any taxing authority having jurisdiction (collectively, "Sales Taxes") shall be added to the sales price of Merchandise, Agent Sale FF&E and/or Additional Goods and collected by Agent, on Merchant's behalf, at the time of sale. All Sales Taxes shall be deposited into a segregated account designated by Merchant and Agent solely for the deposit of such Sales Taxes (the "Sales Taxes Account"). Provided that Agent has collected all Sales Taxes during the Sale and remitted the proceeds thereof to Merchant, Merchant shall prepare and file all applicable reports and documents required by the applicable taxing authorities, and Merchant shall promptly pay all Sales Taxes from the Sales Taxes Account. Merchant will be given access to the computation of gross receipts for verification of all such tax collections. If Agent fails to perform its responsibilities in accordance with this Section 8.3, Agent shall indemnify and hold harmless Merchant from and against any and all costs, including, but not limited to, reasonable attorneys' fees, assessments, fines or penalties which Merchant sustains or incurs as a result or consequence of the failure by Agent to collect and/or remit Sales Taxes and/or the failure by Agent to promptly deliver any and all reports and other documents required to enable Merchant to file any requisite returns with such taxing authorities.

(b) Without limiting the generality of Section 8.3(a) hereof, it is hereby agreed that, as Agent is conducting the Sale solely as agent for Merchant, various payments that this Agreement contemplates that one party may make to the other party (including the payment by Agent of the Guaranteed Amount) do not represent the sale of tangible personal property and, accordingly, are not subject to Sales Taxes.

8.4 Supplies. Agent shall have the right to use, without charge, all existing supplies located at the Stores, including, without limitation, boxes, bags, paper, twine and similar sales materials (collectively, "Supplies"). In the event that additional Supplies are required in any of the Stores during the Sale, Merchant agrees to promptly provide the same to Agent to the extent reasonably practicable and if available, which shall constitute an Expense pursuant to Section 4.1(j) hereof. Merchant does not warrant that the existing Supplies as of the Sale Commencement Date are adequate for the purposes of the Sale.

8.5 Returns of Merchandise. During the Sale Term, Agent shall accept returns of merchandise sold by Merchant prior to the Sale Commencement Date ("Returned Merchandise"), provided that such return is accompanied by the original Store register receipt and is otherwise in compliance with Merchant's return and price adjustment policy in effect as of the date such item was purchased. Subject to Merchant's right to return such defective goods to Merchant's vendors, if such Returned Merchandise is saleable as first-quality Merchandise, it shall be included in Merchandise and valued at the Cost Value applicable to such item multiplied

by the difference between 100% and the prevailing discount on similar items of Merchandise as of the date such item is returned to a Store. In the event that Returned Merchandise constitutes Defective Merchandise ("Returned Defective Merchandise"), Merchant and Agent shall mutually agree upon the Cost Value for such item of Returned Defective Merchandise; provided, however, in the event that Merchant and Agent cannot mutually agree upon the Cost Value for such Returned Defective Merchandise, or such Returned Defective Merchandise constitutes Excluded Defective Merchandise, then such Returned Defective Merchandise shall constitute Merchant Consignment Goods or Excluded Defective Merchandise and excluded from the Sale. The aggregate Cost Value of the Merchandise shall be increased by the Cost Value of any Returned Merchandise included in Merchandise (determined in accordance with this Section 8.5), and the Guaranteed Amount shall be adjusted accordingly. Merchant shall promptly reimburse Agent in cash for any refunds Agent is required to issue to customers in respect of any Returned Merchandise. Returned Merchandise not included in Merchandise shall be disposed of by Agent in accordance with instructions received from Merchant or, in the absence of such instructions, treated as Merchant Consignment Goods. Any increases in the Guaranteed Amount in connection with returned Merchandise shall be accounted for on a weekly basis. Except to the extent that Merchant and Agent agree that Merchant's POS or other applicable systems can account for returns of Merchandise, all returns must be noted and described in a detailed log and shall identify the receipt number for the original receipt and the date the item was purchased (the "Returned Merchandise Log"), to be maintained by Agent in a form acceptable to Merchant. Agent shall provide Merchant with a copy of any Returned Merchandise Log on a weekly basis during the Sale. Agent shall not be entitled to any adjustment, credit or payment for Returned Merchandise which is not properly noted and described in the Returned Merchandise Log (or otherwise reflected in Merchant's POS systems).

8.6. Sale Reconciliation. On each Wednesday during the Sale Term, commencing on the second Wednesday after the Sale Commencement Date, Agent and Merchant shall cooperate to reconcile Proceeds, Expenses, Distribution Center Merchandise (received in Stores prior to the Inventory Receipt Deadline), Additional Goods and all other items identified herein for weekly reconciliation, and such other Sale-related items as either party shall reasonably request, in each case for the prior week or partial week (i.e. Sunday through Saturday), all pursuant to procedures agreed upon by Merchant and Agent (with a copy thereof to be provided to GECC). Within thirty (30) days after the end of the Sale Term, Agent and Merchant shall complete a final reconciliation of the Sale, the written results of which shall be certified by representatives of each of Merchant and Agent as a final settlement of accounts between Merchant and Agent (with a copy thereof to be provided to GECC).

8.7 Force Majeure. If any casualty, act of terrorism, or act of God prevents or substantially inhibits the conduct of business in the ordinary course at any Store, such Store and the Merchandise located at such Store shall, in Agent's discretion, be eliminated from the Sale and considered to be deleted from this Agreement as of the date of such event, and Agent and Merchant shall have no further rights or obligations hereunder with respect thereto; provided, however, that (i) subject to the terms of Section 7.1 above, the proceeds of any insurance attributable to such Merchandise shall constitute Proceeds hereunder, and (ii) the Guaranteed Amount shall be reduced to account for any Merchandise eliminated from the Sale which is not the subject of insurance proceeds, and, to the extent the Agent has paid the Guaranteed Amount,

Merchant shall reimburse Agent for the amount the Guaranteed Amount is so reduced prior to the end of the Sale Term.

8.8 Merchant's Right to Monitor. Merchant shall have the right to monitor the Sale and activities attendant thereto and to be present in the Stores during the hours when the Stores are open for business; provided that Merchant's presence does not unreasonably disrupt the conduct of the Sale. Merchant shall also have a right of access to the Stores at any time in the event of an emergency situation and shall promptly notify Agent of such emergency.

## Section 9. Employee Matters.

9.1 Merchant's Employees. Agent may use Merchant's employees in the conduct of the Sale to the extent Agent deems expedient, and Agent may select and schedule the number and type of Merchant's employees required for the Sale. Agent shall identify any such employees to be used in connection with the Sale (each such employee, a "Retained Employee") prior to the Sale Commencement Date. Notwithstanding the foregoing, Merchant's employees shall at all times remain employees of Merchant. Agent's selection and scheduling of Merchant's employees shall at all times comply with all applicable laws and regulations. Merchant and Agent agree that, except to the extent that wages and benefits of Retained Employees constitute Expenses hereunder, nothing contained in this Agreement and none of Agent's actions taken in respect of the Sale shall be deemed to constitute an assumption by Agent of any of Merchant's obligations relating to any of Merchant's employees including, without limitation, Excluded Benefits, WARN Act claims and other termination type claims and obligations, or any other amounts required to be paid by statute or law; nor shall Agent become liable under any employment agreement or be deemed a joint or successor employer with respect to such employees. Agent shall comply in the conduct of the Sale with all applicable laws and Merchant's employee rules, regulations, guidelines and policies which have been provided to Agent in writing. Merchant shall not, without the prior consent of Agent, raise the salary or wages or increase the benefits for, or pay any bonuses or other extraordinary payments to, any Store employees prior to the Sale Termination Date. Merchant shall not transfer any Retained Employee during the Sale Term without Agent's prior consent, which consent shall not be unreasonably withheld or delayed.

9.2 Termination of Employees. Agent may in its discretion stop using any Retained Employee at any time during the Sale, subject to the conditions provided for herein. In the event that Agent desires to cease using any Retained Employee, Agent shall notify Merchant at least seven (7) days prior thereto, so that Merchant may coordinate the termination of such employee; provided, however, that, in the event that Agent determines to cease using an employee "for cause" (which shall consist of dishonesty, fraud or breach of employee duties), the seven (7) day notice period shall not apply, provided further, however, that Agent shall immediately notify Merchant of the basis for such "cause" so that Merchant can arrange for termination of such employee. From and after the date of this Agreement and until the Sale Termination Date, Merchant shall not transfer or dismiss Retained Employees except "for cause" without Agent's prior consent. Notwithstanding the foregoing, Agent shall not have the right to terminate the actual employment of any Retained Employee, but rather may only cease using such employee in the Sale and paying any Expenses with respect to such employee.

9.3 Payroll Matters. During the Sale Term, Merchant shall process the base payroll for all Retained Employees as well as payroll for any of Merchant's former employees or temporary labor retained by Agent for the Sale. Each Wednesday (or such other date as may be reasonably requested by Merchant to permit the funding of the payroll accounts before such payroll is due and payable) during the Sale Term, Merchant shall transfer, or, to the extent that the Payment Date has passed or existence of any shortfall, Agent shall transfer, to Merchant's payroll accounts an amount equal to the base payroll for Retained Employees plus related payroll taxes, workers' compensation and benefits for such week which constitute Expenses hereunder.

9.4 Employee Retention Bonuses. Agent may pay, as an Expense, retention bonuses ("Retention Bonuses") (which bonuses shall be inclusive of payroll taxes, but as to which no benefits shall be payable), up to a maximum of ten percent (10%) of base payroll for all Retained Employees, to such Retained Employees who do not voluntarily leave employment and are not terminated "for cause," as it may determine in its discretion. The amount of such Retention Bonuses shall be in an amount to be determined by Agent, in its discretion, and shall be payable within thirty (30) days after the Sale Termination Date, and shall be processed through Merchant's payroll system. Agent shall provide Merchant with a copy of Agent's Retention Bonus plan prior to the Sale Commencement Date.

Section 10. Conditions Precedent and Subsequent. The willingness of Agent and Merchant to enter into the transactions contemplated under this Agreement is directly conditioned upon the satisfaction of the following conditions at the time or during the time periods indicated, unless specifically waived in writing by the applicable party:

(a) All representations and warranties of Merchant and Agent hereunder shall be true and correct in all material respects and no Event of Default shall have occurred at and as of the date hereof and as of the Sale Commencement Date; and

(b) Merchant shall have obtained the Approval Order on or before February 18, 2011.

Section 11. Representations, Warranties and Covenants.

11.1 Merchant's Representations, Warranties and Covenants. Merchant hereby represents, warrants and covenants in favor of Agent as follows:

(a) each entity comprising Merchant (i) is a corporation duly organized, validly existing and in good standing under the laws of the state or province of its formation (except as may be a result of the commencement and/or pendency of the Merchant's Chapter 11 Cases); (ii) subject to compliance with the Bankruptcy Code, has all requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as presently conducted; and (iii) is, and during the Sale Term will continue to be, duly authorized and qualified to do business and in good standing in each jurisdiction where the nature of its business or properties requires such qualification, including all jurisdictions in which the Stores are located, except, in each case, to the extent that the failure to be in good standing or so qualified

could not reasonably be expected to have a material adverse effect on the ability of Merchant to execute and deliver this Agreement and perform fully its obligations hereunder.

(b) Except as may be required in connection with the issuance of the Approval Order: (i) the Merchant has the right, power and authority to execute and deliver this Agreement and each other document and agreement contemplated hereby (collectively, together with this Agreement, the “Agency Documents”) and to perform fully its obligations thereunder; (ii) Merchant has taken all necessary actions required to authorize the execution, delivery and performance of the Agency Documents, and no further consent or approval is required for Merchant to enter into and deliver the Agency Documents, to perform its obligations thereunder and to consummate the Sale, except for any such consent the failure of which to be obtained could not reasonably be expected to have a material adverse effect on the ability of Merchant to execute and deliver this Agreement and perform fully its obligations hereunder; and (iii) each of the Agency Documents has been duly executed and delivered by Merchant and constitutes the legal, valid and binding obligation of Merchant enforceable in accordance with its terms.

(c) Merchant owns, and will own at all times during the Sale Term, good and marketable title to all of the Merchandise and Owned FF&E to be included in the Sale, free and clear of all liens, claims and encumbrances of any nature, other than the liens listed on Exhibit 11.1(c), any applicable statutory liens, and any super-priority liens, claims or encumbrances approved by Bankruptcy Code in connection with the Merchant’s debtor-in-possession financing. Merchant shall not create, incur, assume or suffer to exist any security interest, lien or other charge or encumbrance upon or with respect to any of the Merchandise, the Owned FF&E or the Proceeds other than as provided for herein (including those listed on Exhibit 11.1(c)). Any Approval Order shall provide that all such liens shall be transferred to and attach only to the Guaranteed Amount or other amounts payable to Merchant hereunder.

(d) Merchant has maintained its pricing files in the ordinary course of business (including the Perpetual File), and prices charged to the public for goods are the same in all material respects as set forth in such pricing files (including Perpetual File) for the periods indicated therein (without consideration of any point of sale markdowns where the point of sale markdown is reflected in the price files (including Perpetual File)), and all pricing files (including Perpetual File) and records are true and accurate in all material respects as to the actual cost to Merchant for purchasing the goods referred to therein, the costs related thereto and as to the selling price to the public for such goods (without consideration of any point of sale markdowns) as of the dates and for the periods indicated therein. Merchant represents that to its knowledge (i) the ticketed prices of all items of Merchandise do not and shall not include any Sales Taxes and (ii) all registers located at the Stores are programmed to correctly compute materially all Sales Taxes required to be paid by the customer under applicable law, as such calculations have been identified to Merchant by its retained service provider.

(e) Except with respect to Merchant’s termination of point of sale events prior to the Sale Commencement Date in the manner previously disclosed to Agent, to its knowledge Merchant has not marked up or raised, and shall not up to the Sale Commencement Date mark up or raise, the price of any items of Merchandise, or removed or altered any tickets or any indicia

of clearance merchandise, except in the ordinary course of business and except for the effects of the termination of promotional events.

(f) Through the Sale Commencement Date, Merchant shall use reasonable efforts to ticket or mark all items of inventory received at the Stores prior to the Sale Commencement in a manner consistent with similar Merchandise located at the Stores and in accordance with Merchant's ordinary course past practices and policies relative to pricing and marking inventory. To the extent Merchandise is not pre-ticketed prior to its receipt in the Stores, Agent shall be responsible for ticketing Distribution Center Merchandise as same is received in the Stores after the Sale Commencement Date prior to the Inventory Receipt Deadline.

(g) Since January 1, 2011, Merchant has not, and through the Sale Commencement Date, Merchant shall not purchase for or transfer to or from the Stores any merchandise or goods outside the ordinary course, except for the transfer of Distribution Center Merchandise to the Stores prior to the Inventory Receipt Deadline in a manner consistent with Merchant's disclosures. Merchant's replenishment has not and will not be consistent with historic and customary levels or practices, as a result of, among other things, Merchant's Chapter 11 filing and/or delays in procuring shipments from its vendors. From and after the date hereof, Merchant shall discontinue issuing new orders for replenishment for the Stores.

(h) To the best of Merchant's knowledge, all Merchandise is in compliance with all applicable federal, state or local product safety laws, rules and standards. Merchant shall use reasonable efforts to provide Agent with its historic policies and practices, if any, regarding product recalls prior to the Sale Commencement Date.

(i) Subject to the provisions of the Approval Order, throughout the Sale Term, the Agent shall have the right to the unencumbered use and occupancy of, and peaceful and quiet possession of, each of the Stores, the assets currently located at the Stores and the utilities and other services provided at the Stores. Throughout the Sale Term, the Merchant shall use commercially reasonable efforts to (a) maintain or (b) cause any applicable landlord to comply with its obligations under applicable Lease and occupancy agreements to maintain, in good working order, condition and repair all cash registers, heating systems, air conditioning systems, elevators, escalators and all other mechanical devices, but solely to the extent that the Merchant reasonably deems necessary for the Sale to be conducted without material interruption and in a manner that is safe and in compliance with applicable laws at the Stores; provided that, it is understood that the maintenance of cash registers, heating systems, air conditioning systems, elevators, and escalators are necessary for the Sale to be conducted without material interruption. Except as may be impacted by the Chapter 11 Case filing or otherwise restricted by the Chapter 11 Case filing or as otherwise provided in this Agreement, and absent a bona fide dispute, throughout the Sale Term, Merchant shall remain current on all expenses and payables necessary for the conduct of the Sale.

(j) Except as may be impacted by the Chapter 11 Case filing or otherwise restricted by the Chapter 11 Case filing, Merchant had paid, and will continue to pay throughout the Sale Term, all self-insured or Merchant funded employee benefit programs for Store

employees, including health and medical benefits and insurance and all proper claims made or to be made in accordance with such program.

(k) Since January 1, 2011, Merchant has not intentionally taken, and shall not throughout the Sale Term intentionally take, any actions with the intent of increasing the Expenses of Sale, including, without limitation, increasing salaries or other amounts payable to employees, except (i) there may have been instances that, in an effort to encourage one or more employees to remain in Merchant's employ, Merchant increased the salaries of such employees (such action not being with any intent to increase any Expense of the Sale or in anticipation thereof); and (ii) to the extent an employee was due an annual raise.

(l) Except as may be impacted by the filing for Chapter 11 protection or otherwise restricted by the Chapter 11 filing, Merchant covenants to continue to operate the Stores in all material respects in the ordinary course of business from the date of this Agreement to the Sale Commencement Date by: (i) selling inventory during such period at customary prices consistent with the ordinary course of business; (ii) not promoting or advertising any sales or in-store promotions (including POS promotions) to the public (except for Merchant's pending advertisements as of the date of this Agreement and/or Merchant's promotions for the period through the Sale Commencement Date, as reflected on Exhibit 11.1(l)); (iii) except as may occur in the ordinary course of business or as may be required by applicable law, not returning inventory to vendors and not transferring inventory or supplies between or among Stores; and (iv) except as may occur in the ordinary course of business, not making any management personnel moves or changes at the Stores without prior written notice to and consultation with (but not approval of) Agent.

(m) The aggregate Cost Value of the Merchandise as a percentage of the aggregate Retail Price of the Merchandise (as determined in accordance with the Inventory Taking) (the "Cost Factor") shall not be greater than 50.6% (the "Cost Factor Threshold"). To the extent that the actual Cost Factor for the Merchandise is greater than the Cost Factor Threshold, then such deviation shall not constitute a breach of any representation or warranty, or an Event of Default; provided, however, that, then the Guaranty Percentage shall adjust (in addition to any adjustment applicable pursuant to section 3.1(c) hereof) in accordance with Exhibit 11.1(m). For the purposes of this Agreement, "Retail Price" means the lower of (i) the lowest ticketed, marked or shelf price, (ii) the current selling price for such item of Merchandise, excluding in each instance Excluded Price Adjustments or (iii) the current retail or aged price, as applicable, for each item of Merchandise, as reflected in the Merchant's Perpetual File. If an item of Merchandise has more than one ticketed price, or if multiple items of the same SKU are ticketed at different prices, or have a different PLU price, and such pricing does not otherwise qualify as an Excluded Price Adjustment, the lowest ticketed, marked or PLU price on any such item shall prevail for such item or for all such items within the same SKU, as the case may be, that are located within the same location (as the case may be, the "Lowest Location Price"), unless it is reasonably determined by Merchant and Agent that the applicable Lowest Location Price was mismarked or such item was priced because it was damaged or marked as "as is," in which case the higher price shall control; provided, however, in determining the Lowest Location Price with respect to any item of Merchandise at a Store, the Lowest Location Price shall be determined based upon the lowest ticketed, marked or PLU price for such item on a per



Store basis. No adjustment to Retail Price shall be made with respect to different ticketed price, marked price, or PLU prices for items located in different Stores. For purposes of this Agreement, the Cost Factor shall be calculated by dividing the aggregate Cost Value of the Merchandise by the aggregate Retail Price of the Merchandise.

(n) To the best of Merchant's knowledge, all documents, written information and supplements provided by Merchant to Agent in connection with Agent's due diligence and the negotiation of this Agreement were true and accurate in all material respects at the time provided.

(o) To the best of Merchant's knowledge, Merchant has not since January 1, 2011 shipped any Excluded Defective Merchandise from the Distribution Centers to the Stores. Merchant will not ship any Excluded Defective Merchandise from the date of this Agreement from the Distribution Centers to the Stores.

(p) Merchant will not, prior to the Sale Termination Date, offer any promotions or discounts at its retail store locations that are not closing, except with respect to Other Store Closings or as detailed on Exhibit 11.1(p) and other than in connection with further store closing sales approved by the Bankruptcy Court (including without limitation any Put Stores).

(q) Merchant will not, prior to the Sale Termination Date, offer any promotions or discounts at its on-going retail store locations, except as disclosed to Agent in due diligence, provided that, Merchant may increase the discounts previously disclosed to Agent from 25% to up to 40% .

11.2 Agent's Representations, Warranties and Covenants. Agent hereby represents, warrants and covenants in favor of Merchant as follows:

(a) Agent: (i) is a limited partnership, corporation or limited liability company (as the case may be) duly and validly existing and in good standing under the laws of the State of its organization; and (ii) has all requisite power and authority to carry on its business as presently conducted and to consummate the transactions contemplated hereby.

(b) Agent has the right, power and authority to execute and deliver each of the Agency Documents to which it is a party and to perform fully its obligations thereunder. Agent has taken all necessary actions required to authorize the execution, delivery and performance of the Agency Documents, and no further consent or approval is required on the part of Agent for Agent to enter into and deliver the Agency Documents, to perform its obligations thereunder and to consummate the Sale. Each of the Agency Documents has been duly executed and delivered by the Agent and constitutes the legal, valid and binding obligation of Agent enforceable in accordance with its terms. No court order or decree of any federal, state or local governmental authority or regulatory body is in effect that would prevent or impair, or is required for, Agent's consummation of the transactions contemplated by this Agreement (other than the Approval Order), and no consent of any third party which has not been obtained is required therefor, other than as provided herein. No contract or other agreement to which Agent is a party or by which

Agent is otherwise bound will prevent or impair the consummation of the transactions contemplated by this Agreement.

(c) No action, arbitration, suit, notice or legal administrative or other proceeding before any court or governmental body has been instituted by or against Agent, or has been settled or resolved or, to Agent's knowledge, has been threatened against or affects Agent, which questions the validity of this Agreement or any action taken or to be taken by Agent in connection with this Agreement or which, if adversely determined, would have a material adverse effect upon Agent's ability to perform its obligations under this Agreement.

(d) The Sale shall be conducted in compliance with all applicable state and local laws, rules and regulations and Merchant's leases and other agreements, except as provided for in the Sale Guidelines and Approval Order.

(e) To the best of Agent's knowledge, all Additional Goods are in compliance with all applicable federal, state or local product safety laws, rules and standards.

(f) Absent prior consent by the Merchant, Agent will not cause any non-emergency repairs or maintenance (emergency repairs are repairs necessary to preserve the security of a premise or to ensure customer safety) to be conducted at the Stores.

## Section 12. Insurance.

12.1 Merchant's Liability Insurance. Merchant shall continue until the Sale Termination Date, at Agent's cost as an Occupancy Expense hereunder and in such amounts as it currently has in effect, all of its liability insurance policies covering injuries to persons and property in, or in connection with, Merchant's operation of the Stores and shall endeavor to cause Agent to be named as an additional named insured (as its interest may appear) with respect to all such policies. Merchant shall deliver to Agent certificates evidencing such insurance setting forth the duration thereof and naming Agent as an additional named insured, in form reasonably satisfactory to Agent. All such policies shall require at least thirty (30) days' prior notice to Agent of cancellation, non-renewal or material change during the Sale Term. In the event of a claim under any such policies, Merchant shall be responsible for the payment of all deductibles, retentions or self-insured amounts thereunder (which amounts shall be paid by Agent as an Occupancy Expense), unless it is determined that liability arose by reason of the wrongful acts or omissions or negligence of Agent, or Agent's employees, independent contractors or agents (including Merchant's employees being supervised by Agent).

12.2 Merchant's Casualty Insurance. Merchant will provide throughout the Sale Term, at Agent's cost as an Occupancy Expense hereunder, fire, flood, theft and extended coverage casualty insurance covering the Merchandise in a total amount equal to no less than the retail value thereof. In the event of a loss to the Merchandise on or after the date of this Agreement, the Proceeds of such insurance attributable to the Merchandise, plus any self insurance amounts and the amount of any deductible or self-insured retention (which amounts shall be paid by Agent as an Expense), shall constitute Proceeds hereunder. Merchant shall deliver to Agent certificates evidencing such insurance, setting forth the duration thereof, in form and substance

reasonably satisfactory to Agent. All such policies shall require at least thirty (30) days' prior notice to the Agent of cancellation, non-renewal or material change during the Sale Term. Merchant shall not make any change in the amount of any deductibles or self insurance amounts prior to the Sale Termination Date without Agent's prior written consent.

12.3 Agent's Insurance. Agent shall maintain as an Expense hereunder throughout the Sale Term, in such amounts as it currently has in effect and as set forth in Exhibit 12.3 hereto, comprehensive public liability insurance policies covering injuries to persons and property in or in connection with Agent's agency at the Stores, and shall cause Merchant and GECC to be named as additional insureds and loss payees with respect to such policies. Agent shall deliver to Merchant certificates evidencing such insurance policies setting forth the duration thereof and naming Merchant as additional insureds, in form and substance reasonably satisfactory to Merchant. In the event of a claim under any such policies, Agent shall be responsible for the payment of all deductibles, retentions or self-insured amounts thereunder, unless it is determined that liability arose by reason of the wrongful acts or omissions or negligence of Merchant or Merchant's independent contractors or agents, other than Agent or Agent's employees, agents or independent contractors (including Merchant's employees under Agent's supervision). All such policies shall require at least thirty (30) days' prior notice to the Merchant of cancellation, non-renewal or material change during the Sale Term. Agent shall not make any change in the amount of any deductibles or self insurance amounts prior to the Sale Termination Date without Merchant's prior written consent.

12.4 Worker's Compensation Insurance. Merchant shall at all times during the Sale Term maintain in full force and effect workers' compensation insurance (including employer liability insurance) covering all Retained Employees in compliance with all statutory requirements and subject to approval of the Bankruptcy Court.

### Section 13. Indemnification

13.1 Merchant Indemnification. Merchant shall indemnify and hold Agent and its officers, directors, employees, agents and independent contractors (collectively, "Agent Indemnified Parties") harmless from and against all claims, demands, penalties, losses, liability or damage, including, without limitation, reasonable attorneys' fees and expenses, directly or indirectly asserted against, resulting from, or related to: (i) Merchant's material breach of or failure to comply with any of its agreements, covenants, representations or warranties contained in any Agency Document; (ii) subject to Agent's satisfaction of its obligations pursuant to Section 4.1(a) and (b) hereof, any failure of Merchant to pay to its employees any wages, salaries or benefits due to such employees during the Sale Term; (iii) subject to Agent's compliance with its obligations under Section 8.3 hereof, any failure by Merchant to pay any Sales Taxes to the proper taxing authorities or to properly file with any taxing authorities any reports or documents required by applicable law to be filed in respect thereof; (iv) any liability or other claims asserted by customers, any of Merchant's employees, or any other person against any Agent Indemnified Party (including, without limitation, claims by employees arising under collective bargaining agreements, worker's compensation or under the WARN Act); or (v) the gross negligence (including omissions) or willful misconduct of Merchant, or its officers, directors, employees agents or representatives.

13.2 Agent Indemnification. Agent shall indemnify and hold Merchant and its officers, directors, employees, agents and representatives harmless from and against all claims, demands, penalties, losses, liability or damage, including, without limitation, reasonable attorneys' fees and expenses, directly or indirectly asserted against, resulting from, or related to: (i) Agent's material breach of or failure to comply with any of its agreements, covenants, representations or warranties contained in any Agency Document; (ii) any claims by any party engaged by Agent as an employee, agent, representative or independent contractor arising out of such employment; (iii) any harassment or any other unlawful, tortious or otherwise actionable treatment of any of the Merchant's employees or agents by Agent or any of its employees, agents, representatives or independent contractors; (iv) sales of Additional Goods, (v) as set forth in Section 8.3 hereof and (vi) the gross negligence (including omissions) or willful misconduct of Agent, its officers, directors, employees, agents, representatives or independent contractors.

Section 14. Defaults. The following shall constitute "Events of Default" hereunder:

(a) The Merchant or Agent shall fail to perform any of their respective material obligations hereunder if such failure remains uncured seven (7) days after receipt of written notice thereof to the defaulting party;

(b) Any representation or warranty made by Merchant or Agent proves untrue in any material respect as of the date made and, to the extent curable, continues uncured seven (7) days after written notice to the defaulting party;

(c) The Sale is terminated or materially interrupted or impaired for any reason other than (i) an Event of Default by Agent; or (ii) any other material breach or action by Agent not authorized under the Agency Agreement; provided however, it is expressly understood that Merchant's conduct of "going out of business", "store closing", "total liquidation", "everything must go", or similar themed sales at stores other than the Stores (the "Other Store Closings") during a period that overlaps with the Sale Term shall not be deemed an Event of Default, or a material interruption or impairment of the Sale or this Agreement. Agent acknowledges that it has no remedies under this Agreement in connection with, or a result of, such Other Store Closings.

In the event of an Event of Default, the non-defaulting party may, in its discretion, elect to terminate this Agreement upon seven (7) business days' written notice to the other party.

Any party's damages or entitlement to equitable relief on account of an Event of Default shall be determined by the Bankruptcy Court.

Section 15. Miscellaneous.

15.1 Notices. All notices and communications provided for pursuant to this Agreement shall be in writing and sent (i) by email and (ii) by hand, by facsimile or by Federal Express or other recognized overnight delivery service, as follows (with Merchant and Agent to receive all notices regardless of their origin):

If to the Agent:

HILCO MERCHANT RESOURCES, LLC  
5 Revere Drive, Suite 206  
Northbrook, IL 60062  
Attn: Joseph Malfitano  
Tel: (847) 504-3257  
Fax: (847) 897-0868  
Email: [jmalfitano@hilcotrading.com](mailto:jmalfitano@hilcotrading.com)

SB CAPITAL GROUP, LLC  
1010 Northern Blvd, Suite 340  
Great Neck, NY 11021  
Attn: Robert Raskin  
Tel: (516) 829-2400  
Fax: (516) 829-2404  
Email: [rraskin@sbcapitalgroup.com](mailto:rraskin@sbcapitalgroup.com)

TIGER CAPITAL GROUP, LLC  
84 State Street, Suite 420  
Boston, MA 02109  
Attn: Steve Goldberger  
Dan Kane  
Tel: (617) 523-7002  
Fax: (617) 523-3007  
Email: [sgoldberger@tigergroupllc.com](mailto:sgoldberger@tigergroupllc.com)  
[dkane@tigergroupllc.com](mailto:dkane@tigergroupllc.com)

Gordon Brothers Retail Partners, LLC  
101 Huntington Avenue, 10<sup>th</sup> Fl.  
Boston, MA 02199  
Attn: Michael Chartock  
Tel: (617) 523-7002  
Fax: (617) 523-3007  
Email: [MChartock@gordonbrothers.com](mailto:MChartock@gordonbrothers.com)

With a copy to:

WEIL GOTSHAL & MANGES LLP  
767 Fifth Avenue  
New York, NY 10153  
Attn: Shai Waisman  
Tel: (212) 310-8000  
Fax: (212) 310-8007  
Email: [Shai.Waisman@weil.com](mailto:Shai.Waisman@weil.com)

If to the Merchant:

BORDERS GROUP INC.  
100 Phoenix Drive  
Ann Arbor, MI 48108  
Attn: Matt Chosid  
Fax: (734) 477-1370  
Email: mchosid1@bordersgroupinc.com

With a copy to:

KASOWITZ, BENSON, TORRES  
& FRIEDMAN LLP  
1633 Broadway  
New York, NY 10019  
Attn: David M. Friedman, Esq.  
Adam L. Shiff, Esq.  
Daniel A. Fliman, Esq.  
Tel: (212) 506-1700  
Fax: (212) 506-1800  
Email: dfriedman@kasowitz.com  
ashiff@kasowitz.com  
dfliman@kasowitz.com

If to GECC:

GE CAPITAL  
Corporate Retail Finance  
500 West Monroe Street  
10th Floor  
Chicago, IL 60661-3679 USA  
Attn: Kristina M. Miller  
Senior Vice President  
Tel: (312) 463-2257  
Fax: (312) 441-6817  
Mob: (219) 680-0779  
Email: KristinaMMiller@ge.com  
[www.gelending.com](http://www.gelending.com)

With a copy to:

GENERAL ELECTRIC CAPITAL  
CORPORATION  
201 Merritt 7  
PO Box 5201  
Norwalk, CT 06851  
Attn: Borders/John Pistocchi  
Fax: (203) 956-4002  
GA Capital  
One Post Office Square  
Suite 3765  
Boston, MA 02109  
Attention: David Storer, Director  
Tel: 617 692-8303  
Email: dstorer@greatamerican.com

If to GA:

With a copy to:

Kevin J. Simard  
Riemer & Braunstein LLP  
Three Center Plaza  
Boston, Massachusetts 02108  
Direct: (617) 880-3431  
Direct Fax: (617) 692-3431  
Firm Fax: (617) 880-3456  
ksimard@riemerlaw.com

15.2 Governing Law. This Agreement shall be governed and construed in accordance with the laws of New York without regard to conflicts of laws principles thereof, except where governed by the Bankruptcy Code in the event of the commencement of the Chapter 11 Cases. Each of the parties hereto irrevocably and unconditionally submits, for itself and its properties, to the exclusive jurisdiction of the Bankruptcy Court, in any action or proceeding arising out of or relating to this Agreement.

15.3 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the transactions contemplated hereby and supersedes and cancels all prior agreements, including, but not limited to, all proposals, letters of intent or representations, written or oral, with respect thereto.

15.4 Amendments. This Agreement may not be modified except in a written instrument executed by each of the parties hereto and with the prior written consent of GECC.

15.5 No Waiver. No consent or waiver by any party, express or implied, to or of any breach or default by the other in the performance of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligation of such party. Failure on the part of any

party to complain of any act or failure to act by the other party or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

15.6 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon Agent and Merchant and their respective successors and assigns; provided, however, that this Agreement may not be assigned by Merchant or Agent to any party without the prior written consent of the other.

15.7 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute but one agreement. This Agreement shall be effective upon delivery of original signature pages or "pdf" or facsimile copies thereof executed by each of the parties.

15.8 Section Headings. The headings of sections of this Agreement are inserted for convenience only and shall not be considered for the purpose of determining the meaning or legal effect of any provisions hereof.

15.9 FF&E. Agent shall sell FF&E (other than Excluded Owned FF&E) owned by Merchant located at the Stores and any café supplies not packaged for retail sale (the "Owned FF&E"); provided, however, that within seven (7) days of the Sale Commencement Date, Merchant shall deliver to Agent a list of FF&E (with the consent of GA Capital, LLC ("GA"), as Term B Agent to the DIP Facility and with copies to be provided to GECC) located at the Stores to be excluded from Agent's sale (the "Excluded Owned FF&E") (the Owned FF&E less the Excluded Owned FF&E is referred to herein as the "Agent Sale FF&E"). Agent shall be entitled to receive a commission equal to 20% of the net proceeds from the sale of Agent Sale FF&E (net of Sales Taxes and the expenses of disposing of the FF&E); provided however that Merchant shall be responsible for payment of expenses incurred in connection with the disposition of the Agent Sale FF&E in accordance with a budget to be mutually agreed upon between Merchant and Agent (in consultation with GA with copies to be provided to GECC). In either event, as of the Sale Termination Date, Agent may abandon, in place, any unsold Agent Sale FF&E, at the Stores. All proceeds from the disposition of the Agent Sale FF&E shall be deposited in a segregated account designated solely for the deposit of the proceeds from the Agent Sale FF&E which shall be a Merchant's Designated Deposit Account.

15.10 Reporting. Agent shall furnish Merchant and GECC with weekly reports (including reports that comply with Merchant's current weekly cash reporting to its central office) reflecting the progress of the Sale, which shall specify the Proceeds received to date and shall furnish Merchant and GECC with such other information regarding the Sale as Merchant reasonably requests. The Agent will maintain and provide to Merchant and GECC sales records to permit calculation of and compliance with any percentage of rent obligations under Store leases. During the course of the Sale, Merchant and GECC shall have the right to have representatives continually act as observers of the Sale in the Stores, so long as they do not interfere with the conduct of the Sale.



15.11 Agent. All references to "Agent" hereunder shall mean a joint venture comprised of Hilco Merchant Resources, LLC, SB Capital Group, LLC, Gordon Brothers Retail Partners, LLC and Tiger Capital Group, LLC.

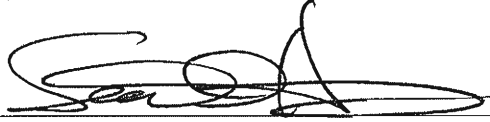
Section 16. Security Interest. In consideration of Agent's payment of the Guaranteed Amount Deposit, Expenses and the provision of services hereunder to Merchant, upon issuance of the Letter of Credit and effective as of the Payment Date, Merchant hereby grants to Agent a valid and perfected first priority security interest in and lien (subject to the subordination provisions set forth herein below) upon (x) the Merchandise, (y) proceeds realized from the disposition of the Agent Sale FF & E up to the amount of the Agent's disposition commission related to Agent Sale FF&E as provided for in Section 15.9, and (z) the Proceeds, to secure all obligations of Merchant to Agent hereunder provided, however, that the security interest granted to Agent hereunder shall remain junior and subordinate in all respects to (a) Merchant's rights to receive payment of the Guaranteed Amount and, Expenses and any other undisputed amounts due from Agent to Merchant hereunder (collectively, the "Agent's Payment Obligations"), and (b) the liens, security interests and claims of the GECC and the Lenders, to the extent of the unpaid portion of Agent's Payment Obligations. Upon entry of the Approval Order, and payment of the Guaranteed Amount Deposit pursuant to Section 3.3(a) hereof, and the issuance of the Letter of Credit, the security interest granted to the Agent hereunder shall be deemed properly perfected without the necessity of filing financing statements or other documentation.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Agent and Merchant hereby execute this Agreement by their duly authorized representatives as a sealed instrument as of the day and year first written above.

**BORDERS GROUP INC.**

On Behalf of Itself and the Companies Set Forth In  
Exhibit A hereto

By: 

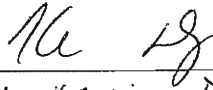
Name: Scott D. Henry

Its: CFO

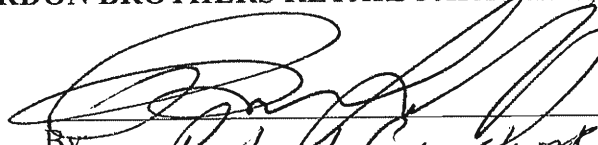
HILCO MERCHANT RESOURCES, LLC

By: Benjamin L. Norman  
Name: Benjamin L. Norman  
Title: Executive Vice President & Principal

**SB CAPITAL GROUP, LLC**

By:   
Name: KEVIN DOOLEY  
Title: EXECUTIVE VICE PRESIDENT & PRINCIPAL

**GORDON BROTHERS RETAIL PARTNERS, LLC**



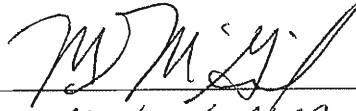
By:

Name:

Its:

*Robert Grosskopf*  
*Principal Managing Director*

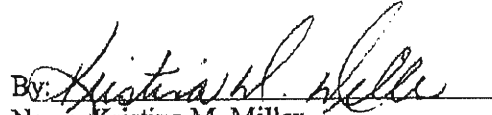
**TIGER CAPITAL GROUP, LLC**



By: \_\_\_\_\_  
Name: *Michael McGraw*  
Its: *Managing Director*

CONSENTED AND AGREED TO  
AS IT RELATES TO SECTIONS 3.3(e), 3.4 and 16 HEREOF, BY:

GENERAL ELECTRIC CAPITAL CORPORATION

By: 

Name Kristina M. Miller

Title Duly Authorized Signatory

CONSENTED AND AGREED TO  
AS IT RELATES TO SECTION 16 HEREOF, BY:

GA CAPITAL LLC, as Term Agent

By: 

Name Daniel Plate

Title President

[Signature Page to Agency Agreement]



**Exhibit A**

**LIST OF AFFILIATED COMPANIES**

Borders, Inc.

**Borders Group, Inc**  
**Exhibit 1**

**Store List**

Store #	Name	Address	City	State	Zip	Selling Sq Ft
2	Columbus	4545 Kenny Road	Columbus	OH	43220	21,736
3	Madison	3750 University Ave	Madison	WI	53705	27,000
9	Pittsburgh	1775 North Highland Road	Pittsburgh	PA	15241	24,419
10	Kensington	11301 Rockville Pike	Kensington	MD	20895	40,352
18	Tucson	4235 N Oracle Rd	Tucson	AZ	85705	26,000
29	Vienna	8027 Leesburg Pike, Ste 100	Vienna	VA	22182	29,892
31	Minnetonka	1501 Plymouth Road	Minnetonka	MN	55305	20,392
32	Dallas	10720 Preston Road, Suite 1018	Dallas	TX	75230	29,750
33	Deerfield	49 S Waukegan Road	Deerfield	IL	60015	25,000
34	Paramus	Garden State Plaza Suite 2200	Paramus	NJ	07652	23,701
50	Washington	1801 K Street NW	Washington	DC	20006	37,733
52	Westbury	1260 Old Country Road	Westbury	NY	11590	30,950
53	Utica	45290 Utica Park Boulevard	Utica	MI	48315	30,000
54	Phoenix	2402 E Camelback Road, Suite 200	Phoenix	AZ	85016	33,416
57	San Francisco	400 Post Street	San Francisco	CA	94102	41,841
59	Peabody	151 Andover Street	Peabody	MA	01960	25,000
60	Manchester	59 Pavilions Drive	Manchester	CT	06040	25,002
69	Mesa	1361 S Alma School Road	Mesa	AZ	85210	30,000
71	Dearborn	5601 Mercury Drive	Dearborn	MI	48126	29,939
81	Las Vegas	2323 S Decatur Boulevard	Las Vegas	NV	89102	15,300
88	Anchorage	1100 E Dimond Blvd	Anchorage	AK	99515	30,900
90	Plano	1601 Preston Road, Suite J	Plano	TX	75093-5101	39,960
92	Glen Allen	9750 W Broad St	Glen Allen	VA	23060	25,000
95	Lihue	4303 Nawiliwili	Lihue	HI	96766	18,739
101	Chicago	2817 North Clark Street	Chicago	IL	60657	42,770
103	Austin	3309 Esperanza Crossing	Austin	TX	78758	25,000
105	Montclair	5055 S Plaza Lane	Montclair	CA	91763	42,000
116	Dayton	2700 Miamisburg Centerville Rd, Ste 870	Dayton	OH	45459	22,000
117	Pleasanton	4575 Rosewood Drive	Pleasanton	CA	94588	22,517
122	Wichita	1715 Rock Rd & 13th Street	Wichita	KS	67206	25,000
124	Ft Lauderdale	2240 E Sunrise Blvd	Ft Lauderdale	FL	33304	30,580
132	Cary	1751 Walnut Street	Cary	NC	27511	27,236
134	Greensboro	3605 High Point Rd	Greensboro	NC	27407	30,213
139	Long Beach	2110 Bellflower Blvd	Long Beach	CA	90815	30,000
141	San Mateo	2925 El Camino Real	San Mateo	CA	94403	24,000
143	Monroeville	200 Mall Blvd	Monroeville	PA	15146	30,000
144	Evanston	1700 Maple Avenue	Evanston	IL	60201	21,979
146	Lewisville	2403 S Stemmons, Suite 100	Lewisville	TX	75067	25,000
148	Tampa	909 Dale Mabry	Tampa	FL	33609	27,500
149	Glendale	100 S Brand Blvd	Glendale	CA	91204	40,000
151	Oklahoma City	3209 Northwest Expressway	Oklahoma City	OK	73112	20,630
154	Los Angeles	10250 Santa Monica Blvd.	Los Angeles	CA	90067	22,000
165	Milford	1201 Boston Post Rd.	Milford	CT	06460	22,004
171	Tampa	12500 N Dale Mabry	Tampa	FL	33618	30,000
172	Columbus	6670 Sawmill Road	Columbus	OH	43235	27,500
174	Bowie	4420 Mitchellville Rd.	Bowie	MD	20716	30,000
175	Reading	1075 Woodland Rd	Reading	PA	19610	25,015
179	Commack	68 Veterans Memorial Highway	Commack	NY	11725	25,022
181	Altamonte Springs	880 W. State Road 436	Altamonte Springs	FL	32714	25,000
189	Richfield	800 W. 78th Street	Richfield	MN	55423	25,449
192	Los Gatos	50 University Avenue, Ste 280	Los Gatos	CA	95030	22,500
195	Mishawaka	4230 Grape Road	Mishawaka	IN	46545	25,000
200	New York	461 Park Ave.	New York	NY	10022	42,600
203	Lawrence	700 New Hampshire Street	Lawrence	KS	66044	20,000
204	Langhorne	2343 E. Lincoln Highway	Langhorne	PA	19047	27,456
206	Kailua-Kona	75-1000 Henry Street	Kailua-Kona	HI	96740	15,648
207	Jacksonville	8801 Southside Blvd., Ste. 10	Jacksonville	FL	32256	25,000
209	Hyannis	990 Iyannough Road	Hyannis	MA	02601	27,500
213	Ballwin	15355-A Manchester Road	Ballwin	MO	63011	28,150
214	Danbury	110 Federal Road	Danbury	CT	06811	26,483
222	Plantation	12171 W. Sunrise Blvd.	Plantation	FL	33323	24,822
224	Cerritos	12741 Towne Center Drive	Cerritos	CA	90703	19,000

**Borders Group, Inc**  
**Exhibit 1**

**Store List**

Store #	Name	Address	City	State	Zip	Selling Sq Ft
228	Manhattan	576 Second Avenue	Manhattan	NY	10016	21,338
233	Alameda	Alameda Towne Centre 2245 South Shore Center	Alameda	CA	94501	23,868
234	Gig Harbor	4601 Point Fosdick Dr. NW	Gig Harbor	WA	98335	23,000
235	Holyoke	Holyoke Mall 50 Holyoke St., Space J312	Holyoke	MA	01041	24,533
241	Freehold	Raceway Mall 3710 Route 9, Ste 2318	Freehold	NJ	07728	25,568
243	Mira Loma	12423 Limonite Ave.	Mira Loma	CA	91752	21,938
247	Austin	9500 South IH 35 Service Rd. Southpark Meadows, Suite F	Austin	TX	78748	22,988
251	Burlington	Wayside Commons 6 Wayside Road, Space U	Burlington	MA	01803	24,897
254	Ocoee	9441 W. Colonial Drive	Ocoee	FL	34761	25,000
255	Nashua	281 Daniel Webster Hwy.	Nashua	NH	03060	27,614
256	Atlanta	3101 Cobb Parkway	Atlanta	GA	30339	27,500
259	Oviedo	8285 Red Bug Lake Road	Oviedo	FL	32765	25,000
263	Pasadena	475 S. Lake Avenue	Pasadena	CA	91101	40,000
264	Tulsa	8015 S. Yale	Tulsa	OK	74136	25,000
265	Crystal Lake	6000 Northwestern Highway	Crystal Lake	IL	60014	25,105
266	Orange	20 City Boulevard, W.	Orange	CA	92868	25,000
267	St. Paul	1390 W. University Avenue	St. Paul	MN	55104	25,000
273	Grosse Pointe	17141 Kercheval Avenue	Grosse Pointe	MI	48230	19,400
274	Murray	132 E. Winchester	Murray	UT	84107	26,000
278	Santa Fe	500 Montezuma, Suite 108	Santa Fe	NM	87501	24,500
279	Orlando	1051 W. Sand Lake Road	Orlando	FL	32809	25,000
280	Metarie	3131 Veterans Memorial Blvd.	Metarie	LA	70002-6047	25,231
282	Chandler	870 N. 54th Street	Chandler	AZ	85226	25,000
284	Chicago	2210 W. 95th Street	Chicago	IL	60643	25,000
285	Washington DC	5333 Wisconsin Avenue, NW	Washington DC	DC	20015	23,624
297	Valencia	24445 Town Center Dr.	Valencia	CA	91355	24,731
298	Austell	1605 East-West Connector Road	Austell	GA	30106	25,000
302	Watchung	1515 Route 22 West, Suite 02	Watchung	NJ	07069	30,100
303	Ann Arbor	3527 Washtenaw Ave.	Ann Arbor	MI	48104	22,941
318	ROGERS	2203 South 45th St Ste 12100	ROGERS	AR	72758	22,000
329	Chesterfield	2040 Chesterfield Mall	Chesterfield	MO	63017	26,000
330	Boston	511 Boylston Street	Boston	MA	02116	24,046
333	Apex	1541 Beaver Creek Commons Dr. Ste 220	Apex	NC	27502	23,000
336	Fox Point	8705 N. Port Washington	Fox Point	WI	53217	26,000
342	Phoenix	4555 East Cactus Rd	Phoenix	AZ	85032	30,083
345	Whitehall	1937 Whitehall Mall	Whitehall	PA	18052	25,000
347	Cincinnati	9459 Colerain Avenue	Cincinnati	OH	45251	21,208
355	Gainesville	6837 Newberry Road	Gainesville	FL	32605	22,925
357	Modesto	3900 Sisk Rd	Modesto	CA	95356	24,995
358	Mentor	9565 Mentor Avenue	Mentor	OH	44060	22,996
359	Sherman Oaks	14651 Ventura Blvd.	Sherman Oaks	CA	91403	24,184
360	Buford	1705 Mall of Georgia Blvd - Suite 200	Buford	GA	30519	23,000
362	San Diego	668 6th Avenue	San Diego	CA	92101	33,000
363	Mt. Prospect	909 North Elmhurst Rd	Mt. Prospect	IL	60056	26,734
365	Raleigh	404-101 East Six Forks Rd	Raleigh	NC	27609	25,000
367	Austin	4477 S. Lamar	Raleigh	TX	78745	25,000
374	Los Angeles	6081 Center Dr, Suite 118	Austin	CA	90045	25,000
375	Littleton	8501 West Bowles Ave	Los Angeles	CA	90045	25,000
377	Erie	2088A Interchange Rd	Littleton	CO	80123	25,335
378	Simsbury	500 Bushy Hill Road	Erie	PA	16509	24,998
379	San Ramon	120 Sunset Dr	Simsbury	CT	06070	23,917
387	Santa Cruz	1200 Pacific Ave, Suite 100	San Ramon	CA	94583	24,000
389	Saratoga Springs	395 Broadway	Santa Cruz	CA	95060	22,508
395	Jensen Beach	3066 NW Federal Hwy	Saratoga Springs	NY	12866	25,000
402	Yorba Linda	22401 Old Canal Rd	Jensen Beach	FL	34957	25,133
404	Fremont	39210 Fremont Hub, Suite 211	Yorba Linda	CA	92887	25,000
407	Boulder	1750 Twenty Ninth Street Suite 1052	Fremont	CA	94538	25,698
408	St. Charles	3539 E Main	Boulder	CO	80301	22,000
410	Naples	10600 Tamiami Trail North, Suite 600	St. Charles	IL	60174	24,893
411	Kennesaw	605 Ernest W Barrett Parkway, Bldg 400	Naples	FL	34108	21,520
413	Greeley	2863 35th Ave	Kennesaw	GA	30144	25,225
443	Union City	32111 Union Landing Blvd	Greeley	CO	80634	23,223
			Union City	CA	94587	25,000

2/14/2011

**Borders Group, Inc**  
**Exhibit 1**

**Store List**

Store #	Name	Address	City	State	Zip	Selling Sq Ft
450	Tustin	2493 Park Ave	Tustin	CA	92782	21,570
455	Camp Hill	3515 Gettysburg Road	Camp Hill	PA	17011	23,000
457	Pittsburgh	5986 Penn Circles South Ste 101	Pittsburgh	PA	15206	24,000
462	Colleyville	5615 Colleyville Blvd, Ste 100	Colleyville	TX	76034	23,000
467	Greendale	5250 S. 76th Street	Greendale	WI	53129	23,500
470	El Cajon	159 Fletcher Parkway	El Cajon	CA	92020	25,016
475	Scarsdale	680 White Plains Road	Scarsdale	NY	10583	23,074
480	Bolingbrook	161 N. Webber	Bolingbrook	IL	60490	25,000
481	Aurora	6606 South Parker Road	Aurora	CO	80016	28,000
482	Carolina	5891 Plaza Escorial	Carolina	PR	00987-5001	17,031
483	Norridge	7100 W. Forest Preserve Drive	Norridge	IL	60706	25,000
485	Oxnard	241 W. Esplanade Drive	Oxnard	CA	93030	22,648
487	King of Prussia	650 Mall Blvd.	King of Prussia	PA	19406	25,172
488	Indianapolis	11 S. Meridian Street, Suite 110	Indianapolis	IN	46204	18,338
490	Chapel Hill	1807 Fordham Blvd.	Chapel Hill	NC	27514	25,266
491	San Jose	356 Santana Row, Suite 1030	San Jose	CA	95128	26,624
492	St. Peters	1320 Mid Rivers Mall	St. Peters	MO	63376	22,771
493	Brandon	2020 Town Center Blvd.	Brandon	FL	33511	21,000
497	Chino	3833 Grand Avenue	Chino	CA	91710	25,000
498	DeKalb	2520 Sycamore Road	DeKalb	IL	60115	22,000
499	Ft. Lee	1642 Schlosser Street	Ft. Lee	NJ	07024	24,865
503	McHenry	2221 Richmond Road	McHenry	IL	60050	23,800
504	Carmel	2381 Pointe Parkway	Carmel	IN	46032	23,196
507	Ithaca	40 Catherwood Road	Ithaca	NY	14850	22,001
508	Evansville	6401 E. Lloyds Expressway, Suite 1	Evansville	IN	47715	23,000
516	Normal	200 A North Greenbriar Drive	Normal	IL	61761	23,000
517	Chicago	6103 N. Lincoln Avenue	Chicago	IL	60659	24,500
518	West Lafayette	348 E. State Street	West Lafayette	IN	47906	20,000
523	Rolling Hills Estates	550 Deep Valley Drive, Suite 261	Rolling Hills Estates	CA	90274	14,286
527	La Habra	1310 S. Beach Blvd.	La Habra	CA	90631	23,992
529	Springfield	3300 S. Glenstone Avenue	Springfield	MO	65804	25,466
530	Wilton	14 Danbury Road (Gateway Center)	Wilton	CT	06897	19,400
536	Franklin	545 Cool Springs Blvd, Suite 190	Franklin	TN	37067	23,035
538	Scottsdale	7000 E. Mayo Blvd. Suite 1050	Scottsdale	AZ	85054	22,000
541	Mesquite	2709 N. Mesquite Drive	Mesquite	TX	75150	23,000
542	Largo	931 Capital Centre Blvd.	Largo	MD	20774	22,915
543	Milwaukee	101 West Wisconsin Avenue	Milwaukee	WI	53203	18,900
545	Dillon	264 Dillion Ridge Way	Dillon	CO	80435	12,500
548	Bozeman	2855 North 19th Avenue, Suite C	Bozeman	MT	59718	20,000
553	Logan	1050 North Main Street	Logan	UT	84321	17,975
554	Chicago	4718 N. Broadway Ave	Chicago	IL	60640	25,000
556	Louisville	400 S. 4th Street	Louisville	KY	40202	23,460
562	Grand Junction	2464 U.S. Highway 6 & 50, Suite 132	Grand Junction	CO	81505	20,600
564	Chicago	755 W. North Avenue	Chicago	IL	60610	25,000
565	Kansas City	8628 North Boardwalk Avenue	Kansas City	MO	64154	19,000
566	New York	100 Broadway	New York	NY	10005	31,212
569	Maple Grove	12059 Elm Creek Blvd.	Maple Grove	MN	55369	17,100
571	Louisville	2520 S. Hurstborne Gem Lane	Louisville	KY	40220	21,000
575	Matteson	4824 West 211th Street	Matteson	IL	60443	21,000
576	Pico Rivera	8852 Washington Blvd.	Pico Rivera	CA	90660	18,100
584	Burleson	1131 N. Burleson Blvd.	Burleson	TX	76028	15,354
587	San Jose	925 Blossom Hill Road, Suite 1741	San Jose	CA	95123	23,000
588	Mason	5105 Deerfield Blvd	Mason	OH	45040	21,000
593	Clearwater	2683 Gulf to Bay Blvd.	Clearwater	FL	33759	21,960
595	Wappingers Falls	1820 South Road, Suite 110	Wappingers Falls	NY	12590	20,866
596	Avondale	10100 W. McDowell Road	Avondale	AZ	85323	20,000
600	Merrillville	2074 Southlake Mall	Merrillville	IN	46410	23,100
601	Medina	4927 Grande Shops Ave.	Medina	OH	44256	22,989
604	Fort Myers	Gulf Coast Town Center 10037 Gulf Center Drive	Fort Myers	FL	33913	22,169
605	San Francisco	845 Market St.	San Francisco	CA	94103	20,000
612	Dallas	3600 McKinney Avenue	Dallas	TX	75204	22,000
619	Lynnwood	3000 184th St. SW, Suite 910	Lynnwood	WA	98037	24,320

**Borders Group, Inc**  
**Exhibit 1**

**Store List**

Store #	Name	Address	City	State	Zip	Selling Sq Ft
621	Stockton	10776 Trinity Parkway	Stockton	CA	95219	22,000
626	Sarasota	3800 S. Tamiami Trail	Sarasota	FL	34239	21,239
632	Mayaguez	Avenida Hostos 975, Suite 765	Mayaguez	PR	00680-1277	15,173
636	Stafford	1240 Stafford Market Place	Stafford	VA	22556	18,000
641	Scottsdale	7135 East Camelback Rd, Space 140	Scottsdale	AZ	85251	26,000
658	St. Joseph	5201 North Belt Highway, Suite 127	St. Joseph	MO	64506	17,000
682	Newport News	12300 Jefferson Ave, Suite 100	Newport News	VA	23602	21,017
684	Albuquerque	10420 Coors Bypass NW, Suite B	Albuquerque	NM	87114	22,000
685	Winchester	2420 S. Pleasant Valley Road	Winchester	VA	22601	19,998
690	Long Beach	101 South Pine Avenue	Long Beach	CA	90802	21,061
691	Suwanee	3630 Peachtree Parkway, Suite 100	Suwanee	GA	30024	23,000
803	Wareham	Wareham Crossing 2421 Cranberry Highway, Ste 460	Wareham	MA	02571	25,000
829	New Orleans	3338 St. Charles Ave	New Orleans	LA	70115	23,831
833	Southbury	Southbury Plaza 100 Main Street North, Spc 17	Southbury	CT	06488	21,990
						<u>24,592</u>
200						

**Borders Group, Inc**  
**Exhibit 1A**  
**Current Stores**

<b>Store</b>	<b>City</b>	<b>State</b>
99	Syracuse	NY
533	Atlanta	GA
549	Chicago	IL
807	Boone	NC
967	Tampa	FL
607	Easton	PA
614	Las Vegas	NV
633	Houston	TX
697	Lufkin	TX
722	Lexington	KY
805	Killeen	TX
848	Springfield	MO
916	Orlando	FL
929	Oklahoma City	OK
936	Wakefield	RI
946	Martinsburg	WV
948	Memphis	TN
965	Kihei	HI
976	Denver	CO
979	Green Bay	WI
985	King Of Prussia	PA

**Borders**  
**Exhibit 3.1(c)**

**Merchandise Threshold Schedule**

Cost Value	Adjustment Points	Adjusted Guaranty
213,000,000	0.14%	84.57%
212,000,000	0.14%	84.71%
211,000,000	0.14%	84.85%
210,000,000	0.14%	84.99%
209,000,000	0.14%	85.13%
208,000,000	0.12%	85.27%
207,000,000	0.12%	85.39%
206,000,000	0.12%	85.51%
205,000,000	0.12%	85.63%
204,000,000		85.75%
180,600,000		85.75%
179,600,000	0.14%	85.61%
178,600,000	0.14%	85.47%
177,600,000	0.14%	85.33%
176,600,000	0.14%	85.19%
175,600,000	0.14%	85.05%
174,600,000	0.17%	84.88%
173,600,000	0.17%	84.71%
172,600,000	0.17%	84.54%
171,600,000	0.17%	84.37%
170,600,000	0.17%	84.20%
169,600,000	0.20%	84.00%
168,600,000	0.20%	83.80%
167,600,000	0.20%	83.60%
166,600,000	0.20%	83.40%
165,600,000	0.20%	83.20%
164,600,000	0.23%	82.97%
163,600,000	0.23%	82.74%
162,600,000	0.23%	82.51%

Note(s):

1. Adjustments between the increments shall be on a prorata basis.

2. In the event that the Cost Value of Merchandise is greater than \$213,000,000, each \$1,000,000 (or pro rata portion thereof) increment shall decrease the Guaranty by .16%

3. In the event that the Cost Value of Merchandise is less than \$162,600,000, each \$1,000,000 (or pro rata portion thereof) increment shall decrease the Guaranty by .25%

**Exhibit 3.3(a)**

**MERCHANT PAYMENT ACCOUNT DETAILS**

ABA# 021001033

Account# 50279513

Deutsche Bank Trust Company Americas New York, NY

Account Name: GECC/CAF

Reference: Borders Group, Inc.



### FORM OF AGENT LETTER OF CREDIT

[ADDRESS]

Date: \_\_\_\_\_, 2011

Irrevocable Standby Letter of Credit Number: \_\_\_\_\_

GENERAL ELECTRIC CAPITAL CORPORATION.  
[ ]  
[ ]

Credit No.: \_\_\_\_\_  
Opener's Reference No.: \_\_\_\_\_

Gentlemen:

BY ORDER OF: [AGENT'S NAME]

We hereby open in your favor our Irrevocable Standby Letter of Credit (the "Letter of Credit") for the account of \_\_\_\_\_ (the "Agent") for a sum or sums not exceeding a total of \$ \_\_\_\_\_ U.S. Dollars ( \_\_\_\_\_ ) available by your draft(s) at SIGHT on OURSELVES effective immediately and expiring at OUR COUNTERS on \_\_\_\_\_, 20[ ], or such earlier date on which either or both of the beneficiaries shall notify us in writing that this Letter of Credit shall be terminated accompanied by the original Letter of Credit (the "Expiry Date").

Draft(s) must be accompanied by the original of this Letter of Credit and a signed statement in the form attached hereto as Exhibit A signed by an officer of Borders Group, Inc. and/ or an officer of General Electric Capital Corporation (the "Beneficiaries").

This Letter of Credit may be reduced from time to time when accompanied by a signed statement from the Beneficiaries in the form attached as **Exhibit B**.

If a drawing is received by \_\_\_\_\_ at or prior to 12:00 noon, Eastern Time, on a Business Day, and provided that such drawing conforms to the terms and conditions hereof,

payment of the drawing amount shall be made to the Beneficiaries, as directed below, in immediately available funds on the same Business Day. If however, a drawing is received by \_\_\_\_\_ after 12:00 noon, Eastern Time, on a Business Day, and provided that such drawing conforms with the terms and conditions hereof, payment of the drawing amount shall be made to the Beneficiaries in immediately available funds on the next Business Day.

As used in this Letter of Credit, "Business Day" shall mean any day other than Saturday, Sunday or a day on which banking institutions in \_\_\_\_\_ are required or authorized to close.

Partial and/or multiple drawings are permitted.

Each draft must bear upon its face the clause, "Drawn under Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, 20[ ] of [NAME AND ADDRESS OF ISSUING BANK]."

Except so far as otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practices for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500.

We hereby agree that drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored if presented to the above mentioned drawee bank on or before the Expiry Date.

Kindly address all correspondence regarding this Letter of Credit to the attention of our Letter of Credit Operations, [ADDRESS OF L/C DEPARTMENT OF ISSUING BANK] attention \_\_\_\_\_, mention our reference number as it appears above. Telephone inquiries can be made to \_\_\_\_\_ at \_\_\_\_\_.

Very truly yours,

Authorized official

**EXHIBIT A**

IRREVOCABLE STANDBY LETTER OF CREDIT NO. \_\_\_\_\_

Re: Drawing for Amounts Due to:

BORDERS GROUP, INC.  
100 Phoenix Drive  
Ann Arbor, MI 48108

GENERAL ELECTRIC CAPITAL CORPORATION

[ ]  
[ ]

Ladies and Gentlemen:

I refer to your Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"). Capitalized terms used but not defined herein, shall have the meaning assigned to them in the Letter of Credit. The undersigned, a duly authorized officer of BORDERS GROUP, INC. and/or a duly authorized officer of GENERAL ELECTRIC CAPITAL CORPORATION, in their capacity as a Beneficiary (ies) of the Letter of Credit hereby certify to you that:

- (i) [ ] (the "Agent") has not made a payment when due of or for the Guaranteed Amount or Expenses due by the Agent to Borders Group, Inc. as Merchant, pursuant to, and as such term is defined in that certain Agency Agreement, dated as of February [ ], 2011, by and between Merchant on the one hand, and Agent, on the other.
- (ii) The amount to be drawn is \$ \_\_\_\_\_ (the "Amount Owing").
- (iii) Payment is hereby demanded in an amount equal to the lesser of (a) the Amount Owing and (b) the face amount of the Letter of Credit as of the date hereof.
- (iv) The Letter of Credit has not expired prior to the delivery of this letter and the accompanying sight draft.
- (v) In accordance with the terms of the Letter of Credit, the payment hereby demanded is requested to be made by wire transfer to the following account:

[ ]  
[ ]  
[ ]  
Further Credit to: [Account Title]  
[Account No. \_\_\_\_\_]

IN WITNESS WHEREOF, I have executed and delivered this certificate as of this \_\_\_\_\_  
day of \_\_\_\_\_, 20[ ].

BORDERS GROUP, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

GENERAL  
CORPORATION

ELECTRIC

CAPITAL

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT B**

IRREVOCABLE STANDBY LETTER OF CREDIT NO. \_\_\_\_\_

Re: Reduction of Face Amount

BORDERS GROUP, INC.  
100 Phoenix Drive  
Ann Arbor, MI 48108

GENERAL ELECTRIC CAPITAL CORPORATION  
[ ]  
[ ]

Ladies and Gentlemen:

I refer to your Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"). Capitalized terms used but not defined herein, shall have the meaning assigned to them in the Letter of Credit. The undersigned, duly authorized officers of BORDERS GROUP, INC. and GENERAL ELECTRIC CAPITAL CORPORATION, in their capacity as Beneficiaries of the Letter of Credit hereby confirm to you that the face amount of the Letter of Credit No. \_\_\_\_\_ shall be reduced from its original face amount to a new face amount of \$ \_\_\_\_\_.

IN WITNESS WHEREOF, I have executed and delivered this certificate as of this \_\_\_\_\_ day of \_\_\_\_\_, 20[ ].

BORDERS GROUP, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GENERAL ELECTRIC CAPITAL  
CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Borders Group, Inc  
4.1 r Occupancy - Per Diem

Common															Total - Per Diem									
Store #	Base Rent	Area Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint	Occupancy Other	Security	Utilities	Supplies	Equip. Leases	Equip. Maint	Other Taxes	Dues & Subscrip.	SBC Licensee Fees	Total									
2	1,058	-	238	13	105	140	11	193	64	4	46	1	11	2	1,885									
3	1,531	98	324	16	35	127	17	240	93	4	41	27	11	2	2,565									
9	751	136	97	15	42	83	13	167	92	4	92	2	11	2	1,507									
10	2,204	819	310	24	91	133	24	738	143	4	124	74	11	2	4,701									
18	1,452	36	132	16	51	108	12	273	80	-	51	25	11	2	2,249									
29	2,353	195	383	18	14	98	15	218	76	4	52	69	11	-	3,505									
31	960	196	300	13	135	85	7	122	37	5	27	2	11	-	1,902									
32	1,576	135	520	24	60	109	16	205	62	4	24	200	11	2	2,949									
33	1,849	-	493	15	60	235	21	268	65	4	56	3	11	-	3,080									
34	2,256	-	-	14	35	206	22	585	89	-	23	10	11	2	3,253									
50	3,589	207	936	21	76	161	26	343	119	4	202	112	11	2	5,810									
52	2,260	148	792	18	68	130	61	370	88	4	36	11	11	1	3,999									
53	1,460	63	140	25	36	103	18	222	49	-	54	22	11	2	2,204									
54	3,135	-	-	19	102	195	13	277	79	4	135	19	11	2	3,991									
57	6,610	674	2,489	24	60	485	33	371	174	8	397	174	11	-	11,511									
59	2,065	-	314	15	193	193	22	223	63	4	43	2	11	-	3,147									
60	2,378	95	255	31	35	104	11	308	57	4	20	28	11	2	3,336									
69	1,009	97	109	18	34	103	16	188	68	0	58	9	11	2	1,724									
71	1,132	134	346	18	49	110	25	258	75	-	35	44	11	2	2,239									
81	1,290	147	60	13	42	79	15	138	24	4	6	17	11	-	1,846									
88	1,383	74	193	26	54	121	19	311	91	4	66	67	11	2	2,421									
90	1,391	145	351	26	25	124	11	218	46	4	44	109	11	-	2,506									
92	1,341	-	101	16	21	143	10	183	67	4	22	39	11	2	1,960									
95	1,563	183	89	9	34	78	14	470	219	5	35	-	11	-	2,712									
101	4,328	-	480	24	67	165	33	202	126	4	73	20	11	-	5,534									
103	1,433	221	525	20	49	160	8	408	77	4	102	125	12	-	3,144									
105	1,624	-	59	17	42	108	17	248	70	4	29	51	11	-	2,281									
116	841	81	115	13	17	82	11	227	58	4	22	1	11	2	1,486									
117	1,353	177	350	18	91	161	16	239	91	4	86	52	11	1	2,649									
122	982	-	248	15	23	107	12	185	49	4	31	19	11	-	1,686									
124	2,143	-	613	19	74	135	23	329	72	4	12	27	11	2	3,480									
132	1,282	119	77	17	40	93	8	183	55	-	31	16	11	2	1,916									
134	1,408	93	164	18	45	104	13	181	64	-	29	21	11	2	2,554									
139	1,641	117	197	123	63	117	24	292	86	4	48	42	11	2	2,767									
141	1,874	-	251	16	80	116	20	243	67	4	29	48	11	-	2,760									
143	2,411	144	271	32	47	93	10	226	62	4	40	27	15	-	3,383									
144	1,922	103	640	13	31	111	19	186	61	4	83	3	11	-	3,186									
146	1,201	173	376	30	47	102	10	196	55	4	16	120	11	-	2,340									
148	1,763	-	229	17	94	168	17	413	108	7	45	54	11	2	2,930									
149	2,001	-	367	18	68	471	8	434	85	4	41	32	11	-	3,540									
151	1,638	-	133	15	23	105	13	157	67	4	11	93	19	2	2,280									

Borders Group, Inc  
4.1 r Occupancy - Per Diem

Common															Total - Per Diem									
Store #	Base Rent	Area Maintenance	Real Estate Taxes	Insurance	Building			Security	Utilities	Supplies	Equip. Leases	Equip. Maint	Other Taxes	Dues & Subscrip.	SBC Licensee Fees	Total								
					Repair & Maint	Occupancy Other	Other																	
154	3,484	-	-	13	56	161	11	475	89	4	11	74	11	2	4,392									
165	1,001	291	-	13	32	183	18	399	73	5	37	24	11	5	2,094									
171	1,314	-	253	15	93	111	14	267	87	4	73	29	11	2	2,273									
172	957	67	196	17	59	86	9	212	57	4	10	1	11	2	1,686									
174	1,201	108	216	15	20	100	19	261	70	4	28	40	11	2	2,096									
175	1,232	60	210	16	76	103	13	192	75	4	49	16	11	2	2,058									
179	1,736	142	374	15	23	96	25	254	70	4	20	1	11	1	2,772									
181	1,684	23	114	36	46	98	14	282	56	-	31	18	11	-	2,413									
189	1,205	92	457	15	41	88	7	162	65	4	20	2	11	1	2,171									
192	1,140	178	282	71	44	86	23	275	71	4	26	40	11	-	2,250									
195	1,258	19	236	15	14	234	9	200	59	4	61	31	11	2	2,152									
200	7,489	151	2,396	24	125	772	43	810	209	16	364	523	11	-	12,933									
203	1,152	-	201	12	48	165	15	189	57	4	19	14	11	2	1,890									
204	1,512	88	217	37	50	93	20	270	63	-	8	10	11	-	2,380									
206	799	466	85	9	45	124	12	383	52	4	11	0	11	-	2,002									
207	1,410	113	213	28	77	152	18	241	93	-	36	21	11	0	2,414									
209	661	46	91	15	40	96	23	278	85	4	54	4	11	2	1,409									
213	1,113	79	157	46	33	93	16	160	46	-	20	37	11	2	3,055									
214	1,832	238	281	23	28	121	22	339	92	4	27	28	11	2	2,046									
222	1,113	92	201	15	112	133	10	216	86	4	72	22	11	2	1,817									
224	887	192	175	12	53	100	17	214	73	4	37	40	11	-	4,722									
228	2,973	137	595	13	98	178	35	307	136	6	103	161	11	-	2,482									
233	1,464	210	46	15	45	109	14	268	108	0	60	79	15	5	1,978									
234	1,068	168	153	15	61	134	11	192	75	4	36	22	11	5	2,045									
235	1,054	302	10	15	58	81	14	362	54	-	55	5	11	-	2,957									
241	1,326	226	637	16	48	105	18	340	67	-	44	58	14	5	1,852									
243	928	170	84	13	61	128	14	248	74	-	21	140	11	5	1,675									
247	657	112	218	14	18	97	15	264	76	4	47	1	11	-	1,824									
251	983	-	270	15	63	99	14	277	66	4	21	28	11	-	1,938									
254	1,215	-	139	15	46	97	18	262	60	-	32	1	11	-	2,563									
255	1,591	28	367	16	74	104	13	267	55	4	73	65	11	-	2,461									
256	1,415	166	267	40	36	100	9	212	62	4	20	14	11	2	2,066									
259	1,350	52	112	15	51	101	10	251	77	-	106	43	11	-	4,530									
263	2,880	202	575	19	66	133	15	371	106	4	28	74	11	2	1,828									
264	1,182	-	80	15	36	116	17	162	102	4	60	1	12	2	2,738									
265	1,040	91	157	15	18	84	15	176	63	4	60	1	12	-	2,396									
266	1,580	157	154	15	37	90	13	169	74	4	54	38	11	-	2,422									
267	1,296	68	532	15	81	101	13	199	63	4	45	2	11	2	2,086									
273	1,431	-	220	12	69	76	16	156	67	-	13	8	11	1	1,494									
274	848	38	150	16	34	93	14	184	49	4	73	20	11	2	1,807									
278	943	263	-	15	44	107	65	200	60	-	7	14	11	-	2,350									
279	1,686	-	186	15	34	94	22	229	51	-	7	14	11	-	-									

Borders Group, Inc  
4.1 r Occupancy - Per Diem

Store #	Common Area														Total
	Base Rent	Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint	Occupancy Other	Security	Utilities	Supplies	Equip. Leases	Equip. Maint	Other Taxes	Dues & Subscrip.	SBC Licensee Fees	
280	2,022	99	235	119	95	83	14	195	65	4	31	144	13	-	3,119
282	954	69	166	25	17	86	8	193	42	-	51	13	11	1	1,635
284	1,368	-	368	15	40	179	25	155	67	4	71	14	11	2	2,320
285	1,732	197	504	36	50	94	17	303	60	5	68	51	11	2	3,129
297	1,251	280	357	58	59	130	9	208	80	-	48	42	11	-	2,534
298	990	46	116	24	46	94	9	218	44	4	13	84	11	2	1,701
302	1,730	213	243	18	32	112	20	324	101	-	41	6	11	2	2,854
303	1,228	113	309	14	46	90	26	218	99	4	46	56	11	2	2,262
318	338	199	225	13	35	97	14	210	76	4	36	65	11	5	1,328
329	1,189	358	-	16	51	111	12	171	49	4	87	52	11	5	2,115
330	3,966	395	801	15	59	100	27	705	152	4	155	8	11	-	6,397
333	933	98	104	32	41	92	17	306	53	4	51	18	11	5	1,764
336	1,618	100	164	32	34	76	11	182	60	4	20	21	11	2	2,335
342	1,027	97	163	27	74	108	9	270	72	-	29	14	11	2	1,903
345	1,246	101	126	15	24	97	16	252	91	4	47	24	11	2	2,055
347	843	73	296	13	8	80	11	221	51	-	26	1	11	-	1,634
355	1,526	57	141	42	19	95	12	239	49	-	20	22	11	-	2,233
357	1,018	59	111	15	51	102	15	212	71	4	57	29	11	2	1,757
358	957	105	91	14	21	92	12	221	48	4	38	1	11	2	1,617
359	2,146	-	341	15	86	107	13	298	74	4	62	53	11	2	3,212
360	1,163	69	117	15	19	89	18	187	67	4	13	75	11	1	1,847
362	1,919	-	451	20	78	101	99	287	79	5	48	24	11	2	3,122
363	1,390	138	715	16	41	91	12	236	71	4	48	1	11	2	2,777
365	1,199	91	154	25	15	94	22	165	54	-	24	19	11	2	1,876
366	1,199	154	261	15	31	98	15	225	75	7	32	142	11	2	2,058
367	990	154	261	15	31	98	15	225	75	4	51	49	11	-	3,996
374	2,094	752	495	75	50	101	26	221	68	4	49	33	11	2	1,966
375	761	253	377	15	100	88	9	215	52	0	28	0	11	2	2,019
377	1,004	167	129	106	30	198	11	254	76	4	24	27	11	2	2,093
378	1,156	156	204	15	24	107	16	295	53	4	23	31	11	2	2,761
379	1,704	218	263	15	41	81	12	246	112	4	90	28	11	2	2,675
387	1,617	89	127	14	39	208	98	276	72	4	76	1	18	2	2,126
389	1,104	-	289	14	67	157	31	303	60	4	29	17	11	2	1,804
395	972	42	215	15	50	134	10	221	85	0	22	36	11	2	2,551
402	1,780	-	219	15	31	125	12	223	70	4	16	34	11	2	2,141
404	1,055	212	209	59	51	121	11	286	60	4	25	45	11	1	2,122
407	1,236	137	309	13	14	134	13	150	62	4	96	1	11	-	2,205
408	1,316	88	306	39	26	86	18	178	80	4	32	19	11	-	1,959
410	1,211	81	103	102	22	100	14	208	62	6	31	69	11	2	2,144
411	1,454	-	132	15	32	105	18	208	48	-	28	24	11	2	1,659
413	951	107	188	14	11	89	13	173	70	4	29	39	11	2	2,582
443	1,575	177	240	15	35	123	13	249	48	4	29	24	11	2	1,844
450	1,088	145	75	22	61	102	12	209	66	1	19	28	11	5	



Borders Group, Inc  
4.1 r Occupancy - Per Diem

Total - Per Diem																	
Common																	
Store #	Base Rent	Area Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint	Occupancy		Security	Utilities	Supplies	Equip. Leases	Equip. Maint	Other Taxes	Dues & Subscrip.	SBC Licensee Fees	Total	
						Other											
455	1,419	24	156	15	13	79	21	267	73	4	4	113	1	11	2	2,133	
457	1,158	224	-	15	91	72	13	318	73	4	4	47	6	11	2	2,099	
462	874	125	156	14	16	92	11	204	62	4	4	29	144	11	2	1,762	
467	1,073	96	272	14	30	90	10	185	42	4	4	18	25	11	-	1,881	
470	1,447	-	330	15	62	120	15	250	61	4	4	147	27	11	2	2,363	
475	1,920	119	133	14	16	142	22	260	73	4	4	28	1	11	2	2,864	
480	1,355	142	154	15	40	83	12	188	46	4	4	41	3	11	-	2,081	
481	1,166	107	220	17	12	93	15	210	74	4	4	72	39	11	2	2,011	
482	1,116	371	127	112	6	108	31	794	140	4	4	73	642	7	-	3,530	
483	1,533	135	278	15	24	105	14	110	89	4	4	41	2	11	2	2,396	
485	940	98	172	21	21	101	16	190	94	-	-	23	36	11	2	1,742	
487	1,787	302	270	16	41	132	14	266	94	4	4	36	20	11	-	2,983	
488	1,265	294	-	15	32	63	11	109	65	-	-	92	24	11	-	1,925	
491	1,269	526	407	16	67	165	14	532	114	4	4	45	49	11	-	3,266	
492	1,119	457	-	14	29	113	20	168	83	-	-	16	23	11	2	2,084	
493	1,190	11	185	13	41	103	18	314	51	4	4	44	34	11	2	2,021	
497	935	152	144	43	60	97	19	199	53	4	4	16	33	11	1	1,769	
498	967	91	119	13	51	85	10	219	53	4	4	58	1	11	-	1,681	
499	1,705	232	408	15	35	90	27	290	92	4	4	84	4	11	-	2,997	
503	1,137	-	359	15	90	251	12	169	60	-	-	32	1	11	2	1,966	
504	1,301	-	221	14	6	108	15	255	46	4	4	83	15	11	-	1,892	
507	892	180	165	13	80	79	16	165	51	4	4	20	44	11	2	2,014	
508	1,111	155	325	14	17	90	15	191	59	4	4	110	5	11	-	2,572	
517	1,472	206	333	15	61	59	12	116	25	4	4	6	16	11	-	1,262	
518	782	75	118	12	29	110	17	223	98	4	4	26	30	11	2	2,065	
527	1,179	113	130	29	54	84	16	96	51	4	4	64	14	11	2	1,715	
529	1,182	122	78	16	14	102	12	259	74	4	4	36	25	11	2	2,021	
530	1,190	81	155	12	33	87	12	185	69	4	4	61	43	11	2	1,831	
536	1,101	110	115	22	35	85	19	285	54	-	-	60	35	11	2	1,927	
538	1,177	80	88	13	18	92	13	183	62	4	4	13	139	11	2	1,855	
541	926	57	281	14	26	92	14	264	69	4	4	38	47	11	-	1,167	
542	126	292	163	14	26	99	14	70	43	4	4	57	25	11	-	1,623	
543	813	177	296	11	10	97	9	172	51	4	4	31	17	11	2	1,437	
545	683	293	50	8	18	86	19	141	57	4	4	63	20	12	2	1,301	
548	683	110	81	12	18	87	11	212	63	4	4	23	6	11	-	2,342	
554	1,368	-	377	41	33	131	73	200	64	-	-	83	60	11	2	1,897	
556	1,079	163	64	12	65	82	12	200	64	4	4	49	21	11	2	1,362	
562	759	56	112	13	10	78	13	167	69	4	4	119	5	11	-	3,895	
564	2,116	408	802	15	53	79	21	185	77	4	4	15	42	11	2	1,418	
565	629	214	152	12	31	74	13	169	51	4	4	50	270	11	-	6,371	
566	4,710	-	264	16	81	303	32	536	94	4	4	35	1	11	-	1,727	
569	735	262	358	10	35	66	9	142	54	4	4				2		

Borders Group, Inc  
4.1 r Occupancy - Per Diem

Common															Total	
Store #	Base Rent	Area Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint	Occupancy		Security	Utilities	Supplies	Equip. Leases	Equip. Maint	Other Taxes	Dues & Subscrip.	SBC Licensee Fees	Total
						Other										
490	1,220	54	139	15	15	106		12	169	86	-	29	16	11	2	1,877
516	879	99	161	14	20	81		13	169	54	-	19	1	11	-	1,523
523	390	41	127	9	32	67		11	151	32	4	15	19	11	2	907
553	686	81	68	12	11	74		20	130	64	4	20	14	11	2	1,196
576	490	156	110	11	24	93		11	196	99	4	20	23	11	2	1,251
593	1,077	105	205	13	26	104		14	207	86	4	53	49	11	2	1,957
596	753	131	152	12	22	75		16	189	61	4	93	23	11	2	1,545
601	659	114	111	14	22	82		11	262	46	6	17	1	11	5	1,389
626	1,061	-	133	14	28	122		20	214	80	-	80	34	11	2	1,800
636	792	54	103	11	49	77		10	169	62	4	53	57	11	2	1,454
658	557	65	113	10	44	78		22	180	47	4	32	34	11	5	1,202
571	1,119	6	87	13	72	106		13	185	59	-	35	58	11	2	1,767
575	903	96	355	13	69	84		42	193	78	6	59	1	11	2	1,911
584	401	63	175	9	41	84		14	96	32	4	26	136	11	2	1,093
587	1,761	296	274	14	66	125		13	300	71	4	50	44	11	1	3,031
588	860	88	202	13	38	81		23	263	68	0	112	1	11	2	1,751
595	973	89	200	13	6	87		13	194	31	4	54	1	11	-	1,687
600	946	283	-	14	20	124		24	214	54	4	38	23	11	5	1,759
604	673	127	-	14	68	113		10	272	60	4	12	32	11	-	1,523
605	2,294	-	-	12	42	246		13	663	120	4	23	111	11	5	3,544
612	1,201	149	428	13	66	109		16	281	54	-	85	161	11	2	2,577
619	1,461	253	190	15	33	126		13	139	61	4	136	27	11	2	2,471
621	683	63	244	16	45	99		17	300	37	4	38	70	11	2	1,627
632	497	312	-	18	9	67		3	586	133	4	37	642	8	-	2,316
641	1,775	-	-	12	42	81		13	377	67	4	110	22	11	2	2,515
682	1,102	36	41	13	20	80		24	179	51	4	36	58	11	5	1,659
684	931	82	112	13	18	103		16	209	95	4	31	34	11	5	1,665
685	901	58	48	12	41	87		11	259	64	5	17	172	11	5	1,691
690	463	290	-	13	70	89		10	219	107	4	42	40	11	5	1,361
691	932	57	64	13	24	90		9	268	58	4	15	50	11	5	1,599
803	971	238	131	15	14	99		19	436	101	-	17	9	14	5	2,070
829	1,969	45	169	187	42	131		23	626	95	-	148	156	14	3	3,608
833	1,291	234	83	13	7	111		17	375	98	-	24	30	14	5	2,303
Total	\$ 280,411	\$ 25,809	\$ 48,786	\$ 4,261	\$ 9,043	\$ 23,521		\$ 3,478	\$ 50,727	\$ 14,525	\$ 606	\$ 10,089	\$ 9,234	\$ 2,240	\$ 353	\$ 483,083

**Borders Group, Inc**

**Exhibit 4.1 (s)**

**E-mail Distribution Charges**

\$500 Creative for each different e-mail created.

\$2,500 For segmentation work

\$0.0025 per email sent

**Exhibit 5.1**

**Inventory Taking Procedures**

**TO BE MUTUALLY AGREED UPON**

**Borders Group, Inc**  
**Exhibit 5.2 b**  
**DC Merchandise**

Inventory listed in due diligence file "Title Detail of RC onhands.xlsx".

**Borders Group, Inc**  
**Exhibit 5.2 b (i)**  
**Stripped Books**

Inventory listed in due diligence file "strips title detail.xls".

**Exhibit 5.5**

**Schedule and Allocation of Distribution Center Merchandise**

**TO BE MUTUALLY AGREED UPON**

**Exhibit 5.6**

**List of Put Option Stores**

**TO BE MUTUALLY AGREED UPON**



## EXHIBIT 8.1(a)

### GUIDELINES FOR CONDUCT OF THE SALE<sup>1</sup>

1. The Sale shall be conducted so that the Stores in which sales are to occur remain open no longer than the normal hours of operation provided for in the respective leases or other occupancy agreements for the Stores.

2. The Sale shall be conducted in accordance with applicable state and local "Blue Laws," and thus, where applicable, no sale shall be conducted on Sunday unless the Merchant had been operating such Store on a Sunday.

3. All in-Store display and hanging signs used by the Merchant and the Agent in connection with Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. The Merchant and the Agent may advertise the Sale using the term "store closing" or any similar theme, but will not utilize the term "going out of business," or any similar theme. The Merchant and the Agent shall not use neon or day-glo signs. Furthermore, with respect to enclosed mall locations no exterior signs or signs in common areas of a mall shall be used. In addition, the Merchant and the Agent shall be permitted to utilize exterior banners at (i) non-enclosed mall Stores, and (ii) enclosed mall Stores to the extent the applicable Store entrance does not require entry into the enclosed mall common area; provided, however, that such banners shall be located or hung so as to make clear that the Sale is being conducted only at the affected store and shall not be wider than the storefront of the Store. In addition, the Merchant and the Agent shall be permitted to utilize sign walkers.

4. Conspicuous signs shall be posted in the cash register areas of each Store to the effect that all sales are "final" and that customers with any questions or complaints subsequent to the conclusion of the Sale may contact a named representative of the Merchant at a specified telephone number.

5. Within a "shopping center", the Agent shall not distribute handbills, leaflets or other written materials to customers outside of any of the Stores, unless permitted by the applicable lease or, if distribution is customary in the "shopping center" in which the Store is located. Otherwise, the Agent may solicit customers in the Stores themselves. The Agent shall not use any flashing lights or amplified sound to advertise the Sale or solicit customers, except as permitted under the applicable lease or agreed to by the landlord.

6. At the conclusion of the Sale, Agent shall vacate the Stores in "broom-clean" condition, and shall otherwise leave the Stores in the same condition as on the commencement of the Sale, ordinary wear and tear excepted; provided, however, that the Merchant and/or the Agent shall be authorized to leave any FF&E or other materials not sold in the Sale (the "Abandoned Property") at the closing store premises at the conclusion of the Sale; provided, further, that the Merchant hereby does not undertake any greater obligation than as set forth in an applicable lease with respect to a Store. Any Abandoned Property left in a Store after a lease is rejected shall be deemed abandoned with the landlord having the right to dispose of the same as

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<sup>1</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agency Agreement.

## **EXHIBIT 8.1(a)**

the landlord chooses without any liability whatsoever on the part of the landlord and without waiver of any damage claims against the Merchant or Agent.

7. During the Sale, the Agent may sell the Agent Sale FF&E located in the Stores subject to Section 15.9 of the Agency Agreement. The Agent may advertise the sale of such Agent Sale FF&E consistent with the guidelines provided in paragraphs 3 and 5 hereof. Additionally, the purchasers of any Agent Sale FF&E sold during the Sale shall only be permitted to remove the Agent Sale FF&E either through the back shipping areas or through other areas after store business hours unless otherwise agreed to by the center or mall management or if such Agent Sale FF&E can be removed by one person and can fit within a shopping bag in which case such Agent Sale FF&E can be removed at anytime or any entrance.

8. Landlords will be provided with the name and telephone number of a representative of the Merchant to notify of any problem arising during the Sale.

9. The Agent shall not make any alterations to interior or exterior Store lighting. No property of any landlord of a Store shall be removed or sold during the Sale. The hanging of exterior banners or other signage shall not constitute an alteration to a Store.

10. At the conclusion of the Sale at each Store, pending assumption or rejection of applicable leases, the landlord of a Store shall have reasonable access to the Store's premises as set forth in the applicable lease. The Merchant and, to the extent provided for in the Agency Agreement, the Agent, and each of their agents and representatives shall continue to have exclusive and unfettered access to the Stores.

11. The Merchant shall notify a representative of the relevant landlord of the date on which the Sale is scheduled to conclude at a given Store, within three business days of the Merchant's receipt of such notice from the Agent.

12. Nothing contained herein shall be construed to create or impose upon the Merchant or the Agent any additional restrictions not contained in the applicable lease or other occupancy agreement.

13. As to the relative rights of the Debtors and the Agent, any conflicts between this document and the Agency Agreement shall be resolved in favor of the Agency Agreement and nothing contained in these Sale Guidelines shall be deemed to modify, limit or expand such provisions of the Agency Agreement. As to landlords' rights hereunder, the Sale Guidelines shall control and nothing in the Agency Agreement shall be deemed to modify, limit or expand landlord's rights hereunder.

**Exhibit 11.1(c)**

**LIST OF PERMITTED LIENS**

Liens granted pursuant to the DIP Facility.

**Exhibit 11.1(l)**

**Schedule of Merchant's Pending Sale Advertisements and Promotions**

**TO BE MUTUALLY AGREED UPON**

**Borders Group, Inc**  
**Exhibit 11.1(m)**

Cost Factor		
Cost Factor	Adjustment Points	Adjusted Guaranty
50.60%		85.75%
50.70%	0.22%	85.53%
50.80%	0.22%	85.31%
50.90%	0.22%	85.09%
51.00%	0.22%	84.87%
51.10%	0.22%	84.65%
51.20%	0.22%	84.43%
51.30%	0.22%	84.21%
51.40%	0.22%	83.99%
51.50%	0.22%	83.77%
51.60%	0.22%	83.55%
51.70%	0.22%	83.33%
51.80%	0.22%	83.11%
51.90%	0.22%	82.89%
52.00%	0.22%	82.67%
52.10%	0.22%	82.45%
52.20%	0.22%	82.23%
52.30%	0.22%	82.01%
52.40%	0.22%	81.79%
52.50%	0.22%	81.57%
52.60%	0.22%	81.35%

Note(s):

- Adjustments between the increments shall be on a prorata basis.

**Exhibit 11.1(p)**

**Schedule of Promotions and Discounts at Non-Closing Stores**

**TO BE MUTUALLY AGREED UPON**

**Exhibit 12.3**

**TABLE OF AGENT'S INSURANCE AMOUNTS**

**EXHIBIT B**  
**SALE GUIDELINES**



## **GUIDELINES FOR CONDUCT OF THE SALE<sup>1</sup>**

1. The Sale shall be conducted so that the Stores in which sales are to occur remain open no longer than the normal hours of operation provided for in the respective leases or other occupancy agreements for the Stores.
2. The Sale shall be conducted in accordance with applicable state and local “Blue Laws,” and thus, where applicable, no sale shall be conducted on Sunday unless the Merchant had been operating such Store on a Sunday.
3. All in-Store display and hanging signs used by the Merchant and the Agent in connection with Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. The Merchant and the Agent may advertise the Sale using the term “store closing” or any similar theme, but will not utilize the term “going out of business,” or any similar theme. The Merchant and the Agent shall not use neon or day-glo signs. Furthermore, with respect to enclosed mall locations no exterior signs or signs in common areas of a mall shall be used. In addition, the Merchant and the Agent shall be permitted to utilize exterior banners at (i) non-enclosed mall Stores, and (ii) enclosed mall Stores to the extent the applicable Store entrance does not require entry into the enclosed mall common area; provided, however, that such banners shall be located or hung so as to make clear that the Sale is being conducted only at the affected store and shall not be wider than the storefront of the Store. In addition, the Merchant and the Agent shall be permitted to utilize sign walkers.
4. Conspicuous signs shall be posted in the cash register areas of each Store to the effect that all sales are “final” and that customers with any questions or complaints subsequent to the conclusion of the Sale may contact a named representative of the Merchant at a specified telephone number.
5. Within a “shopping center”, the Agent shall not distribute handbills, leaflets or other written materials to customers outside of any of the Stores, unless permitted by the applicable lease or, if distribution is customary in the “shopping center” in which the Store is located. Otherwise, the Agent may solicit customers in the Stores themselves. The Agent shall not use any flashing lights or amplified sound to advertise the Sale or solicit customers, except as permitted under the applicable lease or agreed to by the landlord.
6. At the conclusion of the Sale, Agent shall vacate the Stores in “broom-clean” condition, and shall otherwise leave the Stores in the same condition as on the commencement of the Sale, ordinary wear and tear excepted; provided, however, that the Merchant and/or the Agent shall be authorized to leave any FF&E or other materials not sold in the Sale (the “Abandoned Property”) at the closing store premises at the conclusion of the Sale; provided, further, that the Merchant hereby does not undertake any greater obligation than as set forth in an applicable lease with respect to a Store. Any Abandoned Property left in a Store after a lease is rejected shall be deemed abandoned with the landlord having the right to dispose of the same as

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<sup>1</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agency Agreement.

the landlord chooses without any liability whatsoever on the part of the landlord and without waiver of any damage claims against the Merchant or Agent.

7. During the Sale, the Agent may sell the Agent Sale FF&E located in the Stores subject to Section 15.9 of the Agency Agreement. The Agent may advertise the sale of such Agent Sale FF&E consistent with the guidelines provided in paragraphs 3 and 5 hereof. Additionally, the purchasers of any Agent Sale FF&E sold during the Sale shall only be permitted to remove the Agent Sale FF&E either through the back shipping areas or through other areas after store business hours unless otherwise agreed to by the center or mall management or if such Agent Sale FF&E can be removed by one person and can fit within a shopping bag in which case such Agent Sale FF&E can be removed at anytime or any entrance.

8. Landlords will be provided with the name and telephone number of a representative of the Merchant to notify of any problem arising during the Sale.

9. The Agent shall not make any alterations to interior or exterior Store lighting. No property of any landlord of a Store shall be removed or sold during the Sale. The hanging of exterior banners or other signage shall not constitute an alteration to a Store.

10. At the conclusion of the Sale at each Store, pending assumption or rejection of applicable leases, the landlord of a Store shall have reasonable access to the Store's premises as set forth in the applicable lease. The Merchant and, to the extent provided for in the Agency Agreement, the Agent, and each of their agents and representatives shall continue to have exclusive and unfettered access to the Stores.

11. The Merchant shall notify a representative of the relevant landlord of the date on which the Sale is scheduled to conclude at a given Store, within three business days of the Merchant's receipt of such notice from the Agent.

12. Nothing contained herein shall be construed to create or impose upon the Merchant or the Agent any additional restrictions not contained in the applicable lease or other occupancy agreement.

13. As to the relative rights of the Debtors and the Agent, any conflicts between this document and the Agency Agreement shall be resolved in favor of the Agency Agreement and nothing contained in these Sale Guidelines shall be deemed to modify, limit or expand such provisions of the Agency Agreement. As to landlords' rights hereunder, the Sale Guidelines shall control and nothing in the Agency Agreement shall be deemed to modify, limit or expand landlord's rights hereunder.