

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

*Attorneys for Debtors
and Debtors-in-Possession*

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

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-_____ (___)

(Joint Administration Pending)

**DEBTORS' MOTION PURSUANT TO 11 U.S.C. §§ 105, 365(a),
AND 554(a) REQUESTING APPROVAL OF PROCEDURES
FOR THE REJECTION OF UNEXPIRED LEASES**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Borders Group, Inc. ("BGI") and its affiliated debtors, including Borders, Inc., as debtors and debtors in possession (collectively, the "Debtors"), submit this motion (the "Motion") and respectfully represent as follows:

BACKGROUND

1. On the date hereof (the "Commencement Date"), each of the Debtors commenced a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").

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

The Debtors are authorized to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Contemporaneously herewith, the Debtors filed a motion seeking joint administration of their chapter 11 cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

DEBTORS’ BUSINESS

A. Operations

2. The Debtors are a leading operator of book, music and movie superstores and mall-based bookstores. At January 29, 2011, the Debtors operated 642 stores, under the Borders, Waldenbooks, Borders Express and Borders Outlet names, as well as Borders-branded airport stores in the United States, of which 639 stores are located in the United States and 3 in Puerto Rico. Two of Borders’ flagship stores (along with other less prominent stores) are located in Manhattan. In addition, the Debtors operate a proprietary e-commerce web site, www.Borders.com, launched in May 2008, which includes both in-store and online e-commerce components.

3. As of February 11, 2011, the Debtors employed a total of approximately 6,100 full-time employees, approximately 11,400 part-time employees, and approximately 600 contingent employees (who are required to work one shift per month, and usually do so at special events), all of whom are located in the United States and Puerto Rico. The Debtors’ employees are not subject to any collective bargaining agreements.

B. Financials

4. For the fiscal year ended January 29, 2011, the Debtors recorded net sales of approximately \$2.3 billion. As of December 25, 2010, the Debtors had incurred net year-to-date losses of approximately \$168.2 million.

5. Additional information regarding the Debtors' business, capital structure, and the circumstances leading to these chapter 11 cases is contained in the *Declaration of Scott Henry Pursuant to Local Bankruptcy Rule 1007-2 in Support of First Day Motions* (the "First Day Declaration") filed contemporaneously herewith.

JURISDICTION

6. The Court has subject matter jurisdiction to consider and determine this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

RELIEF REQUESTED

7. The Debtors request, pursuant to sections 105(a) and 363 of the Bankruptcy Code, entry of an order authorizing (i) the proposed expedited procedures for the future rejection of burdensome unexpired leases (the "Rejection Procedures"), and (ii) authority to take any and all actions as may be necessary and appropriate to implement and effectuate the Rejection Procedures as approved by this Court, including the abandonment of personal property pursuant to section 554(a) of the Bankruptcy Code. A proposed order is attached hereto as Exhibit A.

THE PROPOSED LEASE REJECTION PROCEDURES

8. The Debtors are parties to hundreds of unexpired leases, including real property leases for their retail locations (each a "Lease" and, collectively, the "Leases"). Contemporaneously herewith, the Debtors filed a motion seeking, *inter alia*, to sell certain assets through store closing sales. Pursuant thereto, the Debtors anticipate closing approximately 202 of their underperforming retail stores. Thus, although the Debtors are still reviewing the Leases and may assume certain Leases in connection with the administration of these cases or a chapter 11 plan, there will inevitably be a large number of Leases that no longer provide any benefit to their estates and should be rejected. Throughout the anticipated store-closing process, the

Debtors will need the Rejection Procedures in order to facilitate an expeditious and efficient process for rejecting these burdensome Leases and to conserve the resources of these estates. Accordingly, consistent with the practice in large debtor-retailer chapter 11 cases, the Debtors seek approval of the Rejection Procedures.

9. The Debtors request authority to reject any or all of their Leases, pursuant to section 365(a) of the Bankruptcy Code, as an appropriate exercise of their business judgment through the following Rejection Procedures:

- a. The Debtors will file on the docket for these chapter 11 cases a notice (the “Rejection Notice”) setting forth the proposed rejection of one or more Leases,² and will serve the Rejection Notice via Federal Express or other overnight mail delivery service and fax (where available) on: (i) the non-Debtor counter party (and its counsel, if known) under the respective Lease at the last known address available to the Debtors; (ii) counsel to the statutory committee of unsecured creditors appointed in these chapter 11 cases (the “Creditors’ Committee”); (iii) counsel for the DIP Agents: (x) Morgan, Lewis & Bockius LLP (Attn: Wendy Walker, Esq. and Sandra Vrejan, Esq.), counsel for the Working Capital Agent, (y) Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), counsel for GA Capital LLC; (iv) Kelley Drye & Warren LLP, attorneys for certain landlords (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); (v) Lowenstein Sandler PC, attorneys for certain trade vendors (Attn: Kenneth A. Rosen, Esq., Bruce D. Buechler, Esq., Bruce S. Nathan, Esq., and Paul Kizel, Esq.); and (vi) the United States Trustee for the Southern District of New York (the “U.S. Trustee”) (collectively, the “Rejection Notice Parties”).
- b. The Rejection Notice shall be substantially in the form of Exhibit 1 annexed to the proposed order. With respect to non-residential real property Leases to be rejected, the Rejection Notice shall set forth the following information, based on the best of the Debtors’ information: (i) the street address of real property that is the subject of the Lease; (ii) the remaining term of the Lease; and (iii) the name and address of the affected landlord. With respect to personal property Leases to be rejected, the Rejection Notice shall set forth the following information, based on the best of the Debtors’ information: (i) the name and address of the Lease counterparty; and (ii) a brief description of the personal property Lease to

² Consistent with Rule 6006(f) of the Bankruptcy Rules, however, no more than 100 unexpired Leases will be contained on any one Rejection Notice.

be rejected. All Rejection Notices will be accompanied by a copy of the Order granting this Motion.

- c. Should a party in interest object to the Debtors' proposed rejection of a Lease, such party must file and serve a written objection so that such objection is filed with this Court and actually received by the following parties (the "Objection Notice Parties") no later than ten (10) calendar days after the date the Rejection Notice is filed: (i) the attorneys for the Debtors, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, NY 10019 (Attn: Jeffrey R. Gleit, Esq. and Alan Lungen, Esq.); (ii) the U.S. Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (iii) the attorneys for the Creditors' Committee; (iv) counsel for the DIP Agents: (x) Morgan, Lewis & Bockius LLP (Attn: Wendy Walker, Esq. and Sandra Vrejan, Esq.), counsel for the Working Capital Agent, (y) Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), counsel for GA Capital LLC; (v) Kelley Drye & Warren LLP, attorneys for certain landlords (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); and (vi) Lowenstein Sandler PC, attorneys for certain trade vendors (Attn: Kenneth A. Rosen, Esq., Bruce D. Buechler, Esq., Bruce S. Nathan, Esq., and Paul Kizel, Esq.).
- d. If no objection to a Rejection Notice is timely filed and served, the applicable Lease shall be deemed rejected on the effective date set forth in the Rejection Notice, or, if no such date is set forth, the date the Rejection Notice is filed with the Court (the "Rejection Date").
- e. If a timely objection to a Rejection Notice is filed and received in accordance with the Rejection Procedures, the Debtors shall schedule a hearing on such objection and shall provide at least five (5) days' notice of such hearing to the objecting party and the Objection Notice Parties. If the Court ultimately upholds the Debtors' determination to reject the applicable Lease, then the applicable Lease shall be deemed rejected (i) as of the Rejection Date, or (ii) as otherwise determined by the Court as set forth in any order overruling such objection.
- f. Claims arising out of the rejection of Leases must be filed, on or before the later of (i) the deadline for filing proofs of claim established by the Court in the Debtors' cases, or (ii) forty-five (45) days after the Rejection Date. If no proof of claim is timely filed, such claimant shall be forever barred from asserting a claim for rejection damages and from participating in any distributions that may be made in connection with these chapter 11 cases.
- g. If the Debtors have deposited funds with a Lease counterparty as a security deposit or other arrangement, such Lease counterparty may not

setoff or otherwise use such deposit without the prior authority of the Court or agreement of the parties.

10. The Debtors also request authority, prior to and through the Rejection Date, to remove, in their sole discretion, from premises that are the subject of any rejected Lease, consistent with the Debtors' ownership rights or other property interests therein, personal property that the Debtors have installed in or about the leased premises (such as equipment, fixtures, furniture, advertising displays and other personal property), which property is either owned by the Debtors, leased by the Debtors from third parties, or subject to any equipment financing agreements with third parties.³

11. Moreover, to the extent that the Debtors determine that any interest of the Debtors in such property has little or no value or that the preservation thereof will be burdensome to their estates compared with the expense of removing and storing such property, the Debtors request authority to abandon, in their sole discretion, such property remaining at a premises subject to a rejected Lease as of the Rejection Date. No personal property subject to a true lease shall be abandoned without first rejecting the underlying lease for such property. If the Debtors propose to abandon personal property that is (i) subject to a true lease, and (ii) located at a premises that is the subject of a Rejection Notice, such Rejection Notice shall indicate the same, and the Debtors propose that the automatic stay be deemed modified to permit the respective personal property lessor to retrieve such abandoned property within seven (7) days of the date the Rejection Notice is filed (the "Collection Deadline"). Should the Debtors propose to abandon such property, the foregoing notice and objection procedures will apply to the personal property lessor and the Rejection Notice will set forth a description of the property proposed to be abandoned, as required by Rule 6007-1 of the Local Bankruptcy Rules for the United States

³ The Debtors will not remove any property that is owned by an applicable landlord.

Bankruptcy Court for the Southern District of New York, and shall be served on the personal property lessor. In all events, including if property is not retrieved by the Collection Deadline, the Debtors request that the property be deemed abandoned pursuant to section 554 of the Bankruptcy Code as of the Rejection Date and, except as set forth above, that the landlord(s) be authorized to dispose of such abandoned property without liability to any third party claiming an interest in such abandoned property.

12. In connection with the foregoing Rejection Procedures, the Debtors also request that they be authorized to execute and deliver all instruments and documents, and take such other actions as may be necessary or appropriate to implement and effectuate the Rejection Procedures as approved by this Court and that entry of the requested order be without prejudice to the Debtors' right to seek further, other, or different relief regarding the Leases.

13. The above proposed Rejection Procedures will streamline the Debtors' ability to reject burdensome Leases, and thereby minimize unnecessary postpetition obligations, while also providing Lease counterparties with adequate notice of the rejection of any such Lease and an opportunity to object to such rejection within a reasonable time period. Accordingly, the Debtors respectfully submit that the Rejection Procedures should be approved as they balance the respective interests of the parties, are an appropriate exercise of the Debtors' business judgment, and constitute a common form of relief in many bankruptcy cases in this and other jurisdictions.

BASIS FOR RELIEF

14. Section 365 of the Bankruptcy Code empowers a debtor in possession, subject to court approval, to reject an executory contract or unexpired lease. 11 U.S.C. § 365(a). In determining whether the rejection of an unexpired lease or executory contract should be authorized, courts apply the "business judgment" standard. *See Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1099 (2d Cir. 1993).

15. Rejection is appropriate based solely on the resultant benefit to the estate. *See In re Stable Mews Assocs., Inc.*, 41 B.R. 594, 596 (Bankr. S.D.N.Y. 1984). Therefore, the business judgment standard is satisfied when a debtor determines that rejection will benefit the estate. *See In re Child World, Inc.*, 142 B.R. 87, 89 (Bankr. S.D.N.Y. 1992); *In re Ionosphere Clubs, Inc.*, 100 B.R. 670, 673 (Bankr. S.D.N.Y. 1989); *see also In re TS Indus., Inc.*, 117 B.R. 682, 685 (Bankr. D. Utah 1990); *In re Del Grosso*, 115 B.R. 136, 138 (Bankr. N.D. Ill. 1990).

16. The rejection of unnecessary or burdensome Leases and the attendant reduction in the estates' administrative costs reflects the Debtors' exercise of sound business judgment. Establishing the Rejection Procedures will minimize the Debtors' postpetition obligations and promote the efficiency and overall cost-effectiveness of the Debtors' reorganization. Further, the Rejection Procedures will save substantial legal expense and Court time that would otherwise be incurred if multiple hearings were held on separate motions with respect to every Lease that the Debtors determine should be rejected.

17. The counterparties to the Leases will not be prejudiced by the Rejection Procedures because, upon receipt of a Rejection Notice, such counterparties will have received advance notice of the Debtors' intent to reject their respective Lease and of the effective date of the rejection. *See, e.g., In re Mid Region Petroleum, Inc.*, 111 B.R. 968, 970 (Bankr. N.D. Okla. 1990) (holding effective date of rejection of leases was the date the trustee gave notice to lessor of intent to reject); *In re Carlisle Homes, Inc.*, 103 B.R. 524, 535 (Bankr. D.N.J. 1988) (finding debtor may reject executory contract by clearly communicating intention to reject).

Additionally, in the case of unexpired leases of nonresidential real property, the Debtors will likely vacate the premises before or upon serving the Rejection Notice, thereby allowing the counterparties to take possession of the property. *See, e.g., Adelpia Bus. Solutions, Inc. v.*

Abnos, 482 F.3d 602, 608-09 (2d Cir. 2007) (holding bankruptcy court did not abuse its discretion in finding balance of equities favored making rejection of a nonresidential lease of real property retroactive to date tenant vacated premises, as tenant's action provided landlord with opportunity to relet premises); *In re New Valley Corp*, No. 98-982, 2000 U.S. Dist. LEXIS 12663, at *44-46 (D.N.J. Aug. 31, 2000) (holding bankruptcy court properly exercised its discretion in adjusting the effective date of rejection from the date the court signed the order authorizing rejection to the date on which the debtor vacated and the landlord exercised control over the property); *In re Amber's Stores*, 193 B.R. 819, 827 (Bankr. N.D. Tex. 1996) (holding that lease at issue should be deemed rejected as of the petition date due to equities of the case where debtor turned over keys and vacated premises and served motion to reject lease as soon as possible). The Debtors submit that the proposed Rejection Procedures balance the need for an expeditious reduction of burdensome costs to the Debtors' estates while providing appropriate notice of the proposed rejection to the Lease counterparties.

18. With respect to the Debtors' request for authority to abandon property, the Debtors submit that the standard set forth in section 554(a) of the Bankruptcy Code is satisfied. Section 554(a) provides that a debtor in possession may abandon, subject to court approval, "property of the estate that . . . is of inconsequential value and benefit to the estate." 11 U.S.C. §554(a). Before authorizing abandonment of property, a Bankruptcy Court must find either: (i) the property is burdensome to the estate, or (ii) the property is of inconsequential value and inconsequential benefit to the estate. *See, e.g., Midlantic Nat'l Bank v. N.J. Dep't of Env'tl. Prot.*, 474 U.S. 494, 497 (1986); *In re Texaco, Inc.*, 92 B.R. 38, 44 (S.D.N.Y. 1988); *In re Crowthers McCall Pattern, Inc.*, 114 B.R. 877, 882 n.7 (Bankr. S.D.N.Y. 1990). The personal property proposed to be abandoned in connection with any future rejections of real property Leases would

primarily consist of fixtures, furniture, advertising displays, and other office and store equipment that is (i) of minimal or no material value or benefit to the Debtors' estates, and/or (ii) burdensome insofar as the costs and expenses of removal and storage of such property are likely to exceed the net proceeds realizable from their sale.

19. Finally, section 105 of the Bankruptcy Code provides, in relevant part, that “[t]he Court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). The Debtors submit that the implementation of the proposed procedures is appropriate in these chapter 11 cases and is well within the Court’s equitable powers under section 105 of the Bankruptcy Code. Indeed, similar relief has been granted in various other chapter 11 cases in this and other jurisdictions. *See, e.g., In re The Great Atl. & Pac. Tea Co.*, Ch. 11 Case No. 10-24549 (RDD) (Bankr. S.D.N.Y. Feb. 7, 2011) [Docket No. 734]; *In re Blockbuster Inc.*, Ch. 11 Case No. 10-14997 (BRL) (Bankr. S.D.N.Y. Oct. 21, 2010) [Docket No. 362]; *In re Movie Gallery, Inc.*, Ch. 11 Case No. 10-30696 (DOT) (Bankr. E.D. Va. Feb. 3, 2010) [Docket No. 72]; *In re Finlay Enters., Inc.*, Ch. 11 Case No. 09-14873 (JMP) (Bankr. S.D.N.Y. Oct. 29, 2009) [Docket No. 336]; *In re Lenox Sales, Inc.*, Ch. 11 Case No. 08-14679 (ALG) (Bankr. S.D.N.Y. May 6, 2009) [Docket No. 465]; *In re Gottschalks Inc.*, Ch. 11 Case No. 09-10157 (KJC) (Bankr. D. Del. March 3, 2009) [Docket No. 214]; *In re Stone Barn Manhattan LLC (Steve & Barry’s I)*, Ch. 11 Case No. 08-12579 (ALG) (Bankr. S.D.N.Y. Sept. 25, 2008) [Docket No. 887].

NOTICE

20. No trustee or examiner has been appointed in these chapter 11 cases. The Debtors have served notice of this Motion on: (i) the Office of the United States Trustee for the Southern District of New York (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (ii) those creditors holding the thirty largest unsecured claims against the Debtors’ estates; (iii) counsel for the DIP

Agents: (x) Morgan, Lewis & Bockius LLP (Attn: Wendy Walker, Esq. and Sandra Vrejan, Esq.), counsel for the Working Capital Agent, (y) Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), counsel for GA Capital LLC; (iv) Kelley Drye & Warren LLP, attorneys for certain landlords (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); (v) Lowenstein Sandler PC, attorneys for certain trade vendors (Attn: Kenneth A. Rosen, Esq., Bruce D. Buechler, Esq., Bruce S. Nathan, Esq., and Paul Kizel, Esq.); (vi) Fried, Frank, Harris, Shriver & Jacobson LLP, attorneys for General Growth Properties, Inc. (Attn: Brad Eric Scheler, Esq.); and (vii) Bingham McCutchen LLP, attorneys for Bank of America, N.A. (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.) (collectively, the “Notice Parties”). The Debtors submit that no other or further notice need be provided.

21. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as it deems just and proper.

Dated: February 16, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

By: /s/ David M. Friedman
David M. Friedman (DFriedman@kasowitz.com)
David S. Rosner (DRosner@kasowitz.com)
Andrew K. Glenn (AGlenn@kasowitz.com)
Jeffrey R. Gleit (JGleit@kasowitz.com)
1633 Broadway
New York, New York 10019
Telephone: (212) 506-1700
Facsimile: (212) 506-1800

*Attorneys for Debtors
and Debtors-in-Possession*

EXHIBIT A
PROPOSED ORDER

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

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-_____ (___)

(Joint Administration Pending)

**ORDER ESTABLISHING AND AUTHORIZING PROCEDURES FOR THE
REJECTION OF UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY**

Upon the Motion², dated February 16, 2011, of Borders Group, Inc. (“BGI”) and its debtor subsidiaries, including Borders, Inc., as debtors and debtors in possession (collectively, the “Debtors”), pursuant to sections 105, 365(a) and 554(a) of title 11 of the United States Code (the “Bankruptcy Code”), requesting authorization to establish procedures for the rejection of unexpired leases (each a “Lease” and collectively, the “Leases”), all as more fully set forth in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance 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 the Debtors having provided notice of the Motion and Hearing (as defined below) to the Notice Parties; and the Court having held a hearing to consider the requested relief (the “Hearing”); and upon the record

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

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

of the Hearing, and all of the proceedings before the Court, the Court finds and determines that the requested relief is in the best interests of the Debtors, their estates, creditors, and all parties in interest; the Debtors have provided due and proper notice of the Motion and Hearing and no further notice is necessary; the legal and factual bases set forth in the Motion establish just and sufficient cause to grant the relief requested herein; IT IS HEREBY ORDERED AND ADJUDGED THAT:

1. The Motion is granted as provided herein.
2. The following procedures (the “Rejection Procedures”) for the Debtors’ rejection of Leases pursuant to section 365(a) of the Bankruptcy Code are hereby authorized and approved and established in the Debtors’ chapter 11 cases:

- a. The Debtors will file on the docket for these chapter 11 cases a notice (the “Rejection Notice”) setting forth the proposed rejection of one or more Leases,³ and will serve the Rejection Notice via Federal Express or other overnight mail delivery service and fax (where available) on: (i) the non-Debtor counter party (and its counsel, if known) under the respective Lease at the last known address available to the Debtors; (ii) counsel to the statutory committee of unsecured creditors appointed in these chapter 11 cases (the “Creditors’ Committee”); (iii) counsel for the DIP Agents: (x) Morgan, Lewis & Bockius LLP (Attn: Wendy Walker, Esq. and Sandra Vrejan, Esq.), counsel for the Working Capital Agent, (y) Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), counsel for GA Capital LLC; (iv) Kelley Drye & Warren LLP, attorneys for certain landlords (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); (v) Lowenstein Sandler PC, attorneys for certain trade vendors (Attn: Kenneth A. Rosen, Esq., Bruce D. Buechler, Esq., Bruce S. Nathan, Esq., and Paul Kizel, Esq.); and (vi) the United States Trustee for the Southern District of New York (the “U.S. Trustee”) (collectively, the “Rejection Notice Parties”).
- b. The Rejection Notice shall be substantially in the form of Exhibit 1 annexed hereto. With respect to non-residential real property Leases to be rejected, the Rejection Notice shall set forth the following information, based on the best of the Debtors’ information: (i) the street address of real

³ Consistent with Rule 6006(f) of the Bankruptcy Rules, however, no more than 100 unexpired Leases will be contained on any one Rejection Notice.

property that is the subject of the Lease; (ii) the remaining term of the Lease; and (iii) the name and address of the affected landlord. With respect to personal property Leases to be rejected, the Rejection Notice shall set forth the following information, based on the best of the Debtors' information: (i) the name and address of the Lease counterparty; and (ii) a brief description of the personal property Lease to be rejected. All Rejection Notices will be accompanied by a copy of the Order granting this Motion.

- c. Should a party in interest object to the Debtors' proposed rejection of a Lease, such party must file and serve a written objection so that such objection is filed with this Court and actually received by the following parties (the "Objection Notice Parties") no later than ten (10) calendar days after the date the Rejection Notice is filed: (i) the attorneys for the Debtors, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, NY 10019 (Attn: Jeffrey R. Gleit, Esq. and Alan Lungen, Esq.); (ii) the U.S. Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (iii) the attorneys for the Creditors' Committee; (iv) counsel for the DIP Agents: (x) Morgan, Lewis & Bockius LLP (Attn: Wendy Walker, Esq. and Sandra Vrejan, Esq.), counsel for the Working Capital Agent, (y) Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), counsel for GA Capital LLC; and (v) Kelley Drye & Warren LLP, attorneys for certain landlords (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); and (vi) Lowenstein Sandler PC, attorneys for certain trade vendors (Attn: Kenneth A. Rosen, Esq., Bruce D. Buechler, Esq., Bruce S. Nathan, Esq., and Paul Kizel, Esq.).
- d. If no objection to a Rejection Notice is timely filed and served, the applicable Lease shall be deemed rejected on the effective date set forth in the Rejection Notice, or, if no such date is set forth, the date the Rejection Notice is filed with the Court (the "Rejection Date").
- e. If a timely objection to a Rejection Notice is filed and received in accordance with the Rejection Procedures, the Debtors shall schedule a hearing on such objection and shall provide at least five (5) days' notice of such hearing to the objecting party and the Objection Notice Parties. If the Court ultimately upholds the Debtors' determination to reject the applicable Lease, then the applicable Lease shall be deemed rejected (i) as of the Rejection Date, or (ii) as otherwise determined by the Court as set forth in any order overruling such objection.
- f. Claims arising out of the rejection of Leases must be filed, on or before the later of (i) the deadline for filing proofs of claim established by the Court in the Debtors' cases, or (ii) forty-five (45) days after the Rejection Date. If no proof of claim is timely filed, such claimant shall be forever barred from asserting a claim for rejection damages and from participating

in any distributions that may be made in connection with these chapter 11 cases.

- g. If the Debtors have deposited funds with a Lease counterparty as a security deposit or other arrangement, such Lease counterparty may not setoff or otherwise use such deposit without the prior authority of the Court or agreement of the parties.

3. Pursuant to section 365(a) of the Bankruptcy Code, the Debtors' rejection of Leases in accordance with the Rejection Procedures set forth in this Order is hereby approved and such Rejection Procedures shall govern the rejection of Leases, except to the extent the Debtors and a Lease counterparty have agreed otherwise in writing, in which case the terms of such agreement shall govern the rejection of Leases with respect to such counterparty.

4. Prior to and through the Rejection Date, the Debtors are authorized to remove, in their sole discretion, from premises that are the subject of any rejected Lease, consistent with the Debtors' ownership rights or other property interests therein, any personal property that the Debtors have installed in or about the leased premises (such as equipment, fixtures, furniture, advertising displays and other personal property), which property is either owned by the Debtors, leased by the Debtors from third parties, or subject to any equipment financing agreements with third parties; provided, however, that the Debtors will not remove any property that is owned by an applicable landlord.

5. To the extent that the Debtors determine that property located at premises that are the subject of any rejected Lease has little or no value or that the preservation thereof will be burdensome to their estates compared with the expense of removing and storing such property, the Debtors are authorized to abandon, in their sole discretion, such property as of the Rejection Date, pursuant to section 554 of the Bankruptcy Code. Property proposed to be abandoned shall be described with reasonable specificity in the applicable Rejection Notice.

6. No personal property subject to a true lease shall be abandoned without first rejecting the underlying lease for such property. If the Debtors propose to abandon personal property that is (i) subject to a true lease and (ii) located at a premises that is the subject of a Rejection Notice, such Rejection Notice shall indicate same, and the automatic stay shall be deemed modified to permit the respective personal property lessor to retrieve such abandoned property within seven (7) days of the date the Rejection Notice is filed (the “Collection Deadline”). Any such Rejection Notice shall be served on the personal property lessor at the same time it is served on all Rejection Notice Parties.

7. Any property located on the premises of a Lease that is rejected in accordance with the terms hereof that is not retrieved by the later of the Rejection Date or the Collection Deadline shall be deemed abandoned pursuant to section 554 of the Bankruptcy Code without further order of this Court free and clear of any interests of any other party and any landlord or other designee shall be free to dispose of same without liability.

8. The Debtors are hereby authorized to execute and deliver all instruments and documents, and take such other actions, as may be necessary or appropriate to implement and effectuate the Rejection Procedures as approved by this Order.

9. Entry of this Order is without prejudice to the rights of the Debtors, including, but not limited to, the right to seek further, other, or different relief regarding the Leases pursuant to, among other things, section 365 of the Bankruptcy Code. Notwithstanding the relief granted herein and any actions taken hereunder, nothing in the Motion or this Order shall constitute, nor is it intended to constitute: (i) an admission as to the validity or priority of any claim against the Debtors; (ii) a waiver of the Debtors’ rights to dispute any claim; or (iii) an assumption or adoption of any Lease pursuant to section 365 of the Bankruptcy Code.

10. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Order.

Dated: _____, 2011
New York, New York

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

LEASE REJECTION PROCEDURES

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

In re

BORDERS GROUP, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-_____ (___)

(Joint Administration Pending)

NOTICE OF REJECTION OF UNEXPIRED LEASES

PLEASE TAKE NOTICE that on [_____], 2011, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered an order (the "Procedures Order") in the above-referenced chapter 11 cases of Borders Group, Inc. ("BGI") and its debtor subsidiaries, including Borders, Inc., (collectively, the "Debtors"), among other things, approving expedited procedures (the "Rejection Procedures") for the rejection of unexpired leases (each a "Lease" and collectively, the "Leases").

PLEASE TAKE FURTHER NOTICE that pursuant to the terms of the Procedures Order, the Debtors hereby provide notice of their intent to reject the below-referenced Leases. Pursuant to the terms of the Procedures Order, unless a written objection is filed and served in accordance with the terms of the Procedures Order, the following Leases will be rejected pursuant to 11 U.S.C. § 365(a), effective as of the later of (a) the date of this Notice, unless otherwise agreed, in writing, by the Debtors and the counterparty to the applicable Lease, (b) the date of the surrender of the leased property to the affected lessor (where applicable), or (c) the Effective Date of Rejection if one is set forth below in this Notice (the "Rejection Date"):

NON-RESIDENTIAL REAL PROPERTY LEASES

Address of Subject Property	Remaining Lease Term	Landlord Name / Address	Effective Date of Rejection

PERSONAL PROPERTY LEASES

Title of Lease	Lease Counterparty Name/Address	Description of Lease	Effective Date of Rejection

PLEASE TAKE FURTHER NOTICE that objections, if any, to this Notice must be filed and served so that such objection is filed with the Bankruptcy Court and actually received by the following parties no later than ten (10) days after the date of this Notice: (i) the attorneys for the Debtors, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, NY

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

10019 (Attn: Jeffrey R. Gleit, Esq. and Alan Lungen, Esq.); (ii) the U.S. Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (iii) the attorneys for the Creditors' Committee; (iv) counsel for the DIP Agents: (x) Morgan, Lewis & Bockius LLP (Attn: Wendy Walker, Esq. and Sandra Vrejan, Esq.), counsel for the Working Capital Agent, (y) Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), counsel for GA Capital LLC; and (v) Kelley Drye & Warren LLP, attorneys for certain landlords (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.) (collectively, the "Objection Notice Parties").

PLEASE TAKE FURTHER NOTICE that if an objection to this Notice is timely filed and served, the Debtors shall seek a hearing on such objection and shall provide at least five (5) days' notice of such hearing to the objecting party and the Objection Notice Parties. If such objection is overruled by the Court or withdrawn, the rejection of the Lease shall be deemed effective (a) as of the Rejection Date, or (b) as otherwise determined by the Court as set forth in any order overruling such objection.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Procedures Order, if the Debtors have deposited monies with the Lease counterparty as a security deposit or otherwise, the Lease counterparty may not setoff or otherwise use such deposit without the prior authorization of the Bankruptcy Court.

PLEASE TAKE FURTHER NOTICE that pursuant to the terms of the Procedures Order, for any claim that you may assert against the Debtors as a result of the rejection of any Lease, you must submit a proof of claim for damages arising from such rejection, on or before the later of (i) the deadline for filing proofs of claim established by the Court in the Debtors' cases, or (ii) forty-five (45) days after the Rejection Date. If you do not timely file such proof of claim, you shall be forever barred from asserting a claim for rejection damages arising from the rejection of the above-referenced Lease or from participating in any distributions that may be made in connection with these chapter 11 cases.

Dated: _____, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

By: /s/
David M. Friedman (DFriedman@kasowitz.com)
David S. Rosner (DRosner@kasowitz.com)
Andrew K. Glenn (AGlenn@kasowitz.com)
Jeffrey R. Gleit (JGleit@kasowitz.com)
1633 Broadway
New York, New York 10019
Telephone: (212) 506-1700
Facsimile: (212) 506-1800

*Attorneys for Debtors
and Debtors-in-Possession*