

Sale Procedures Objection Deadline: July 11, 2011 at 12:00 p.m. (prevailing Eastern Time)
Sale Procedures Hearing Date: July 14, 2011 at 10:00 a.m. (prevailing Eastern Time)
Stalking Horse Bid Objection Deadline: July 14, 2011 at 4:00 p.m. (prevailing Eastern Time)
Assumption and Assignment Objection Deadline: July 14, 2011 at 4:00 p.m. (prevailing Eastern Time)
Supplemental Objection Deadline: July 20, 2011 at 3:00 p.m. (prevailing Eastern Time)
Sale Hearing Date: July 21, 2011 at 11:00 a.m. (prevailing Eastern Time)

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

In re

BORDERS GROUP, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**NOTICE OF HEARING ON DEBTORS' MOTION FOR AN ORDER PURSUANT TO
SECTIONS 105, 363 AND 365 OF THE BANKRUPTCY CODE AND RULES 2002,
6004, 6006 AND 9014 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE
(I) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS'
ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND
INTERESTS AND THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY
CONTRACTS AND UNEXPIRED LEASES RELATED THERETO, (II) APPROVING THE
SALE PROCEDURES AND BREAK-UP FEE, AND (III) GRANTING RELATED RELIEF**

PLEASE TAKE NOTICE that in connection with the above-captioned debtors and debtors in possession's (collectively, the "Debtors") *Motion for an Order Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Approving the Sale of Substantially All of the Debtors' Assets Free and*

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.

Clear of All Liens, Claims, Encumbrances and Interests and the Assumption and Assignment of Executory Contracts and Unexpired Leases Related Thereto, (II) Approving the Sale Procedures and Break-Up Fee, and (III) Granting Related Relief (the “Motion”), a hearing (the “Sale Procedures Hearing”) shall be held to approve (i) the sale procedures (the “Sale Procedures”) for a sale (the “Sale”)² of substantially all of the Debtors’ assets to the Stalking Horse Bidder (as defined in the Motion) or to a back-up bidder which is currently for a Full Chain Liquidation (as defined in the Motion), free and clear of all liens, claims, encumbrances, and interests and the assumption and assignment of executory contracts and unexpired leases, (ii) a break-up fee (the “Break-Up Fee”) for the Stalking Horse Bidder and (iii) related relief before the Honorable Martin Glenn, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Courtroom 501, One Bowling Green, New York, New York 10004 (the “Bankruptcy Court”) on **July 14, 2011 at 10:00 a.m. (prevailing Eastern Time)** (the “Sale Procedures Hearing Date”), or as soon thereafter as counsel may be heard.

PLEASE TAKE FURTHER NOTICE that bids to be submitted in accordance with the Sale Procedures must be received by the Debtors at Kasowitz, Benson, Torres & Friedman LLP, attorneys for the Debtors, 1633 Broadway, New York, New York 10019 (Attn: Andrew K. Glenn, Esq. and Jeffrey R. Gleit, Esq.) **no later than July 17, 2011 at 5:00 p.m. (prevailing Eastern Time)** (notwithstanding Bankruptcy Rule 9006(a)(1)(C)) to be considered by the Debtors.

PLEASE TAKE FURTHER NOTICE that a hearing shall be held on the Motion to approve the Sale, that may also involve approval of a Winning Bid (from the Auction), and/or the Debtors’ Back-Up Bid (as defined in the Motion), which is currently a Full Chain Liquidation, before the Honorable Martin Glenn, United States Bankruptcy Judge, at the Bankruptcy Court on **July 21, 2011 at 11:00 a.m. (prevailing Eastern Time)** (the “Sale Hearing Date”), or as soon thereafter as counsel may be heard.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief sought in the Motion shall be made in writing, shall state with particularity the grounds therefore, shall conform

² Pursuant to the proposed Sale, the Stalking Horse Bidder will be assuming certain of the Debtors’ liabilities.

to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General Order M-399 and the User’s Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court’s case filing system, and by all other parties in interest, on a 3.5-inch disk or CD-ROM, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received: (1) for objections to the Sale Procedures, **no later than July 11, 2011 at 12:00 p.m. (prevailing Eastern Time)** (the “Sale Procedures Objection Deadline”); (2) for objections to the Sale and the Back-Up Bid including objections to the assumption and assignment of executory contracts and unexpired leases, **no later than July 14, 2011 at 4:00 p.m. (prevailing Eastern Time)** (the “Sale Objection Deadline” and, together with the Sale Procedures Objection Deadline, the “Objection Deadlines”) by: (i) Kasowitz, Benson, Torres & Friedman LLP, attorneys for the Debtors, 1633 Broadway, New York, New York 10019 (Attn: Andrew K. Glenn, Esq. and Jeffrey R. Gleit, Esq.); (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, New York, New York 10004 (Attn: Paul K. Schwartzberg, Esq.); (iii) Lowenstein Sandler PC, counsel for the official committee of unsecured creditors, 65 Livingston Avenue, Roseland, New Jersey 07068 (Attn: Bruce D. Buechler, Esq. and Paul Kizel, Esq.), and 1251 Avenue of the Americas, New York, New York 10020 (Attn: Bruce S. Nathan, Esq.); (iv) counsel for the DIP Agents: (a) Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178-0060 (Attn: Wendy Walker, Esq.), and 225 Franklin Street, 16th Floor, Boston, Massachusetts 02110-4104 (Attn: Sandra Vrejan, Esq.), counsel for the Working Capital Agent, and (b) Choate Hall & Stewart LLP, Two International Place, Boston, Massachusetts 02110 (Attn: Kevin Simard, Esq.), counsel for GA Capital LLC; (v) Kelley Drye & Warren LLP, attorneys for certain landlords, 101 Park Avenue, New York, New York 10178 (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); and (vi) Bingham McCutchen LLP, attorneys for

Bank of America, N.A., One Federal Street, Boston, Massachusetts 02110-1726 (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.); provided, however, in the event that the Debtors conduct an auction in accordance with the Sale Procedures (an “Auction”) and the results of that Auction yield a Winning Bidder (as defined in the Motion) other than the Stalking Horse Bidder, objections as to any issues raised by such Winning Bid (as defined in the Motion) or the identity of the Winning Bidder may be filed and served in accordance with the above requirements **no later than July 20, 2011 at 3:00 p.m. (prevailing Eastern Time)** (the “Supplemental Objection Deadline”).

PLEASE TAKE FURTHER NOTICE that on or about July 19, 2011, following the Auction, if any, the Debtors will file a notice with the Court (the “Notice of Results of Sale Process”), which will either confirm that the Stalking Horse Bid (as defined in the Motion) is the Winning Bid, in the event there is no Auction, or identify the terms of the Winning Bid at Auction, along with a description of the Winning Bidder.

PLEASE TAKE FURTHER NOTICE that copies of the Motion, the procedures governing the bidding in connection therewith, the proposed order approving such procedures, the Break-Up Fee, the proposed order approving the Sale, and the form of the purchase agreement governing the potential sale of all or substantially all of the Debtors’ assets to the Stalking Horse Bidder are available at www.bordersreorganization.com. If you do not have computer access, you may obtain copies of these documents by contacting the Debtors’ undersigned counsel.

Dated: June 30, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

By: /s/ Andrew K. Glenn
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**DEBTORS' MOTION FOR ORDER PURSUANT TO SECTIONS 105, 363
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(I) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE
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ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED
LEASES RELATED THERETO, (II) APPROVING SALE PROCEDURES
AND BREAK-UP FEE, AND (III) GRANTING RELATED RELIEF**

**TO: THE HONORABLE MARTIN GLENN,
UNITED STATES BANKRUPTCY JUDGE:**

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.

Borders Group, Inc. (“BGI”) and its affiliated debtors, as debtors and debtors in possession (collectively, the “Debtors”), submit this Motion (the “Motion”) for Order Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) (I) Approving the Sale of Substantially All of the Debtors’ Assets Free and Clear of All Liens, Claims, Encumbrances and Interests and the Assumption and Assignment of Executory Contracts and Unexpired Leases Related Thereto, (II) Approving the Sale Procedures and Break-Up Fee, and (III) Granting Related Relief. In support of the Motion, the Debtors submit the declaration of Holly Felder Etlin in support of the Motion (the “Etlin Declaration”) and the declaration of Richard Klein in support of the Motion (the “Klein Declaration”), attached hereto as Exhibits A and B, respectively, and respectfully represent as follows:

PRELIMINARY STATEMENT

The Debtors and their professionals have worked diligently to maximize the value of these estates during these cases. They have conducted an exhaustive dual-track process to solicit proposals from strategic and financial investors to sponsor a plan of reorganization or to acquire substantially all of the Debtors’ assets on a going concern basis. This motion -- which seeks authorization to: (i) provide customary bid protections, including a Break-up Fee, for BB Brands, LLC (a wholly-owned subsidiary of Direct Brands LLC) (the “Stalking Horse Bidder”), (ii) establish bidding procedures for an auction to be conducted on July 19, 2011 and (iii) sell substantially all of the Debtors’ assets to the Stalking Horse Bidder (or such other party that provides a higher and better offer) -- is the culmination of these efforts.

The proposed Stalking Horse Bid represents the highest and best offer available to the Debtors. Indeed, the proposed sale to the Stalking Horse Bidder would provide significant benefits to the estates and their creditors, including approximately \$215 million in cash (subject to a working capital adjustment), the assumption of approximately \$220 million of liabilities and a commitment to provide \$15 million of funding to wind up the Debtors' Chapter 11 cases. There are other significant benefits. If the Stalking Horse Bidder purchases the assets and liabilities as a going concern, the Debtors will continue in business as a retailer and thousands of jobs will be saved. The Stalking Horse Bidders' parent company, Direct Brands LLC, a direct marketer, owns the Book of the Month Club business, which offers substantial synergies and cost savings for a business combination. At this time, there is no guarantee that the Stalking Horse Bidder will proceed with a going concern acquisition for the Debtors' business.

The Stalking Horse Bid is subject to minimal closing conditions, including HSR approval; the Stalking Horse Bid is not subject to financing, due diligence or material adverse change conditions. Nonetheless, as required by the Debtors' DIP Credit Agreement, the Debtors have arranged for a back-up bid for a liquidation of substantially all of the Debtors' assets from a consortium of a nationally-recognized liquidation firms that will be consummated if the Stalking Horse Bidder fails to close. The back-up bidder's offer will remain open through July 29, 2011, the projected closing date of the Stalking Horse Bid.

In exchange for the Stalking Horse Bid, the Stalking Horse Bidder has required approval of a break-up fee of \$6,450,000, or approximately 3% of the cash consideration and 1.5% of the total transaction value that would be payable in the event that the

Purchase Agreement is terminated for any reason other than mutual agreement or default of the Stalking Horse Bidder. The Stalking Horse Bidder does not seek a separate expense reimbursement. The Debtors respectfully submit that payment of a break-up fee is customary in these situations and appropriate here. The Stalking Horse Bid would not be available to the Debtors without the Break-up Fee and the related bidding procedures.

Because the Debtors do not know which executory contracts and unexpired leases will be assumed by the Stalking Horse Bidder or any other party that submits the winning bid at the auction, the Debtors are seeking this Court's approval of procedures to ensure that all executory contracts and unexpired leases are available for assumption and assignment. Accordingly, the Debtors seek to serve a separate notice of assumption and assignment on each of their non-Debtor counterparties to all or nearly all of their executory contracts and unexpired leases, which list all applicable objection deadlines and procedures and proposed cure amounts, giving all such counterparties an adequate opportunity to object. The Debtors intend, at the direction of the Stalking Horse Bidder, on or before the Assumption Deadline (as defined below), to either assume the executory contract or unexpired lease, make (or the Stalking Horse Bidder will make) the appropriate cure payment, reserve the claimed cure amount (if there is a dispute over the amount of the cure owed) or serve a notice of non-assumption. The Debtors respectfully submit that these procedures balance the interests of the Debtors, counterparties and bidders.

For all of the reasons set forth herein, the Debtors request that the Court grant the relief requested herein to assure that the Debtors' assets are sold through a process that maximizes value for the benefit of the estates and their creditors.

BACKGROUND

1. On February 16, 2011 (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”) in the United States Bankruptcy Court for the Southern District of New York (the “Court”). 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. The Debtors’ cases are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

2. On February 24, 2011, the Office of the United States Trustee appointed the official committee of unsecured creditors (the “Committee”).²

JURISDICTION

3. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The predicates for the relief sought herein are sections 105, 363, 364, 365 and 554 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006 and 9014.

THE DEBTORS’ BUSINESS

A. Operations

4. The Debtors are a leading operator of book, music and movie superstores and mall-based bookstores. As of 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, of which 639 stores are located in the United States and 3 in Puerto Rico. In addition, the Debtors operate a proprietary e-commerce web site,

² [Docket No. 156].

www.Borders.com, launched in May 2008, which includes both in-store and online e-commerce components.

5. The Debtors currently employ approximately 3,792 full-time employees and approximately 7,244 part-time employees, located throughout the United States and Puerto Rico. The Debtors' employees are not subject to any collective bargaining agreements.

B. Financials

6. 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. The Debtors' Schedules list \$1,649,799,850 of assets and \$2,626,757,691 of liabilities. *See* Debtors' Schedules.³

7. 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* [Docket No. 20].

C. Store Closing Sales

8. Before the commencement of these cases, the Debtors, in consultation with their advisors, identified and implemented critical cost-cutting initiatives to stabilize the Debtors' operations and ensure the Debtors' continued viability. Chief among these initiatives was the closure of certain unprofitable stores. Therefore, on the Commencement Date, the Debtors filed an emergency motion⁴ with the Court seeking authority to, among other things, enter into an agreement with a liquidating agent (the

³ [Docket Nos. 491, 493, 495, 497, 499, 501, 503, 505, each at 2].

⁴ [Docket No. 7].

“Phase I Liquidating Agent”) to conduct store closing sales (“SCSs”) at no fewer than 200 of the Debtors’ stores, and up to an additional 75 of the Debtors’ stores if the landlords did not agree to substantial rent concessions (the “Phase I SCSs”).

9. Pursuant to the Court’s *Order Approving the Agency Agreement, Store Closing Sales and Related Relief* (the “Phase I SCSs Order”), dated February 18, 2011,⁵ the Court approved the appointment of the Phase I Liquidating Agent and the commencement of the SCSs. On March 19, 2011, the Debtors designated 26 additional stores to be included in the closing stores.⁶ As of the date hereof, the liquidation sales at all 226 locations have ended and the Debtors and the Phase I Liquidating Agent have reconciled all amounts due under the two agency agreements.

10. On or about June 9, 2011,⁷ the Debtors filed the *Motion for Entry of Order (I) Authorizing the Debtors to Sell Certain Assets Through Store Closing Sales, (II) Approving Bidding Procedures to Select Liquidating Agent to Conduct Store Closing Sales, (III) Authorizing Debtors to Abandon Unsold Property, (IV) Waiving Compliance With Contractual Store Closing Sale Restrictions, (V) Exempting Laws Restricting Store Closing Sales and (VI) Granting Related Relief* (the “Phase II GOB Motion”),⁸ in which the Debtors sought entry of an Order authorizing the Debtors to sell certain assets located at up to 51 store locations (the “Phase II SCSs”) at which landlords had not agreed to

⁵ [Docket No. 91].

⁶ [Docket No. 421].

⁷ Prior to its filing, the DIP Lenders consented to treating the Emergency GOB Motion as timely so long as it was filed by 2 a.m. on June 9, 2011. As such, while the Emergency GOB Motion was docketed at 12:25 a.m. on June 9, 2011, it was timely filed by the June 8, 2011 deadline in the DIP Facility.

⁸ [Docket No. 999].

extend the Debtors' time to assume or reject such leases past September 14, 2011.⁹ The Phase II GOB Motion was filed by the Debtors in order to comply with the event of default deadlines in the DIP Credit Agreement (as defined below). After significant negotiations between the Debtors, the DIP Lenders and the Committee resulting in the Second Amendment and Waiver to the DIP Credit Agreement (as defined below), the Phase II GOB Motion was withdrawn.

D. The DIP Credit Agreement¹⁰

11. On the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507 (1) Approving Postpetition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, and (5) Modifying Automatic Stay* (the "DIP Motion").¹¹

12. On March 16, 2011, the Court entered the *Final Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507 (1) Approving Postpetition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, and (5) Modifying Automatic Stay* (the "Final DIP Order").¹²

13. Pursuant to the Final DIP Order, the Debtors have been authorized to obtain senior secured, superpriority, postpetition financing in the form of a first lien new money superpriority priming credit facility with a maximum outstanding principal

⁹ On March 15, 2011, this Court entered an order extending the Debtors' time to assume or reject leases to September 14, 2011.

¹⁰ All capitalized terms used but not defined in this section shall have the meanings ascribed them in the Final DIP Order and DIP Credit Agreement.

¹¹ [Docket No. 27].

¹² [Docket No. 404].

amount of up to \$505,000,000 (the “DIP Loan”) pursuant to the terms and conditions of that certain Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement (as the same may be amended, supplemented, restated, or otherwise modified from time to time, the “DIP Credit Agreement”).

14. The original form of DIP Credit Agreement contained certain deadlines requiring the solicitation of bid packages and store closures at various locations in June 2011. However, on June 17, 2011, the Debtors and DIP Lenders entered into the Second Amendment and Waiver to the DIP Credit Agreement (the “Second Amendment and Waiver to the DIP Credit Agreement”), which extended various deadlines to allow the Debtors to pursue a potential sale of substantially all of their assets and withdraw the Phase II GOB Motion.

SALE PROCESS

15. Both before the Debtors’ bankruptcy filing and during the pendency of these cases, the Debtors sought to take appropriate steps to achieve a consensual restructuring. Accordingly, at the request of the Committee, the Debtors undertook a “dual-track” process of simultaneously considering a sale of the Debtors’ business as a going concern and a plan of reorganization.

16. On February 16, 2011, the Debtors filed an application to retain Jefferies & Company, Inc. (“Jefferies”) as investment bankers and financial advisors for the Debtors to conduct the going concern sale process.¹³ On or about March 16, 2011, this Court entered the *Order Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure Authorizing the*

¹³ [Docket No. 39].

*Employment and Retention of Jefferies & Company, Inc. as Investment Bankers and Financial Advisors, Nunc Pro Tunc to the Commencement Date.*¹⁴

17. Since the Commencement Date, the Debtors and Jefferies have contacted or were approached by approximately eighty-six potential strategic and financial investors that the Debtors and Jefferies believed might have an interest in acquiring some or all of the Debtors' assets on a going concern basis. Approximately twenty of these parties executed confidentiality agreements and had access to the Debtors' electronic data room. (Klein Declaration at 6).

18. As part of the solicitation process, Jefferies requested that interested parties submit non-binding indications of interest to acquire all or part of the Debtors' assets by May 6, 2011. On May 6, 2011, the Debtors received two non-binding indications of interest to acquire portions of the Debtors' assets. Ultimately the Debtors received five non-binding indications of interest, two of which were for the majority of the Debtors' assets, including an offer from the Najafi Companies, whereby the Stalking Horse Bidder, a wholly owned subsidiary of its affiliate Direct Brands, Inc., would purchase a majority of the Debtors' assets on a going concern basis. The Debtors entered into negotiations with the two parties that submitted going concern bids in an effort to maximize the value the Debtors' assets for the Debtors and the Debtors' creditors. (Klein Declaration at 7).

19. From time to time, and as appropriate, the Debtors consulted with the Committee and the DIP Lenders. After carefully evaluating the transaction embodied in the Stalking Horse Bidder's offer and all of the relevant circumstances of the Debtors'

¹⁴ [Docket No. 393].

businesses and these cases, the Debtors and their board of directors, in conjunction with Jefferies and their other advisors, concluded, in an exercise of their business judgment, that the offer made by the Stalking Horse Bidder for substantially all of the Debtors' assets was in the best interests of the Debtors, their estates and creditors. (Klein Declaration at 8).

20. Accordingly, on June 30, 2011, the Debtors and the Stalking Horse Bidder reached agreement (the "Stalking Horse Bid") on the terms of, and executed, the Purchase Agreement (the "Purchase Agreement") (attached hereto as Exhibit 1), for, among other things, the sale of the Debtors' business and assets and the assumption and assignment of certain executory contracts and unexpired leases (the "Sale").¹⁵ The negotiations between the Debtors, the Stalking Horse Bidder and their respective professionals were hard fought, good faith, and were conducted at arm's length. These negotiations were contentious at times, but ultimately proved to be beneficial to the Debtors' estates. (Klein Declaration at 9).

21. The principal terms of the Stalking Horse Bid are as follows:¹⁶

- Transaction. The purchase of all of the assets of the Debtors (other than the Excluded Assets).
- Purchase Price. (i) \$215,100,000 in cash and (ii) plus the assumption of the Assumed Liabilities.
- Deposit. \$15 million.

¹⁵ A copy of the Purchase Agreement is available at www.bordersreorganization.com. If you do not have computer access, you may obtain a copy of the Purchase Agreement by contacting the Debtors' undersigned counsel.

¹⁶ The foregoing is a summary of the terms of the Stalking Horse Bid and the Purchase Agreement. It is qualified in its entirety by the Purchase Agreement, and all parties are urged to refer to the Purchase Agreement for a more fulsome description of the terms of the Stalking Horse Bid. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Purchase Agreement. To the extent there are any inconsistencies between this summary and the Purchase Agreement, the Purchase Agreement shall govern.

- Second Escrow. At the Closing, the Stalking Horse Bidder will deposit an additional \$7,500,000 with an escrow agent. Such funds shall be available to the Debtors if the Debtors have insufficient assets to pay allowed administrative expenses and allowed priority tax claims pursuant to Section 503(b) and 507(a)(8) of the Bankruptcy Code (excluding any such expenses that will be paid by the Stalking Horse Bidder or the Agent). Any payments from the Escrow shall be deemed to be an increase to the purchase price.
- Purchase Price Adjustment. A post-closing adjustment to the purchase price to reflect any deficiency or surplus in Net Working Capital at Closing measured against Estimated Net Working Capital.
- Closing Date. The Closing is scheduled to occur on or before July 29, 2011, but will be no later than August 5, 2011.
- Assignment and Assumption. The Stalking Horse Bidder shall have the right to designate which leases and contracts of the Debtors are to be rejected or assumed and assigned to the Stalking Horse Bidder, subject to applicable designation deadlines. The Stalking Horse Bidder is responsible for all cure costs under assumed leases and contracts. An agent will conduct GOB SCSs for inventory and other items at Store Closing Locations pursuant to an Agency Agreement to be entered into on or before July 22, 2011.
- Acquired Assets: The Stalking Horse Bidder to acquire all assets of Debtors (other than Excluded Assets) including (i) real property leases and contracts to be designated by the Stalking Horse Bidder for assumption and assignment, (ii) equipment and improvements in transferred stores and distribution centers, (iii) intellectual property, (iv) inventory other than inventory in stores for which the leases are not being assumed and assigned to the Stalking Horse Bidder (the “Store Closing Locations”), (v) accounts receivable from sales of inventory, (vi) Debtors’ equity interest in Kobo, Inc., (vii) goodwill of the Debtors, (viii) books, records, files, including customer lists, (ix) cash, (x) rights to direct the disposition of inventory at Store Closing Locations and receive the proceeds thereof and (xi) foreign franchisor rights.
- Excluded Assets: Specifically excluded from Acquired Assets are the following assets that the Stalking Horse Bidder will not acquire: (i) corporate and tax records of the Debtors, (ii) claims of Debtors relating to Excluded Assets or Excluded Liabilities, (iii) tax refunds, pre-payments, net operating losses and claims for the period prior to closing, (iv) capital stock of the Debtors and their subsidiaries (other than the Debtors’ interest in Kobo, Inc.), (v) claims against the Stalking Horse Bidder related to the Purchase Agreement; (vi) real property leases and contracts not assumed and assigned to the Stalking Horse Bidder; (vii) equipment and leasehold

improvements in Store Closing Locations, (viii) inventory located at Store Closing Locations, (ix) business licenses and permits that relate exclusively to the Debtors' headquarters building or to any Store Closing Location, (x) certain designated deposits, (xi) confidential personnel and medical records of employees who do not become employees of the Stalking Horse Bidder, (xii) assets relating to Debtors' employee benefit plans, (xiii) avoidance actions, (xiv) assets sold or disposed of between the date of the Agreement through the Closing Date and (xv) certain other specified assets.

- Sale Free and Clear of Liens. The Purchase Agreement requires that the Sale be free and clear of all liens, claims, encumbrances and interests other than customary permitted liens.
- Assumed Liabilities. Liabilities for: (i) assumed Real Property Leases and Contracts and related cure costs, (ii) gift cards; (iii) loyalty programs, in the event of a going concern transaction, (iv) inventory returns after closing, (v) certain employment benefits and other obligations in respect of employees of Debtors that become employees of the Stalking Horse Bidder, (vi) accrued and unpaid real property, personal property, sales and use taxes, (vii) post-petition trade and accounts payable, and (viii) certain letters of credit of the Debtors and (ix) costs and liabilities relating to the wind down of the Debtors' estates ("Wind-Down Obligations"); provided that certain of the Wind Down Obligations assumed by the Stalking Horse Bidder, including Wind Down Obligations for professional fees, court costs and other costs in connection with the bankruptcy cases, shall be subject to a maximum of \$15 million.
- Financial Capacity of Buyer. On or before July 14, 2011, the Stalking Horse Bidder shall deliver an executed commitment from Direct Brands, Inc. (the parent company of the Stalking Horse Bidder) to provide equity financing to the Stalking Horse Bidder in an amount reasonably satisfactory to the Debtors and one or more other commitments for additional financing necessary to permit the Stalking Horse Bidder to pay the Purchase Price and perform all of its other obligations.
- Transfer Taxes. To be borne by Buyer.
- Bid Protections. If the Purchase Agreement is terminated for any reason other than mutual agreement or default of the Stalking Horse Bidder, Debtors shall pay to the Buyer the amount of \$6,450,000 as liquidated damages with respect to any claims the Buyer may have against the Sellers.
- Governing Law. New York

22. Based on a review of the Debtors' business plan, the Debtors' operating results since the Commencement Date, the efforts by the Debtors and their advisors to market the Debtors' business and assets, and discussions with the Debtors' advisors and the Committee, the Debtors' board of directors (the "Board"), in an exercise of their business judgment, determined that the interests of the Debtors, their creditors, employees and customers would be best served by proceeding with a sale of the Debtors as contemplated in this Motion.

23. Simultaneously, the Debtors solicited bids for a Full Chain Liquidation to serve as a back-up to the Stalking Horse Bidder. On or about June 30, 2011, the Debtors entered into a certain agency agreement (the "Agency Agreement") (attached hereto as Exhibit 2) with a joint venture consisting of Hilco Merchant Resources, LLC, Gordon Brothers Retail Partners, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC and Great American Group, LLC (collectively, the "Liquidating Agent"), as a back-up to the Stalking Horse Bid, which, if closed, would provide for a Full Chain Liquidation. By this Motion, the Debtors also respectfully request authority to enter into an agency agreement with the Liquidating Agent containing materially the same provisions as the Agency Agreement annexed here. The Agency Agreement is substantially similar to the agreement utilized in and approved by the Court in the Phase I SCSs and Phase II SCSs.

24. Although the Debtors respectfully refer the Court to the Agency Agreement in its entirety, certain of the material terms are set forth below:¹⁷

- Assets. All Merchandise at the Stores and the Distribution Centers and all FF&E located at the Stores. The Closing Stores will consist of up to 399 stores identified in Exhibit 1 to the Agency Agreement.

¹⁷ Capitalized terms used in this summary shall have the meanings ascribed to them in the Agency Agreement. This summary of the Agency Agreement is for summary purposes only and is qualified in its entirety by the terms and provision of the Agency Agreement.

- Guaranteed Amount. As a guaranty of the Liquidating Agent's performance under the Agency Agreement, the Liquidating Agent will guarantee the Debtors' receipt of a certain percentage of the Cost Value of the Merchandise included in the sale (the "Guaranty Percentage") and the FF&E Guaranty.
- Sale of Distribution Center and Headquarter FF&E, Newsstand Inventory and Café/Candy Inventory. The Liquidating Agent will sell the FF&E located at the Debtors' headquarters, Newsstand Inventory and Café/Candy Inventory located at the Closing Stores (except excluded items identified by the Debtors, with lender consent), in exchange for a fee of 20% of the net proceeds from such sales.
- Payment Timing. On the Sale Commencement Date, the Liquidating Agent will wire to the Debtors 90% as payment of a portion of the Guaranteed Amount (the "Guaranteed Amount Deposit"). The Liquidating Agent will pay the remaining Guaranteed Amount and all other amounts due to the Debtors, pursuant to the timing in the Agency Agreement, as and when the parties reconcile the Guaranteed Amount.
- Expenses of Sale. From the Sale Commencement Date through and including the Sale Termination Date, the Liquidating Agent will be unconditionally responsible for all Expenses enumerated in Section 4.1 of the Agency Agreement (including, without limitation, Occupancy Expenses, Payroll, benefits for Retained Employees, Agent's on-site supervision related costs, signs and banners, promotional costs, Sale supplies, telephone, postage/overnight or delivery/courier charges, utility charges, credit card and bank fees, costs related to moving, transferring or consolidating merchandise between the Stores, insurance costs, trash removal and cleaning costs, security and building alarm costs, cost of capital and letter of credit fees, and any Retention Bonuses for Retained Employees and an agreed percentage of the costs of the physical inventory taking), incurred in conducting the Sale during the Sale Term, which Expenses may be funded and paid from Proceeds of the Sale to the extent available, or directly by the Liquidating Agent.
- Employees. The Liquidating Agent shall have the right to use the Debtors' store-level employees during the Sale Term and will reimburse the Debtors for actual payroll, and Employee Benefits up to an agreed upon cap based upon a percentage of the aggregate base payroll. The Liquidating Agent may also elect to pay, as an expense, a retention bonus to certain retained employees. The employees will remain the Debtors' employees at all times.
- Cost Value / Inventory Taking. The Cost Value of Merchandise is the average landed actual cost for an item of Merchandise, as reflected in the Debtors' perpetual inventory file as of the Sale Commencement Date. The

Debtors and Liquidating Agent will jointly conduct a physical inventory taking at each of the Stores for purposes of testing the Cost Value of the Merchandise in the Closing Stores. The Agency Agreement provides a procedure for adjusting the Cost Value used in the sale, based on results of the inventory taking.

- Sale Term. The Liquidating Agent will have the right to conduct the Store Closing Sales commencing the day after entry of the Order approving the SCSs (which the Debtors request to occur on or before July 22, 2011 to comply with the DIP Credit Agreement deadlines). The SCSs will continue until various dates depending on certain contractual deadlines and/or the Debtors' lease rejection deadline at the applicable Stores; provided, however, that under certain circumstances, the Liquidating Agent may terminate the sales at certain Closing Stores prior to such date.
- Sale Guidelines. The SCSs shall be conducted in accordance with the sale guidelines substantially the same as those approved by the Court in connection with the Phase I SCSs, except that the Agent may characterize the Sales as going-out-of-business or total liquidation sales.
- Merchandise Returns/Gift Cards/Other Programs. Although sales of all items of Merchandise sold during the Sale Term shall be a "final sale", the Liquidating Agent will accept returns of Merchandise sold prior to the Sale Commencement Date provided that such return is accompanied by the original Store register receipt and is otherwise in compliance with Debtors' return and price adjustment policy in effect as of the date such item was purchased. During the Sale Term, the Liquidating Agent will accept the Debtors' gift cards and Merchandise credits issued by the Debtors prior to the Sale Commencement Date. The Debtors shall reimburse the Liquidation Agent for such amounts during the weekly sale reconciliation. The Liquidating Agent shall not honor any employee discounts or Borders Rewards Plus Loyalty Program discounts.
- Letter of Credit / Security Interests. To secure its obligations under the Agency Agreement, the Liquidating Agent will post a letter of credit for the benefit of the Debtors. The Liquidating Agent will be granted, upon issuance of the Letter of Credit and effective as of the Payment Date, a valid and perfected first priority security interest in and lien upon (x) the Merchandise, (y) proceeds realized from the disposition of the FF&E, and (z) the Proceeds, to secure all obligations of Merchant to Agent. Such security interest shall remain junior and subordinate in all respects to the Agent's Payment Obligations, and 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, and the issuance of the Letter of Credit, the security interest granted to the Agent will be deemed

properly perfected without the necessity of filing financing statements or other documentation.

RELIEF REQUESTED

25. By this Motion, the Debtors request that the Court enter two orders (the Sale Procedures Order and the Sale Order, each as defined below) at two separate hearings:

- The Sale Procedures Order: An order (the “Sale Procedures Order”) approving: (i) the Break-Up Fee, (ii) the form of notice of the Debtors’ intent to assume and assign to the Stalking Horse Bidder the Assumed Agreements (as defined below) and the corresponding cure amounts required to be paid in connection with such assumption and assignment (the “Notice of Assumption and Assignment”), and (iii) the procedures governing the bidding, auction and sale (the “Sale Procedures” or the “Bid Procedures”). Copies of the proposed Sale Procedures Order, and the form of Notice of Assumption and Assignment are annexed hereto as Exhibit C and D, respectively.
- The Sale Order: An order (the “Sale Order”) for the approval of (i) the sale of the Business free and clear of liens, claims, encumbrances and interests, and (ii) the assumption, assignment and sale of the Assumed Agreements to the Winning Bidder. A copy of the proposed Sale Order is annexed hereto as Exhibit E.

26. This Motion is divided into two Sections. Section I constitutes the Debtors’ request for approval of the Sale Procedures and entry of the Sale Procedures Order.¹⁸ Section II constitutes the Debtors’ request for entry of the Sale Order following the Auction. This Section also seeks approval of various provisions in connection with a possible liquidation of the Debtors’ business and assets. Since the Stalking Horse Bid includes options for a going concern sale and a liquidation, bids will be solicited for one or both of a going concern sale and liquidation. Accordingly, the Motion seeks authorization to proceed with a going concern sale and a liquidation on a dual track basis.

¹⁸ Due to the nature of the relief requested herein, the requirement of the Debtors’ post-petition credit facility and the deadlines and other dates requested herein, the Debtors request that the Sale Procedures Order be entered on an expedited basis.

I.

THE COURT SHOULD APPROVE THE PROPOSED SALE PROCEDURES ORDER

A. SUMMARY OF THE SALE PROCEDURES.

27. The Debtors believe that the Sale Procedures set forth herein will maximize the value of the Debtors' business and assets while ensuring that the Debtors comply with the deadlines in the DIP Credit Facility. The following is a summary of the proposed Sale Procedures and is qualified in its entirety by the proposed Sale Procedures attached hereto as Exhibit D:

- Forms of Sales. The Debtors will consider the following types of offers (or combinations thereof) for a sale transaction: (i) offers for a sale, in one or a series of related transactions, of a substantial portion of the business of the Debtors as a going concern (which sale may include a liquidation of a portion of the assets acquired under section 363 of the Bankruptcy Code with respect to the Debtors and/or all or any substantial portion of the assets of the Debtors) (a "GC Sale"), (ii) offers for a liquidation, in one or a series of related transactions, of each store location of the Debtors not subject to a GC Sale and a sale of any or substantially all of the assets of the Debtors not subject to a GC Sale (a "Remainder Chain Liquidation") and (iii) offers for a liquidation, in one or a series of related transactions, of (x) substantially the entire chain of store locations of the Debtors and substantially all of the inventory of the Debtors, and furniture, fixtures and equipment, and (y) substantially all of the other assets of the Debtors (a "Full Chain Liquidation"), which in each case, may include the sale of any of the Debtors' assets, including, without limitation, its inventory, furniture, fixtures and equipment, intellectual property, leases and substantially all other assets of the Credit Parties, as well as the assumption and assignment of executory contracts and unexpired leases. The Sale shall be pursuant to the terms and conditions of the Purchase Agreement and the Agency Agreement, the forms of which will be subject to approval by the Bankruptcy Court at the Sale Hearing, subject to higher and better bids to be submitted by a Qualified Bidder under the terms of the Bid Procedures.
- Notice of Sale. The Debtors will provide notice of the proposed Sale to the Stalking Horse Bidder, the Bid Procedures, the Sale Objection Deadline and the date and time of the Sale Hearing to all parties in

interest, every party that has previously expressed any interest in the potential purchase or liquidation of the Debtors' business, and any other party that the Debtors believe might be interested in a possible purchase or liquidation of some or all of the Debtors' business.

- Bidding Deadline. The deadline (the "Bid Deadline") for submission of a final and binding written proposal for a GC Sale, a Full Chain Liquidation and/or a Remainder Chain Liquidation (each, a "Bid") is 5:00 p.m. (prevailing Eastern Time) on July 17, 2011 (notwithstanding Bankruptcy Rule 9006(a)(1)(C)).
- Purchase Price and Consideration of Bids. All Bids submitted by a bidder (each, a "Bidder") must state the total proposed purchase price (the "Purchase Price"), in U.S. dollars for a GC Sale, including any cash to be paid and any liabilities to be assumed, or the amount of the Guaranty Percentage (as defined in the Agency Agreement) for a Full Chain Liquidation or a Remainder Chain Liquidation, and, in each case, must exceed the total amount of compensation of the Stalking Horse Bid (as described above) by a minimum of \$8.95 million for a Bid for a GC Sale and 0.25% (above the Guaranty Percentage in the Agency Agreement) for a Full Chain Liquidation and/or a Remainder Chain Liquidation (the "Bidding Interval"). Additionally, each Bid must include, at minimum, \$224.05 million in cash as part of the compensation. A Bidder who bids on two or all three of the following: a GC Sale, a Full Chain Liquidation and/or a Remainder Chain Liquidation (a "Multiple Transaction Bidder"), must specify the Purchase Price for each of the proposed transactions.
- Deposit. All Bids must include a deposit of seven and a half percent (7.5%) of the Purchase Price in cash, to be deposited in an escrow account at Citibank, N.A., and held by and in the name of the Debtors; provided, however a Multiple Transaction Bidder need only submit one deposit for all of its proposed transactions. The Sale Procedures contain provisions governing the application and/or return of the deposits.
- Content of Bids. In addition to the purchase price and consideration, the Sale Procedures require additional documents and information to be submitted with the Bid, including, without limitation, the submission of: (A) by any Bidder for a GC Sale, a copy of the Purchase Agreement, marked electronically to show any changes, and a clean, executed version of the Purchase Agreement (the "Modified Purchase Agreement"); and/or (B) by any Bidder for a Full Chain Liquidation or a Remainder Liquidation, a copy of the Agency Agreement, marked electronically to show any changes, and a clean, executed version of the Agency Agreement (the "Modified Agency Agreement").
- Closing Conditions to Bids. All conditions to closing required by a Bidder must be set forth in the Modified Purchase Agreement and/or the Modified

Agency Agreement, provided, however, that no Bid may be subject to any financing, due diligence or other material conditions. To the extent a Bid relies on one or more third-party financing sources, the Bid must include a signed, binding and irrevocable commitment letter from such third-party financing source(s) or comparable commitment from any equity source. To the extent a Bid relies on financing sources of affiliates of the Bidder, the Bid must include sufficient evidence of financial capacity to consummate the Sale and satisfy all obligations and potential obligations pursuant to the Modified Purchase Agreement and/or the Modified Agency Agreement. Other than those conditions set forth in the Modified Purchase Agreement and/or the Modified Agency Agreement, each Bid shall be irrevocable until and unless the Debtors select a higher or otherwise better Qualified Bid and such Bidder is not selected as the Back-Up Bidder.

- Joint Bids. The Debtors will be authorized to approve joint Bids in the Debtors' sole and absolute discretion on a case by case basis.
- Evaluation of Bids. Each Bid will be evaluated by the Debtors and their advisors to determine if it fully satisfies the Bid Procedures' requirements, in their sole and absolute discretion (each, a "Qualified Bid"). The Debtors will inform each Bidder as soon after such determination is made if such bidder has submitted a Qualified Bid (a "Qualified Bidder"). Notwithstanding anything else herein to the contrary, the Stalking Horse Bidder is a Qualified Bidder and the Stalking Horse Bid is a Qualified Bid. In evaluating the Bids, the Debtors will take into consideration, among other factors, the form and amount of the consideration, the extent to which the Bid involves a GC Sale and/or a liquidation, the presence of any closing conditions, the need and availability of financing, the extent of financial wherewithal to meet all commitments under the bid, the required approvals (if any), and the transaction structure and execution risk.
- Auction. If, after the examination of all Qualified Bids, the Board determines that an auction (the "Auction") is appropriate and will generate an offer for the purchase of the Debtors' business and assets that is higher and better than the Stalking Horse Bid, the Debtors will conduct an auction on July 19, 2011, beginning at 1:00 p.m. (prevailing Eastern Time) at a location of which the Debtors will inform each Qualified Bidder. The minimum interval for bidding at the Auction (the "Auction Bidding Interval") shall be of a value of at least \$1 million; provided, however, the Debtors, in consultation with the Stalking Horse Bidder, may increase or decrease the Bidding Interval at or before the Auction, in which case the Debtors will so inform each of the Qualified Bidders. There are additional provisions governing the Auction in the Sale Procedures, including selection of one or more winning bids (the "Winning Bidder") and one or more Back-Up bids (the "Back-Up Bidders"). If, at any time prior to or on July 29, 2011, the Winning Bidder cannot consummate the Winning Bid,

the Debtors may close with the Back-Up Bidder by accepting the Back-Up Bid, which may be a Full Chain Liquidation. To the extent the Winning Bid is for a Full Chain Liquidation or a Remainder Chain Liquidation (as the case may be) and such transaction cannot be consummated in the Winning Bid on or before July 22, 2011 for the Full Chain Liquidation or on or before July 29, 2011 for the Remainder Chain Liquidation, the Debtors may close a Full Chain Liquidation or a Remaining Chain Liquidation (as the case may be) with the Back-Up Bidder by accepting the Back-Up Bid.

- Notice of Result of Sale Process. On or about July 20, 2011, the Debtors will file a notice with the Court (the “Notice of Results of Sale Process”), which will either confirm that the Stalking Horse Bid is the Winning Bid, in the event there is no auction, or identify the terms of the Winning Bid at auction, along with a description of the Winning Bidder (in either case, the “Winning Bidder”).
- Notice of Assumption and Assignment. In connection with the Sale, the Debtors expect to assume and assign certain executory contracts and unexpired leases. As more fully described below, the Debtors will serve a Notice of Assumption and Assignment on each of its contracting parties on or about July 1, 2011. Objections to such assumption and assignment, including to the proposed Cure Amount, are due on July 14, 2011 at 4:00 p.m. (prevailing eastern time). To the extent that the Winning Bidder decides that the Debtor should assume and assign an executory contract or unexpired lease, the Debtor and/or the Winning Bidder shall make the Cure Payment (subject to unresolved objections thereto). To the extent that the Winning Bidder decides that the Debtors should not assume and assign an executory contract or unexpired lease, the Debtors will serve a Notice of Non-Assumption to each such affected counterparty.
- Consultation. The Debtors intend to consult with the Committee and the DIP Agents on an ongoing basis throughout the Sale and Auction process.

B. THE SALE PROCEDURES, INCLUDING THE BREAK-UP FEE SHOULD BE APPROVED.

28. The Debtors request the authority to agree to a break-up fee with the Stalking Horse Bidder. The proposed break-up fee (the “Break-Up Fee”) is \$6,450,000, or approximately three percent (3%) of the cash consideration contemplated in the transaction, and approximately one and a half (1.5%) of the total transaction value. The Debtors believe, in the exercise of their business judgment, that the Break-Up Fee is

required to induce the Stalking Horse Bidder to make its offer for the purchase of the Debtors' business and assets and will maximize the value of the Debtors' business and assets. Indeed, the Stalking Horse Bidder would not have submitted its offer without the Break-Up Fee. The Break-Up Fee is a condition to the Stalking Horse Bidders' obligations under the Purchase Agreement.

29. Break-up fees and bidding protections in connection with the sale of a debtor's property pursuant to section 363 of the Bankruptcy Code are commonly granted to stalking horse bidders in chapter 11 cases. *See Gey Assocs. Gen. P'ship v. 310 Assocs. (In re 310 Assocs.)*, 346 F.3d 31 (2d Cir. 2003); *Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650 (S.D.N.Y. 1992), *appeal dismissed*, 3 F.3d 49 (2d Cir. 1993).

30. Courts in the Second Circuit analyze the propriety of bidding incentives such as the Break-Up Fee under the "business judgment rule" standard. Moreover, courts consider whether (a) the relationship of the parties who negotiated the break-up fee is devoid of taint by self-dealing or manipulation, (b) the fee encourages, rather than hampers, bidding, and (c) the amount of the fee is reasonable relative to the proposed purchase price. *See In re Integrated Res.*, 147 B.R. at 657-8 (to evaluate bid protections, courts should employ the business judgment rule, which proscribes judicial second-guessing of the corporate debtor's actions taken in good faith, absent self-dealing, and in the exercise of honest judgment); *see also In re Metaldyne Corp.*, 409 B.R. 661, 670 (Bankr. S.D.N.Y. 2009) (approving bid protections because, among other factors, "the stalking horse bid brings value to the estate by setting a floor on the price and providing a structure for potential competing bids . . . [and] would provide comfort to the Debtors'

employees and customers that the company was entering the auction with a locked-in bid”). Courts will approve break-up fees and other bidding protections, where, as here: (i) the relationship between the debtor and the bidder receiving the break-up fee is not tainted by self-dealing; (ii) the fee does not hamper bidding; and (iii) the amount of the fee is reasonable in relation to the size of the transaction. *See In re Integrated Res.*, 147 B.R. at 657.

31. Here, the Debtors’ decision to provide the Stalking Horse Bidder with the Break-Up Fee was reached with the assistance of financial and legal advisors, and was the subject of arm’s-length negotiations with the Stalking Horse Bidder. Furthermore, there is no relationship between the members of the Debtors’ board of directors and the Stalking Horse Bidder, nor is there any self-dealing by such directors in connection with the decision to enter into the Purchase Agreement and the Agency Agreement with the Stalking Horse Bidder and file this Motion. Accordingly, the “business judgment rule,” applies. *See, e.g., In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989).

32. Courts have found that break-up fees are necessary to create an incentive for a “stalking horse bidder” to spend the requisite time and money investigating a debtor’s assets before entering into an agreement to purchase those assets. *See, e.g., In re 995 Fifth Avenue, L.P.*, 96 B.R. at 28 (bidding incentives may “be legitimately necessary to convince a white knight to enter the bidding by providing some form of compensation for the risks it is undertaking”) (citation omitted). Nonetheless, a break-up fee must not be so substantial as to have a “chilling effect” on other prospective bidders. *In re Integrated Res.*, 147 B.R. at 660 (citing *CRTF Corp. v. Federated Dep’t Stores, Inc.*, 683

F. Supp. 422 (S.D.N.Y. 1988)). In this case, the Break-Up Fee will compensate the Stalking Horse Bidder for the time and money expended to conduct the necessary diligence before entering into the agreement governing the Sale and to compensate the Stalking Horse Bidder in light of the risks that the Debtors will close an alternative transaction. Moreover, because the amount of the Break-Up Fee is fair and reasonable, as discussed below, it will not have a “chilling effect” on any other prospective bidders.

33. To satisfy the final prong of the analysis, a break-up fee should constitute a “fair and reasonable percentage of the proposed purchase price, and should be reasonably related to the risk, effort, and expenses of the prospective purchaser.” *In re Integrated Res.*, 147 B.R. at 662. Although there are no specific rules relating to how large a break-up fee can be before it is considered unreasonable, courts regularly approve break-up fees of 2%-4% of the cash consideration to be paid pursuant to the underlying transaction. *See In re Allegiance Telecom, Inc., et al.*, Ch. 11 Case No. 03-13057 (RDD) (Bankr. S.D.N.Y. Jan. 15, 2004) (approving break-up fee of approximately 2.1% of cash consideration to be paid, plus expense reimbursement, where objections to bid protections by the creditors committee, among others, were resolved prior to entry of the order); *In re Genuity Inc., et al.*, Ch. 11 Case No. 02-43558 (PCB) (Bankr. S.D.N.Y. Dec. 16, 2002) (approving break-up fee of approximately 4.1% of cash consideration to be paid, plus expense reimbursement, where there were no objections to bid protections); *In re Bethlehem Steel Corp., et al.*, Ch. 11 Case Nos. 01-15288 through 01-15302 (BRL), 01-15308 through 01-15315 (BRL) (Bankr. S.D.N.Y. Mar. 27, 2003) (approving break-up fee of approximately 2.8% of cash consideration to be paid, plus expense reimbursement, and overruling objections, including by creditors committee, to break-up

fees); *In re Global Crossing, Ltd., et al.*, Ch. 11 Case No. 02-40188 (REG) (Bankr. S.D.N.Y. Mar. 25, 2002) (approving break-up fee of 4.0% of cash consideration to be paid, plus expense reimbursement, where final order reflected resolution of issues raised by creditors committee and secured lenders, resulting in reduced break-up fee).¹⁹ In this case, the Break-Up Fee will be three percent (3%) of the cash consideration contemplated in the Purchase Agreement and approximately one and half percent (1.5%) of the total transaction value, and will be well within the range approved by courts in this and other districts. Moreover, the Stalking Horse Bidder is not seeking expense reimbursement in addition to the Break-Up Fee. Thus, the Break-Up Fee is more than reasonable under the circumstances.

34. The Sale Procedures, including the Break-Up Fee, will ensure that a buyer is committed to purchase the Debtors' assets at a fair and reasonable price that is higher than any other bid received to date. The Sale Procedures are reasonably calculated to assure that the Debtors obtain a purchase price for the Debtors' business and assets within the upper range of reasonably anticipated values, while ensuring that the Debtors have sufficient liquidity to consummate the Sale. If no other offer is received by the Debtors, the Break-Up Fee is appropriate, in that it will encourage the Stalking Horse Bidder to enter into the Purchase Agreement and the Agency Agreement. Accordingly, the Court should approve the Sale Procedures, including the Break-Up Fee.

¹⁹ Because of the voluminous nature of the unreported orders cited herein, such orders are not annexed to the Motion. Copies of these orders (and, where cited material comes from the motions and/or transcripts associated with such orders, copies of the motions and/or transcripts) are being delivered to Chambers with Chambers copies of this Motion (per the Court's instruction at the Hearing held on March 15, 2011), and will be made available to other parties in interest upon request to Debtors' counsel.

C. NOTICES TO BE PROVIDED IN CONNECTION WITH SALE.

35. Pursuant to Bankruptcy Rules 2002(a) and (c), the Debtors are required to notify their creditors of the proposed sale of the Debtors' business and assets, including a disclosure of the time and place of the sale, the terms and conditions of the sale, and the deadline for filing any objections. The Case Management Order entered in these cases [Docket No. 64] requires that a sale of substantially all of the Debtors assets be served on all parties in interest. The Notice of Motion has been served on or before the date hereof on all parties in interest and filed in connection with the filing of this Motion. The Notice of Motion, the Motion, the Purchase Agreement, the proposed Sale Procedures Order and the proposed Sale Order are all available at www.bordersreorganization.com.

Additionally, the Debtors will provide publication notice of the Bid Deadline and the Sale Hearing Date once in each of the national editions of the Wall Street Journal and the New York Times. Further, all parties on the Debtors 2002 Service List, all landlords that are parties to unexpired leases with the Debtors, and all Federal, State and County government agencies affected by this Motion will be served with a complete set of all motion papers on or before July 1, 2011. The Debtors request entry of an order confirming that the foregoing constitutes good and sufficient notice.

II.

**THE COURT SHOULD APPROVE THE SALE TO THE STALKING HORSE
BIDDERS OR A HIGHER AND BETTER BIDDER AT THE AUCTION**

A. THE PURCHASE AGREEMENT.

36. Principally, the Purchase Agreement embodies and contemplates, among other things: (i) the sale of substantially all of the Debtors' business and assets, including, but not limited to, certain inventory and equipment; (ii) the assumption by the

Debtors and the sale and assignment to the Stalking Horse Bidder of the Assumed Agreements; and (iii) the assignment to the Stalking Horse Bidder of all assignable licenses, trademarks and permits related to the Debtors' business.

37. Ample authority exists for the approval of the proposed sale of the Debtors' business and assets. In accordance with Bankruptcy Rule 6004(f)(1), sales of property outside the ordinary course may be consummated by private sale or public auction. The Debtors have determined the sale of the Debtors' business and assets in accordance with the procedures described herein ensures that they will maximize recoveries for their creditors and is, therefore, in the best interests of the Debtors, their estates and creditors.

38. Section 363(b)(1) of the Bankruptcy Code provides, in pertinent part, that "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). To sell property under section 363(b), the Debtors must demonstrate to the Court a legitimate business justification for the proposed action. *See Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1071 (2d Cir. 1983). "Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct." *Comm. of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). When a valid business justification exists, the law vests the debtor's decision to use property out of the ordinary course of business with a strong presumption that "in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest

belief that the action taken was in the best interests of the company.” *In re Integrated Res., Inc.*, 147 B.R. at 656 (quoting *Smith v. Van Gorkom*, 488 A.2d 858, 872 (Del. 1985)).

39. A chapter 11 debtor may in certain circumstances sell all or substantially all its assets pursuant to section 363(b) before confirmation of a chapter 11 plan, provided the court finds a good business reason to grant such relief. *See Lionel*, 722 F.2d at 1069 (in considering a sale outside a plan of reorganization, a judge must not be shackled with unnecessarily rigid rules when exercising the broad administrative power granted him under the Bankruptcy Code); *see also Licensing By Paolo, Inc. v. Sinatra (In re Gucci)*, 126 F.3d 380, 387 (2d Cir. 1997) (“A sale of a substantial part of a Chapter 11 estate . . . may be conducted if a good business reason exists to support it.”); *Official Comm. of Unsecured Creditors of LTV Aerospace & Defense Co. v. LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 144 (2d Cir. 1992) (approval of subsidiary’s sale of its assets before confirmation of plan was not abuse of discretion); *Stephens Indus., Inc. v. McClung*, 789 F.2d 386, 390 (6th Cir. 1986) (“[A] bankruptcy court can authorize sale of all a Chapter 11 debtor’s assets under § 363(b)(1) when a sound business purpose dictates such action. Here, the Debtors initially preferred to proceed with the Sale under a plan of reorganization. However, due to the time exigencies resulting from the Debtors’ DIP Credit Agreement and the Debtors’ deadlines to assume or reject their leases, the Debtors must proceed under section 363 to maximize value. If the Court does not approve the sale, the Debtors will proceed to a liquidation process that clearly will not maximize value.

40. The sale process discussed herein will not result in a *sub rosa* plan of reorganization. Courts in the Second Circuit have been clear that where, as here, a debtor seeks to sell its business and the provisions of the sale do not restructure the rights of creditors or dictate by contract the terms of a plan, the sale is not a *sub rosa* plan. *See, e.g., Ind. State Police Pension Trust v. Chrysler LLC (In re Chrysler LLC)*, 576 F.3d 108, 118 (2d Cir. 2009), *vacated as moot*, 130 S. Ct. 1015 (2009) (“[T]he Sale has inevitable and enormous influence on any eventual plan of reorganization or liquidation. But it is not a ‘sub rosa plan’ . . . because it does not specifically ‘dictate,’ or ‘arrange’ ex ante, by contract, the terms of any subsequent plan.”); *Parker v. Motors Liquidation Co. (In re Motors Liquidation Co.)*, 430 B.R. 65, 84-85 (S.D.N.Y. 2010) (“Here, the Bankruptcy Court appropriately concluded that the 363 Transaction ‘merely brings in value,’ and that ‘[c]reditors will thereafter share in that value pursuant to a chapter 11 plan subject to confirmation by the Court. A section 363 transaction to preserve and enhance value does not amount to a sub rosa plan.”); *In re Boston Generating, LLC*, 440 B.R. 302, 331 (Bankr. S.D.N.Y. 2010) (“[T]he proposed sale of the Debtors' assets is not a ‘sub rosa’ plan of reorganization. . . . [T]he proposed Sale Transaction has a proper business justification and is not calculated to evade the plan confirmation process.”); *In re GMC*, 407 B.R. 463, 474 (Bankr. S.D.N.Y. 2009) (“Nor can the Court accept various objectors' contention that there here is a sub rosa plan. GM's assets simply are being sold, with the consideration to GM to be hereafter distributed to stakeholders, consistent with their statutory priorities, under a subsequent plan.”); *cf. Motorola, Inc. v. Official Comm. of Unsecured Creditors (In re Iridium Operating LLC)*, 478 F.3d 452, 467 (2d Cir. 2007) (“[T]he bankruptcy court did not err in concluding that the settlement [pursuant to section

363(b)] . . . had a proper business justification and was ‘a step towards possible confirmation of a plan of reorganization and not an evasion of the plan confirmation process.’”). Because the proposed Sale does not restructure the rights of creditors and does not dictate any terms of a plan, the Sale is not a *sub rosa* plan.

41. There is a sound business purpose for the sale of the Debtors’ business as provided for herein because it is in the best interests of the Debtors, their estates and creditors. Preservation of enterprise value is a compelling justification, and maximization of asset value for the benefit of creditors is a sound business purpose, warranting authorization of the sale. Further, the proposed sale is required under the Debtors’ DIP Credit Agreement, which requires that the Debtors obtain an order approving the Sale by July 22, 2011. (Second Amendment and Waiver to Credit Agreement, § 2(c) (amending section 7.1(m)(iv) of the Credit Agreement).

B. SALE FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS AND DISTRIBUTION OF PROCEEDS.

42. The Debtors seek to sell their business and assets free and clear of liens, claims, encumbrances and interests. The Debtors respectfully submit that in such circumstances, the Debtors’ business and assets be sold free and clear of liens, claims, encumbrances and interests pursuant to section 363(f) of the Bankruptcy Code, except for Permitted Liens and those Assumed Liabilities (as will be defined in the Purchase Agreement or Modified Purchase Agreement, as the case may be) expressly assumed by the Winning Bidder, with any such liens, claims, encumbrances, or interests to attach to the net sale proceeds of the Debtors’ business and assets. *See In re Lady H Coal Co.*, 199 B.R. 595, 605 (S.D. W. Va. 1996) (“The well established rule that sales within a bankruptcy proceeding occur free and clear of any interest is founded upon the principal

that good faith purchasers receive clean title to the property and that any claims against the property attach to the proceeds.”); *In re Riverside Inv. P’ship*, 674 F.2d 634, 640 (7th Cir. 1982) (“Generally, in a ‘free and clear’ sale, the liens are impressed on the proceeds of the sale and discharged at the time of sale”) (citation omitted). Courts have interpreted the requirements of section 363(f) to be disjunctive. *In re Elliot*, 94 B.R. 343 (Bankr. E.D. Pa. 1988); *Circus Time, Inc. v. Oxford Bank and Trust (In re Circus Time, Inc.)*, 5 B.R. 1, 8 (Bankr. D. Me. 1979) (court’s power to sell property free and clear of liens has long been recognized); 3 COLLIER ON BANKRUPTCY ¶ 363.06 (16th Ed. 2011) (same).

43. The Debtors also seek authority to satisfy the claims of the DIP Lenders on the date of the closing of the Sale (the “Closing”), or soon thereafter, from the proceeds of the Sale. The DIP Credit Agreement and Final DIP Order require that all proceeds from sales be applied to pay obligations under the DIP Credit Agreement. DIP Credit Agreement § 1.8(e) and (f); Final DIP Order ¶ 19. Immediately upon the Closing of the sale to the Winning Bidder, the Debtors shall be authorized and directed to use the proceeds from such sale to repay in full in cash all Obligations (as defined in the DIP Credit Agreement) outstanding thereunder, including the cash collateralization of all L/C Reimbursement Obligations and the funding of the Working Capital Indemnity Account and Term B Indemnity Account (each as defined in the DIP Credit Agreement).

44. A debtor in possession may sell property under sections 363(b) and 363(f) “free and clear of any interest in such property of an entity other than the estate” if any one of the following conditions is satisfied:

- applicable non-bankruptcy law permits sale of such property free and clear of such interest;

- such entity consents;
- such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
- such interest is a bona fide dispute; or
- such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f)(1)-(5); *Citicorp Homeowners Servs., Inc. v. Elliot (In re Elliot)*, 94 B.R. 343, 345 (E.D. Pa. 1988) (noting that since section 363(f) is written in the disjunctive, the court may approve a sale free and clear if any one subsection is met). If any of the five conditions set forth in section 363(f) are met, then a debtor is empowered to sell property free and clear of liens. *In re Dundee Equity Corp.*, No. 89-B-10233, 1992 Bankr. LEXIS 436, at *12 (Bankr. S.D.N.Y. Mar. 6, 1992).

45. Each lien, claim or encumbrance that does not constitute a Permitted Encumbrance (as will be defined in the Purchase Agreement or Modified Purchase Agreement, as the case may be) or Assumed Liability will satisfy at least one of the five conditions of section 363(f), and the Debtors submit that any such valid lien, claim, encumbrance, or interest will be adequately protected by attachment to the net proceeds of the Sale, subject to any claims and defenses the Debtors may possess with respect thereto. *See In re Circus Time, Inc.*, 5 B.R. at 7. The Debtors are not aware of any valid liens, claims, encumbrances on any property that may be sold as part of the Sale, except for those of the Debtors' DIP Lenders.

46. The Debtors believe that each of the parties purportedly holding a prepetition lien, claim or encumbrance on the Debtors' business and assets could be compelled to accept a monetary satisfaction of such interests, satisfying section 363(f)(5) of the Bankruptcy Code. Moreover, holders of liens, claims or encumbrances that have

not objected timely to this Motion may be deemed to have consented to the Sale of the Debtors' business and assets, satisfying section 363(f)(2) of the Bankruptcy Code. *See Hargrave v. Township of Pemberton (In re Tabone, Inc.)*, 175 B.R. 855, 858 (Bankr. D.N.J. 1994) (failure to object to sale free and clear of liens, claims and encumbrances satisfies section 363(f)(2)).

47. Thus, the Debtors submit that the Sale of the Debtors' business and assets free and clear of liens, claims, encumbrances and interests will satisfy the statutory prerequisites of section 363(f) of the Bankruptcy Code. Accordingly, the Debtors request that the Debtors' business and assets to the extent sold be transferred to the Winning Bidder free and clear of liens, claims, encumbrances and interests except for Permitted Liens, Permitted Encumbrances and Assumed Liabilities, with such liens, claims, encumbrances and interests to attach to the net Sale proceeds of the Debtors' business and assets. The Debtors also request that this Court authorize the Debtors to enter into a transaction with the Back-Up Bidder in the event that the Stalking Horse Bidder and/or the Winning Bidder (as appropriate) do not Close, which may involve a Full Chain Liquidation.

C. ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

48. To facilitate and effect the sale of the Debtors' business and assets for the highest and best price, the Debtors may seek to assume, assign and sell certain executory contracts and unexpired leases (the "Assumed Agreements"), as will be identified in the Notices of Assumption and Assignment (subject to the Notices of Non-Assumption).

1. Standards for Assumption.

49. Section 365(a) of the Bankruptcy Code provides that a debtor in possession, “subject to the Court’s approval, may assume or reject any executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a). Similar to section 363(b)(1), the standard to be applied by a court in determining whether an executory contract or unexpired lease should be assumed or rejected is the “business judgment” test, which is premised on the debtor’s business judgment that assumption would be beneficial to the estate. *See Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1098-99 (2d Cir. 1993); *see also In re Child World, Inc.*, 142 B.R. 87, 89 (Bankr. S.D.N.Y. 1992) (debtor may assume or reject an unexpired lease under § 365(a) in the exercise of its “business judgment”); *Hunts Point Tomato Co. v. Roman Crest Fruit, Inc. (In re Roman Crest Fruit, Inc.)*, 35 B.R. 939, 949 (Bankr. S.D.N.Y. 1983); *Control Data Corp. v. Zelman (In re Minges)*, 602 F.2d 38, 42 (2d Cir. 1979). “More exacting scrutiny would slow the administration of the debtor’s estate and increase its cost, interfere with the Bankruptcy Code’s provision for private control of administration of the estate, and threaten the court’s ability to control a case impartially.” *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1311 (5th Cir. 1985).

50. Section 365(b) of the Bankruptcy Code requires that a debtor in possession satisfy certain additional requirements to assume an executory contract or unexpired lease:

If there has been a default in an executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee—

- (A) cures, or provides adequate assurance that the trustee will promptly cure, such default . . .;

- (B) compensates, or provides adequate assurance that the trustee will promptly compensate, a party other than the debtor to such contract or lease, for any actual pecuniary loss to such party resulting from such default; and
- (C) provides adequate assurance of future performance under such contract or lease.

11 U.S.C. § 365(b). This section does not apply to a default that is a breach of a provision relating to:

- (A) the insolvency or financial condition of the debtor at any time before the closing of the case;
- (B) the commencement of a case under this title;
- (C) the appointment of or taking possession by a trustee in a case under this title or a custodian before such commencement; or
- (D) the satisfaction of any penalty rate or penalty provision relating to a default arising from any failure by the debtor to perform nonmonetary obligations under the executory contract or unexpired lease.

11 U.S.C. § 365(b)(2).

51. Section 365(b)(1) of the Bankruptcy Code requires that the Debtors or the Winning Bidder cure, or provide adequate assurance that they will promptly cure, any outstanding defaults under the Assumed Agreements in connection with the assumption and assignment of these agreements to the Winning Bidder.

2. **Notice and Objection Procedure.**

52. The Debtors will serve, on or before July 1, 2011, a notice to each non-debtor counterparty to all or nearly all executory contracts and/or unexpired leases of the Debtors (a “Non-Debtor Counterparty”), indicating that such Non-Debtor Counterparty’s contract may be assumed and assigned, along with the proposed cure amount (the “Cure

Amount”) calculated by the Debtors based on the Debtors’ books and records. Delivery of a notice of assumption and assignment does not constitute an admission by the Debtors of the Stalking Horse Bidder that the related contract or lease is an executory contract or unexpired lease and the Debtors and the Stalking Horse Bidder reserve all of their rights with respect thereto.

53. To the extent that any such Non-Debtor Counterparty seeks to object to (a) the assumption and assignment of its respective executory contract or unexpired lease or (b) the Cure Amount, the Non-Debtor Counterparty must file and serve an objection that sets forth, with specificity, the legal and factual bases of the objection no later than July 14, 2011 at 4:00 p.m. (prevailing Eastern Time) (which date is specified in the Notice of Assumption and Assignment) upon: (i) Kasowitz, Benson, Torres & Friedman LLP, attorneys for the Debtors, 1633 Broadway, New York, New York 10019 (Attn: Andrew K. Glenn, Esq., and Jeffrey R. Gleit, Esq.); (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, New York, New York 10004 (Attn: Paul K. Schwartzberg, Esq.); (iii) Lowenstein Sandler PC, counsel for the Committee, 65 Livingston Avenue, Roseland, New Jersey 07068 (Attn: Bruce D. Buechler, Esq. and Paul Kizel, Esq.), and 1251 Avenue of the Americas, New York, New York 10020 (Attn: Bruce S. Nathan, Esq.); (iv) counsel for the DIP Agents: (a) Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178-0060 (Attn: Wendy Walker, Esq.), and 225 Franklin Street, 16th Floor, Boston, Massachusetts 02110-4104 (Attn: Sandra Vrejan, Esq.), counsel for the Working Capital Agent, and (b) Choate Hall & Stewart LLP, Two International Place, Boston, Massachusetts 02110 (Attn: Kevin Simard, Esq.), counsel for GA Capital LLC; (v) Kelley Drye & Warren LLP, attorneys

for certain landlords, 101 Park Avenue, New York, New York 10178 (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); and (vi) Bingham McCutchen LLP, attorneys for Bank of America, N.A., One Federal Street, Boston, Massachusetts 02110-1726 (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.) (collectively, the “Notice Parties”); provided, however, that in the event that the Debtors conduct an Auction and the results of that Auction yield a Winning Bidder other than the Stalking Horse Bidder, objections by Non-Debtor Counterparties as to any issues raised by such Winning Bid or the identity of the Winning Bidder may be filed and served in accordance with the above requirements no later than July 20, 2011 at 3:00 p.m. (prevailing Eastern Time) (the “Supplemental Objection Deadline”).

54. The Debtors request that this Court order that all objections that challenge a Cure Amount must set forth the cure amount being claimed by the objecting party (the “Claimed Cure Amount”) with appropriate documentation in support thereof. Upon receipt of an objection to a Cure Amount, the Winning Bidder and/or the Debtors (in consultation with each other) may, prior to assuming and assigning the applicable executory contract or unexpired lease to the Winning Bidder, hold an amount equal to the Claimed Cure Amount in reserve, pending further order of the Court or agreement between the Debtors and the objecting party, with such agreement being consented to by the Winning Bidder. So long as the Winning Bidder or the Debtors hold the Claimed Cure Amount in reserve, the Debtors request that they be able, without further delay, to assume, assign and sell an Assumed Agreement, notwithstanding an objection to such Assumed Agreement’s Cure Amount.

55. If there is no timely objection to a Notice of Assumption and Assignment with respect to an executory contract or unexpired lease, the Debtors request that they be able to assume, assign and sell that executory contract or unexpired lease to the Winning Bidder, and the Cure Amount set forth in the Notice of Assumption and Assignment should be binding upon the respective Non-Debtor Counterparty to the executory contract or unexpired lease for all purposes. The respective Non-Debtor Counterparty should be forever barred from objecting to the Cure Amount, including, without limitation, the right to assert any additional cure or other amount with respect to their respective executory contract or unexpired lease, as well as objecting to the Debtors' assumption and assignment of such executory contract or unexpired lease to the Winning Bidder.

3. Procedure For Notice Of Final Decision To Assume And Assign And Payment Of Cure Amounts.

56. The Notice of Assumption and Assignment does not constitute the final decision to assume and assign the Debtors' executory contracts and unexpired leases, as the Stalking Horse Bidder has the right (and the Winning Bidder, if different from the Stalking Horse Bidder, may have the right) to defer any final decisions on assumption and assignment until: (a) the deadline to assume and assign each unexpired lease of non-residential real property under section 365(d)(4) of the Bankruptcy Code, as such deadline has been or may be extended by the Court and/or by agreement with a Non-Debtor Counterparty for any unexpired lease of non-residential real property; or (b) October 31, 2011 for any executory contract or any unexpired lease of property other than non-residential real property (as applicable, the "Assumption Deadline"). This represents a material part of the agreement with the Stalking Horse Bidder, particularly given the timing of this Sale.

57. Given the foregoing, and mindful of the need for the Non-Debtor Counterparties to have adequate notice and opportunity to object to the possible assumption and assignment (and to the Cure Amount), the Debtors will serve a Notice of Assumption and Assignment on all or nearly all executory contracts and unexpired leases to provide the Debtors with the flexibility necessary to maximize value. The Debtors propose the following procedure to make notice to the Non-Debtor Counterparties of the final decision whether to assume and assign each of the Debtors' executory contracts and unexpired leases, and to make payment of the Cure Amounts, if any, owed on each such executory contract or unexpired lease:

- (i) *If there is an objection to the assumption and assignment of an executory contract or unexpired lease:*
 - (a) If such objection is granted and not appealed, the Debtors may not assume and assign such contract or lease (unless such objection was limited to the Cure Amount, in which case the Debtors reserve the right to assume and assign such contract by paying the Cure Amount approved by the Court) and will provide no notice of such non-assumption.
 - (b) If such objection is outstanding on the Assumption Deadline, the Debtors maintain the right to assume and assign such contract or lease until a final order is issued (or a settlement is reached) resolving the objection and allowing the assumption and assignment. The Debtors will be required to maintain a reserve for the Claimed Cure Amount until such time as a final order is issued (or settlement is reached).
- (ii) *If there is no objection to the assumption and assignment of an executory contract or unexpired lease:*
 - (a) The Assumed Agreements will be deemed assumed and assigned upon payment of the Cure Amount by the Debtors and/or the Winning Bidder, which payment must be sent on or before the Assumption Deadline. Such payment of the Cure Amount will constitute notice to the applicable Non-Debtor Counterparty of the assumption and assignment.

- (b) To the extent the Winning Bidder determines not to have the Debtors assume and assign the Assumed Agreements, the Debtors will serve to each Non-Debtor Counterparty to each such non-assumed executory contract and unexpired lease a notice indicating that its contract or lease will not be assumed (the “Notice of Non-Assumption”) no later than three business days following the Assumption Deadline.
- (c) The Debtors may extend the Assumption Deadline by filing a notice with the Court prior to the expiration of the Assumption Deadline.

58. The Debtors submit that the foregoing procedures adequately balance the needs of the Winning Bidder and the rights of the Non-Debtor Counterparties, and provide the Non-Debtor Counterparties adequate notice and a right to be heard. Furthermore, these procedures satisfy Bankruptcy Rule 6006(f). Bankruptcy Rule 6006(f) requires, *inter alia*, that a motion to assume or assigning multiple executory contracts or unexpired leases that are not between the same parties:

- (1) state in a conspicuous place that parties receiving the omnibus motion should locate their names and their contracts or leases listed in the motion;
- (2) list parties alphabetically and identify the corresponding contract or lease;
- (3) specify the terms, including the curing of defaults, for each requested assumption or assignment;
- (4) specify the terms, including the identity of each assignee and the adequate assurance of future performance by each assignee, for each requested assignment;
- (5) be numbered consecutively with other omnibus motions to assume, assign, or reject executory contracts or unexpired leases; and
- (6) be limited to no more than 100 executory contracts or unexpired leases.

Bankruptcy Rule 6006(f). As discussed above, separate Notices of Assumption and Assignment will be served on the Non-Debtor Counterparties. Each notice will be sent to

a single Non-Debtor Counterparty, and list, in an exhibit, one or more executory contracts and unexpired leases with that party. In many cases, there will be a single executory contract or unexpired lease listed on an exhibit attached to each Notice of Assumption and Assignment. The form of the Notice of the Assumption and Assignment specifically references the exhibit, which identifies the contract(s) and/or lease(s) and the applicable Cure Amount, and makes clear the procedures governing objections discussed in this Motion. Accordingly, requirements one through four above are satisfied, and requirement number five is rendered irrelevant. Requirement number six is satisfied because, in no case, shall a Notice of Assumption and Assignment include more than one hundred executory contracts and unexpired leases. To the extent that this Court rules that Bankruptcy Rule 6006(f) is not satisfied, the Debtors request that this Court modify the requirements of Bankruptcy Rule 6006(f), given the exigencies of the case, including the need to obtain an order approving the Sale on or before July 22, 2011. Fed. R. Bankr. P. 6006, Advisory Committee Notes, 2007 Amendments ("An omnibus motion to assume, assign, or reject multiple executory contracts and unexpired leases must comply with the procedural requirements set forth in subdivision (f) of the rule, unless the court orders otherwise.") (emphasis added).

59. Accordingly, this Court should approve these procedures as providing appropriate and adequate notice to the Non-Debtor Counterparties.

4. Adequate Assurance of Future Performance.

60. Pursuant to section 365(f)(2) of the Bankruptcy Code, a debtor in possession may assign an executory contract or unexpired lease of nonresidential real property if

- the trustee assumes such contract or lease in accordance with the provisions of this section; and
- adequate assurance of future performance by the assignee of such contract or lease is provided, whether or not there has been a default in such contract or lease.

Id. § 365(f)(2).

61. The meaning of “adequate assurance of future performance” depends on the facts and circumstances of each case, but should be given “practical, pragmatic construction.” *See Carlisle Homes, Inc. v. Azzari (In re Carlisle Homes, Inc.)*, 103 B.R. 524, 538 (Bankr. D.N.J. 1988) (citation omitted); *see also In re Natco Indus.*, 54 B.R. 436, 440 (Bankr. S.D.N.Y. 1985) (adequate assurance of future performance does not mean absolute assurance that debtor will thrive and pay rent); *In re Bon Ton Rest. & Pastry Shop, Inc.*, 53 B.R. 789, 803 (Bankr. N.D. Ill. 1985) (“Although no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance.”).

62. Among other things, adequate assurance may be given by demonstrating the assignee’s financial health and experience in managing the type of enterprise or property assigned. *See In re Bygaph, Inc.*, 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (adequate assurance of future performance is present when prospective assignee of lease has financial resources and expressed willingness to devote sufficient funding to business to give it strong likelihood of succeeding; chief determinant of adequate assurance is whether rent will be paid).

63. As soon as practicable before and at the Sale Hearing, the Debtors will present facts demonstrating the financial credibility, willingness and ability of the Winning Bidder to perform under the Assumed Agreements. The Stalking Horse Bidder

has committed to provide equity financing in an amount reasonably satisfactory to the Debtors if it causes the Debtor to assume and assign the Assumed Agreements in connection with a going concern acquisition. The Sale Hearing will provide the Court and other interested parties the opportunity to evaluate the ability of the Winning Bidder to provide adequate assurance of future performance under the Assumed Agreements, as required by section 365(b)(1)(C) of the Bankruptcy Code. Thus, the Debtors respectfully submit that by the conclusion of the Sale Hearing, this Court should authorize the Debtors to assume and assign the Assumed Agreements on or before the Assumption Deadline pursuant to the procedures outlined above.

64. To facilitate the assumption and assignment of the Assumed Agreements, the Debtors request that the Court find all anti-assignment provisions of the Assumed Agreements be held unenforceable under section 365(f) of the Bankruptcy Code to the extent such parties do not consent to the assignment of such agreements.

Notwithstanding any anti-assignment language in an Assumed Agreement, the Debtors seek permission to assign and sell such Assumed Agreement, provided that the Debtors first assume the Assumed Agreement and then provide adequate assurance of future performance by the Winning Bidder. *See* 3 COLLIER ON BANKRUPTCY ¶ 365.09 (2011).

65. Also, pursuant to section 365(k) of the Bankruptcy Code, the Debtors and their estates shall be relieved from any liability for any breach of any Assumed Agreement after such assignment to and assumption by the Winning Bidder on the applicable date of the Closing (the “Closing Date”).

D. GOOD FAITH PURCHASER.

66. Section 363(m) of the Bankruptcy Code states:

The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

11 U.S.C. § 363(m).

67. Section 363(m) provides that a purchaser of property of the estate is protected from the effects of a reversal on appeal of the authorization to sell such property as long as the purchaser acted in good faith and the appellant failed to obtain a stay of the sale.

68. The Bankruptcy Code does not define “good faith,” but courts have adopted various definitions. A good faith purchaser is “one who buys property . . . for value, without knowledge of adverse claims.” *Mark Bell Furniture Warehouse, Inc. v. D.M. Reid Assocs. (In re Mark Bell Furniture Warehouse, Inc.)*, 992 F.2d 7, 8 (1st Cir. 1993). The requirement that a purchaser act in good faith speaks to the integrity of the purchaser’s conduct in the course of the sale proceedings. *See In re Abbotts Dairies, Inc.*, 788 F.2d 143, 147 (3d Cir. 1986).

69. The terms and conditions of the Purchase Agreement and the Agency Agreement were negotiated at arm’s-length and in good faith, are subject to higher and better offers as provided for herein, including in connection with an auction, if appropriate. There is no evidence of fraud or collusion in the terms of the proposed Sale. Based on the foregoing and upon the evidence that will be submitted at the Sale Hearing, the Debtors request that the Court determine that the Winning Bidder has acted in good

faith and is entitled to the protections of a good faith purchaser under section 363(m) of the Bankruptcy Code.

E. THE APPOINTMENT OF A CONSUMER PRIVACY OMBUDSMAN IS NOT REQUIRED HERE.

70. Pursuant to section 363(b)(1) of the Bankruptcy Code, a debtor may sell or lease personally identifiable information, such as its consumer customer list, so long as it complies with the debtor's privacy policy. 11 U.S.C. § 365(b)(1)(A). If a sale is inconsistent with the debtor's privacy policy, section 332 of the Bankruptcy Code governs the appointment of a consumer privacy ombudsman. 11 U.S.C. § 332(b)(1).

71. Pursuant to the Purchase Agreement, the Debtors may sell personally identifiable information in a manner that is consistent with the Debtors' current privacy policy. Therefore, the appointment of a consumer privacy ombudsman is unnecessary at this time. Should the Debtors enter into a transaction to sell such information other than in compliance with their privacy policy, the Debtors will notify the Court promptly and seek the appointment of a consumer privacy ombudsman in accordance with section 332 of the Bankruptcy Code.

F. LIQUIDATION PROCEDURES, INCLUDING RETENTION OF A LIQUIDATING AGENT, IF NECESSARY, SHOULD BE APPROVED.

72. The proposed Purchase Agreement and Agency Agreement provides the Stalking Horse Bidder with the right to have a liquidator liquidate certain locations. There is also a possibility that, as a result of the Auction, the Winning Bid will contemplate either a Full Chain Liquidation or a Remainder Chain Liquidation (together the liquidation procedures in the Purchase Agreement and Agency Agreement, a

“Liquidation”). Thus, the Debtors seek authority to conduct liquidation sales with the procedures described herein.

G. The Debtors’ Need to Retain A Liquidator²⁰

73. The DIP Credit Agreement requires the Debtors to engage an “Approved Liquidator,” defined as “a nationally recognized liquidator of recognized standing approved by Agents” to conduct “Affected Asset Sales,” defined as “a liquidation in one or a series of related transactions of the assets located on the property that are subject to leases rejected on the Lease Rejection Date.” DIP Credit Agreement §11.1.

Accordingly, the Debtors must retain a liquidating agent rather than conducting SCSs themselves.

74. Moreover, engaging the Liquidating Agent will provide the Debtors with several benefits. First, allowing a professional liquidator to liquidate the assets will enable the Debtors to maximize sale proceeds. Liquidation agents generally have more extensive knowledge, expertise and experience in conducting store closing sales than the Debtors. Second, it is more cost effective for the Debtors to allow a Liquidation Agent to conduct the store closing sales (the “GOB SCSs”) than to conduct such sales on their own because, among other reasons, the Liquidating Agent will reimburse the Debtors for expenses of the Liquidation. Therefore, the Debtors’ decision to retain a liquidating agent to conduct the GOB SCSs is an exercise of sound business judgment.

75. The Debtors submit, and will demonstrate at the hearing on this Motion, that any such Winning Bidder is entitled to the protections of section 363(m) of the

²⁰ For purposes of this Motion, unless set forth otherwise, the term Liquidating Agent shall include a liquidating agent conducting sales pursuant to a sale authorized under the Purchase Agreement and the Agency Agreement with the Stalking Horse Bidder.

Bankruptcy Code, as the Agency Agreement will be the product of a good faith, arm's-length transaction.²¹

76. Pursuant to the arrangement proposed herein, the Liquidating Agent will have the right to use the Closing Stores and the Debtors' related services, FF&E and other assets located in the Closing Stores in conducting the GOB SCSs. In addition, pursuant to the Agency Agreement, the Liquidating Agent will also have a right to establish and implement advertising, signage and promotional programs consistent with "store closing" or similar theme (but not "going out business" or any similar theme in connection with a Remaining Chain Sale).

77. The Liquidating Agent will conduct the GOB SCSs pursuant to the same sale guidelines previously approved by the Court in connection with the Phase I SCSs. The Debtors prepared those sale guidelines in consultation with counsel representing many of the Debtors' most significant landlords. Moreover, all landlords will be provided an opportunity after approval of the Liquidation to seek relief from the Sale Guidelines, using the same procedures approved by the Court in connection with the Phase I SCSs. *See* Section II.A., *infra*.

78. This Court already has approved the use of a liquidator to conduct SCS at the commencement of these cases. *See* footnote 5, *supra*. Other cases are in accord. *See, e.g., In re Goody's LLC*, Ch. 11 Case No. 09-10124 (Bankr. D. Del. Jan. 21, 2009) (various objections of landlords and taxing authorities resolved or overruled); *In re Circuit City Stores, Inc.*, Ch. 11 Case No. 08-35653 (KRH) (Bankr. E.D. Va. Dec. 11, 2008) (objections of various landlords resolved prior to entry of final order); *In re Linens*

²¹ A copy of the Agency Agreement is available at www.bordersreorganization.com. If you do not have computer access, you may obtain a copy of the Agency Agreement by contacting the Debtors' undersigned counsel.

Holding Co., Ch. 11 Case No. 08-10832 (Bankr. Del. May 30, 2008 and Oct. 16, 2008) (order, respectively, approving liquidator's store closing sales of certain closing locations, with the creditors committee's objections resolved and certain regulatory authorities objections overruled, and approving liquidator's store closing sales for all remaining store locations, while overruling objections of various landlords); *In re Sharper Image Corp.*, Ch. 11 Case No. 08-10322 (Bankr. D. Del. Mar. 14, 2008) (objections of various landlords overruled); *In re Steve & Barry's Manhattan LLC*, Ch. 11 Case No. 08-12579 (ALG) (Bankr. S.D.N.Y. Aug. 22, 2008) (various objections of landlords and taxing authorities resolved or overruled and creditors committee's objection deemed withdrawn).

79. The Debtors believe that the terms of the Agency Agreement are typical, customary and reasonable under the circumstances in the exercise of their prudent business judgment. They are substantially similar to the terms approved by the Court in connection with the Phase I SCSs. Accordingly, the Debtors respectfully request that the Court authorize the Debtors to enter into an agency agreement substantially similar to the Agency Agreement with the Liquidating Agent.

H. The GOB SCSs Do Not Require Appointment Of A Consumer Privacy Ombudsman.

80. Section 363(b)(1) of the Bankruptcy Code provides that a debtor may not sell or lease personally identifiable information unless such sale or lease is consistent with its policies or upon appointment of a consumer privacy ombudsman pursuant to section 332 of the Bankruptcy Code.

81. Pursuant to the Agency Agreement, the Liquidating Agent will not have access to the Debtors' customer lists and the Debtors will not disclose any personally

identifiable information regarding the Debtors' customers. Therefore, appointment of a consumer privacy ombudsman is unnecessary.²²

I. Waiver of Contractual Restrictions and Exemption of Laws Restricting Store Closing Sales.

82. The Debtors respectfully request waiver of certain contractual or applicable legal restrictions that could otherwise inhibit or prevent the Debtors' ability to maximize recovery through the GOB SCSs, and which are customarily waived in sales such as these.

1. Waiver of Contractual Restrictions.

83. The Debtors request that the Court override or invalidate any Contractual Restrictions that may impair the Debtors' ability to close stores and conduct the GOB SCSs in connection with the GOB Sales. The stores subject to the GOB SCSs are located on properties that are leased by the Debtors. In certain cases, the contemplated GOB SCSs may be inconsistent with certain provisions of such leases, subleases, or other documents with respect to any such leased premises, including (without limitation) reciprocal easement agreements, agreements containing covenants, conditions and restrictions (including, without limitation, "go-dark" provisions and landlord recapture rights), or other similar documents or provisions. Additionally, the Winning Bid may contemplate that the Winning Bidder under a Remaining Chain Liquidation may have a right to augment the Debtors' inventory with the Winning Bidder's own inventory (of like kind and no lesser quality) which the Winning Bidder will sell in the Debtors' store locations as part of the GOB SCSs.

²² If the Stalking Horse Bidder liquidates certain of the locations, it will not provide the Liquidating Agent with any personally identifiable information.

84. Store closing or liquidation sales are a routine part of chapter 11 cases involving retail debtors. Such sales are consistently approved by courts despite provisions of recorded documents or agreements purporting to forbid such sales. Indeed, other such restrictive provisions in contracts have been deemed unenforceable in other chapter 11 cases as impermissible restraints on a debtor's ability to maximize the value of its assets under section 363 of the Bankruptcy Code. See *In re Blockbuster Inc.*, Ch. 11 Case No. 10-14997 (BRL) (Bankr. S.D.N.Y. Jan. 20, 2011) at ¶¶ 7, 8 (various landlord and taxing authority objections resolved consensually prior to entry of order); *In re Finlay Enters., Inc.*, Ch. 11 Case No. 09-14873 (JMP) (Bankr. S.D.N.Y. Sept. 25, 2009) at ¶ 14 (same); *In re Steve & Barry's Manhattan LLC*, Ch. 11 Case No. 08-12579 (ALG) (Bankr. S.D.N.Y. Aug. 22, 2008) at ¶¶ 32, 33 (various motions of landlords and taxing authorities resolved or overruled and creditors committee's objection deemed withdrawn); *In re Bradlees Stores, Inc.*, Case No. 00-16035 (BRL) (Bankr. S.D.N.Y. Jan. 4, 2001) (authorizing Debtors to conduct GOB sales notwithstanding state rules or statutes governing closing, liquidation, or "going-out-of-business" sales and notwithstanding provision in leases restricting Debtor's ability to conduct such sales; landlord objections overruled or withdrawn); *In re R.H. Macy & Co.*, 170 B.R. 69, 77 (Bankr. S.D.N.Y. 1994) (holding restrictive lease provision unenforceable against debtor that sought to conduct going-out-of-business sale "because it conflicts with the Debtor's fiduciary duty to maximize estate assets"); *Ames Dep't Stores, Inc. (Ames I)*, 136 B.R. at 359 (finding that "to enforce the anti-GOB sale clause of the [l]ease would contravene overriding federal policy requiring Debtors to maximize estate assets by imposing additional constraints never envisioned by Congress"); see also *In re Tobago Bay*

Trading Co., 112 B.R. 463, 467 (Bankr. N.D. Ga. 1990) (finding anti-going-out-of-business sales clause in lease unenforceable).

85. In connection with the Phase I SCSs, the Court approved Sale Guidelines, which govern certain rights of landlords during the sales. The Debtors propose that those same guidelines also govern the GOB SCSs.

86. Based on well-established precedent, the Court should ensure that no Contractual Restriction is an impediment to the GOB SCSs, closures of Closing Stores, or the activities in connection therewith. To the extent such Contractual Restrictions exist, they should not be permitted to interfere with, or otherwise restrict, the Debtors from conducting the GOB SCSs or the closing of any Closing Stores.

2. Exemption From Applicable Law Restrictions.

87. Certain states in which the Closing Stores are located have or may have licensing and other requirements governing the conduct of store closing, liquidation, or other inventory clearance sales, including (but not limited to) state, and local laws, statutes, rules, regulations, and ordinances related to store closing and liquidation sales, establishing licensing, permitting, or bonding requirements, waiting periods, time limits, bulk sale restrictions, augmentation limitations that would otherwise apply to the GOB SCSs, or consumer fraud laws, with the exception of deceptive advertising laws (the “Liquidation Sale Laws”). Typical statutes and regulations provide that if a liquidation or bankruptcy sale is court authorized, however, then a company need not comply with these Liquidation Sale Laws.

88. The Debtors, therefore, request that the Court authorize the Debtors to conduct the GOB SCSs without the necessity of, and the delay associated with, complying with the Liquidation Sale Laws. Because the Debtors and their assets are

subject to this Court's jurisdiction, *see* 28 U.S.C. § 1334, this Court will be able to supervise the GOB SCSs. The GOB SCSs are legitimate methods by which the Debtors can maximize the return from the sale of the Merchandise for the benefit of their estates and creditors. Moreover, creditors and the public interest are adequately protected by the jurisdiction and supervision of this Court.

89. Even if a state or local law does not expressly except bankruptcy sales from its ambit, the Debtors submit that, to the extent that such state or local law conflicts with federal bankruptcy laws, it is preempted by the Supremacy Clause of the United States Constitution. To hold otherwise would severely impair the relief otherwise available under section 363 of the Bankruptcy Code. In concert with this premise, Bankruptcy Courts have consistently recognized that federal bankruptcy law preempts state and local laws that contravene the underlying policies of the Bankruptcy Code. *See, e.g., Aloe v. Shenango Inc. (In re Shenango Group, Inc.)*, 186 B.R. 623, 628 (Bankr. W.D. Pa. 1995) (“Trustees and debtors-in-possession have unique fiduciary and legal obligations pursuant to the bankruptcy code. . . . [A] state statute [] cannot place burdens on them where the result would contradict the priorities established by the federal bankruptcy code.”). While preemption of state law is not always appropriate, as when the protection of public health and safety is involved, *see Baker & Drake, Inc. v. Pub. Serv. Comm’n of Nev. (In re Baker & Drake, Inc.)*, 35 F.3d 1348, 1353-54 (9th Cir. 1994) (finding no preemption when state law prohibiting taxicab leasing was promulgated in part as a public safety measure), it is appropriate when, as here, the only state laws involved concern economic regulation. *Id.* at 1353 (finding that “federal bankruptcy preemption is more likely . . . where a state statute is concerned with economic regulation

rather than with protecting the public health and safety”). Moreover, pursuant to section 105 of the Bankruptcy Code, the Court has the authority to permit the GOB SCSs to proceed notwithstanding contrary Liquidation Sale Laws. *See* 11 U.S.C. § 105(a).

90. Here, the principles of the Bankruptcy Code will be undermined if the Court does not provide for the waiver of the Liquidation Sale Laws because the Liquidation Sale Laws constrain the Debtors’ ability to marshal and maximize assets for the benefit of creditors. Similar relief has been granted in this and other bankruptcy cases in other jurisdictions. *See, e.g., In re Blockbuster Inc.*, Ch. 11 Case No. 10-14997 (BRL) (Bankr. S.D.N.Y. Jan. 20, 2011) at ¶¶ 9, 10 (various landlord and taxing authority objections resolved consensually prior to entry of order); *In re Finlay Enters., Inc.*, Ch. 11 Case No. 09-14873 (JMP) (Bankr. S.D.N.Y. Sept. 25, 2009) at ¶ 11 (same); *In re Steve & Barry’s Manhattan LLC*, Ch 11 Case No. 08-12579 (ALG) (Bankr. S.D.N.Y. Aug. 22, 2008) at ¶ 36 (various motions of landlords and taxing authorities resolved or overruled and creditors committee’s objection deemed withdrawn).

91. Importantly, given the supervision of this Court, the requested waiver will not unduly undermine state and local requirements that would otherwise apply to the GOB SCSs. The Debtors only request that this Court authorize the Debtors to conduct the GOB SCSs without the necessity of, and the delay associated with, obtaining various state licenses or permits, observing state and local waiting periods or time limits, and/or satisfying any additional requirements with respect to advertising, conducting the GOB SCSs as store closings or similar type sales, or transferring merchandise from the distribution centers to the Closing Stores. The Debtors fully intend to be bound by and comply with remaining statutes and regulations, such as health and safety laws.

92. The Debtors also request that no other person or entity, including (but not limited to) any lessor or federal, state, or local agency, department, or governmental authority, be allowed to take any action to prevent, interfere with, or otherwise hinder consummation of the GOB SCSs, or the advertising and promotion (including through the posting of signs) of GOB SCSs, in the manner set forth in the proposed Sale Order.

93. The Debtors are entitled to the foregoing relief, which is routinely granted in connection with store closing sales. Indeed, the Court granted such relief in connection with the Phase I SCSs. *See* Phase I SCSs Order ¶ 9. The Debtors propose granting governmental authorities an opportunity to dispute the sale after entry of an order granting this Motion, which parallels the protections in the Phase I SCSs Order.²³

J. Authority to Abandon Unsold Property Following Store Closing Sales.

94. Section 554(a) of the Bankruptcy Code provides that after notice and a hearing, the trustee, and therefore the debtor in possession, “may abandon any property of the estate that is burdensome to the estate or that is of inconsequential value and benefit to the estate.” *See Hanover Ins. Co. v. Tyco Indus.*, 500 F.2d 654, 657 (3d Cir. 1974) (a trustee “may abandon his claim to any asset, including a cause of action, he deems less valuable than the cost of asserting that claim”); *In re Grossinger’s Assocs.*, 184 B.R. 429,

²³ The Phase I SCSs Order provides as follows:

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”).

Phase I Order ¶ 9(c).

432 (Bankr. S.D.N.Y. 1995); *see also* *Midlantic Nat'l Bank v. New Jersey Dep't of Env'tl. Protection*, 474 U.S. 494, 507, n.9 (1986) (“[A] trustee [in bankruptcy] may not abandon property in contravention of a state statute or regulation that is reasonably designed to protect the public health or safety from identified hazards. . . . This exception to the abandonment power . . . is a narrow one.”); *Sherrell v. Fleet Bank (In re Sherrell)*, 205 B.R. 20, 22 (N.D.N.Y. 1997) (“The effect of the abandonment is to remove the asset from the jurisdiction of the bankruptcy court.”) (quoting *In re Helms*, No. 91-2399, 1991 U.S. Dist. LEXIS 18958, at *3 (E.D. La. 1991)).

95. Under the proposed form of Agency Agreement, any Merchandise remaining at the Closing Stores following the GOB SCSs can be sold by the Liquidating Agent, with the proceeds thereof treated as Proceeds for purposes of compensation computation. To the extent, however, that the Liquidating Agent does not sell any Merchandise, Owned FF&E, Newsstand Inventory or Café/Candy Inventory, the Debtors request that they be authorized upon the conclusion of the GOB SCSs to abandon same without incurring liability to any person or entity. The Debtors submit that if they are unable to sell or dispose of any such assets following the GOB SCSs, it would be costly and burdensome to the estate to retain them.

96. Notwithstanding the foregoing, the Debtors and the Liquidating Agent will utilize all commercially reasonable efforts to remove or cause to be removed any confidential or personal identifying information (which means information which alone or in conjunction with other information identifies an individual, including, but not limited to, an individual's name, social security number, date of birth, government-issued identification number, account number, and .credit or debit card number) in any of the

Debtors' hardware, software, computers or cash registers or similar equipment that are to be sold or abandoned.

97. This Court granted the foregoing relief in connection with the Phase I SCSs. *See* Phase I SCSs Order ¶ 27. Consistent therewith, the Debtors request that in event of an abandonment, the applicable landlord be authorized to dispose of property without any liability to any individual or entity that may claim an interest in such abandoned property and that such abandonment be without prejudice to any landlord's right to assert any claims based on such abandonment and without prejudice to the Debtors or other party-in-interest to object thereto.

RELIEF UNDER BANKRUPTCY RULE 6004(h)

98. Rule 6004(h) of the Bankruptcy Rules provides that an "order authorizing the use, sale, or lease of property ... is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Due to the facts of these cases and in order to avoid any defaults under their post-petition credit agreement, the Debtors request that any order approving the Sale be effective immediately by providing that the 10-day stay under Bankruptcy Rule 6004(h) is waived.

NOTICE

99. No trustee or examiner has been appointed in these chapter 11 cases. Notice of this Motion has been given in accordance with this Court's order,²⁴ dated February 16, 2011, implementing certain notice and case management procedures, and prior instructions of this Court at the hearing held on June 22, 2011. Further, the Debtors

²⁴ [Docket No. 64].

intend on fulfilling the other notice requirements requested herein. The Debtors submit that no other or further notice need be provided.

NO PRIOR REQUEST

100. 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 entry of (i) the Sale Procedures Order, (ii) the Sale Order; and (iii) such other and further relief as the Court deems just and proper.

Dated: June 30, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

By: /s/ Andrew K. Glenn
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EXHIBIT A

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

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**DECLARATION OF HOLLY FELDER ET LIN IN SUPPORT OF DEBTORS' MOTION
FOR ORDER PURSUANT TO SECTIONS 105, 363 AND 365 OF THE BANKRUPTCY
CODE AND RULES 2002, 6004, 6006 AND 9014 OF THE FEDERAL RULES OF
BANKRUPTCY PROCEDURE (I) APPROVING THE SALE OF SUBSTANTIALLY
ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS,
ENCUMBRANCES AND INTERESTS AND THE ASSUMPTION AND ASSIGNMENT
OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES RELATED THERETO,
(II) APPROVING THE SALE PROCEDURES AND BREAK-UP FEE,
AND (III) GRANTING RELATED RELIEF**

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

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

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.

Services, LLC (“APS”) and Borders Group, Inc. dated as of February 9, 2011. On March 16, 2011, the Court entered an order authorizing the Debtors to designate me as SVPR for the Debtors [Docket No. 397].

2. I submit this declaration (this “Declaration”) in support of the *Debtors’ Motion for Order Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Approving the Sale of Substantially All of the Debtors’ Assets Free and Clear of All Liens, Claims, Encumbrances and Interests and the Assumption and Assignment of Executory Contracts and Unexpired Leases Related Thereto, (II) Approving the Sale Procedures and Break-Up Fee, and (III) Granting Related Relief* (the “Motion”) to be filed concurrently with this Declaration.²

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

A. The Liquidation Bid Solicitation Process

4. As required by the DIP Facility, the Debtors were required to initiate and complete a sale of substantially all of the Debtors assets, which could include a sale of the Debtors’ as a going concern or by a full liquidation. As required by the DIP Facility, on June 17, 2011, the Debtors sent a bid solicitation letter (the “June 17 Bid Solicitation Letter”) to each of the nationally recognized liquidation firms, which are the same entities involved with or

² Capitalized terms and phrases not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

expressing interest in the Phase I SCSs. A copy of the June 17 Bid Solicitation Letter is attached hereto as Exhibit 1.

5. The June 17 Bid Solicitation Letter informed recipients that the Debtors were seeking proposals to select a liquidating agent that, subject to Court approval, would conduct liquidation sales at all of the Debtors remaining stores and distribution centers (the “Closing Locations”). The letter enclosed a copy of a form agency agreement and offered due diligence materials for the Closing Locations to all parties subject to a confidentiality agreement, and disclosed that the Debtors will also be seeking bids for a going concern sale and would consider both going-concern and liquidation bids to determine which bid is highest and best. The letter contained the following dates and deadlines: (a) Thursday, June 23, 2011 (later extended to June 24, 2011) as the deadline for submitting bids, consisting of a proposal and a marked-up agency agreement, (b) Tuesday, July 19, 2011 as the auction and (c) the earlier of (i) Friday, July 29, 2011, and (ii) the closing of a going concern sale transaction that is deemed the highest and best bid, as the date through which the bidder with the highest and best liquidation bid must keep its bid open and irrevocable.

B. The Back-Up Full Chain Liquidation Bid

6. On June 24, 2011, the Debtors received a letter from a joint venture of liquidators consisting of Hilco Merchant Resources, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC, Gordon Brothers Retail Partners, LLC and Great American Group, LLC (the “Joint Venture”), which indicated that “[t]he Joint Venture is very interested in the potential transaction outlined in the [Bid Solicitation Letter] and any other transaction that may develop in connection with the liquidation of assets of the Debtors.” The letter further indicated that the Joint Venture was “not presenting a proposal or a bid at this time” citing a provision in the June 17 Bid

Solicitation Letter requiring the Debtors to approve any joint bids and to Paragraph P of the Phase I SCSs Order which provides as follows: “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.”

7. The June 24, 2011 letter enclosed a draft agency agreement and stated that “[t]o the extent the restrictions are no longer applicable, however, the Joint Venture would be prepared to make a bid to act as the Debtors’ exclusive agent to liquidate all inventory and furniture, fixtures and equipment on the terms outlined in the in the attached Agency Agreement.”

8. The liquidation bid embodied in the agency agreement annexed to the June 24, 2011 letter proposed to liquidate the Debtors’ inventory at the Closing Locations in exchange for payment to the Debtors of a guaranteed amount of 70% of the cost value of merchandise plus 50% of the proceeds above the guaranteed amount and funding of expenses.

9. On June 28, 29, and 30 2011, the Debtors extensively negotiated the terms of the Joint Venture’s bid and succeeded in increasing the guaranteed amount to 72%, which the Debtors estimate will bring at least \$252 million and as much as \$284 million into the estates, plus 50% of the proceeds above the guaranteed amount and funding of expenses (the “Stalking Horse Full Chain Liquidation Bid”).³ The Debtors also succeeded in obtaining various other favorable concessions from the Joint Venture.

10. Critically, the Joint Venture has agreed to subject the Stalking Horse Full Chain Liquidation Bid to higher and better bids, without requiring any bid protections. Moreover, the

³ The Stalking Horse Full Chain Liquidation Bid does not include approximately \$220 million in liabilities being assumed by the Stalking Horse Bidder for the GC Sale.

Joint Venture has agreed to stay committed to its bid for a sufficient time to permit the Debtors to attempt to close on a going concern bid. Thus, the Stalking Horse Full Chain Liquidation Bid allows the Debtors to preserve optionality and leaves open all potential avenues for the Debtors to maximize recovery for their estates and creditors.

11. The DIP Lenders have agreed to consent to the Stalking Horse Full Chain Liquidation Bid (as required by the Phase I SCSs Order because of makeup of the Joint Venture) if the Stalking Horse Full Chain Liquidation Bid generates enough value to repay the DIP Loan, in full, and to fund the Debtors' wind-down expenses. The Debtors believe that the Stalking Horse Full Chain Liquidation Bid satisfies the DIP Lenders' consent requirements.

12. I believe that the Stalking Horse Full Chain Liquidation Bid is a fair and reasonable proposal to conduct the store closing sales that would benefit the Debtors and their constituencies, and sets the floor for other bidders to improve the value received by the Debtors. As such, I believe that the Stalking Horse Full Chain Liquidation Bid is the Debtors' best alternative if the Debtors cannot consummate a favorable going concern sale.

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

Dated: June 30, 2011

/s/ Holly Felder Etlin
Holly Felder Etlin
Senior Vice President - Restructuring

EXHIBIT 1
JUNE 17 BID SOLICITATION LETTER

CONFIDENTIAL
REQUEST FOR PROPOSALS TO CONDUCT
STORE CLOSING SALES

I. Introduction

On February 16, 2011, Borders Group, Inc. and its affiliates (the "Company") commenced voluntary chapter 11 bankruptcy cases (the "Bankruptcy Cases") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

AP Services, LLC ("Financial Advisors") has been retained in the Bankruptcy Cases as restructuring and financial advisors and Kasowitz, Benson, Torres & Friedman LLP ("Counsel") has been retained as counsel. Both are assisting the Company in connection with its solicitation of bids and conduct of an auction process for purposes of selecting an agent, on an exclusive basis, to assist the Company in the liquidation of inventory and associated assets (collectively, the "Assets"), including certain furniture, fixtures and other store equipment ("FF&E"), located at all of the Company's 399 retail store locations (collectively, the "Closing Locations") and at the Company's distribution centers, through the conduct of "going out of business", "store closing", "total liquidation", "everything must go" or similar themed sales (the "Sale") at the Closing Locations. A form of Agency Agreement for the Sale is enclosed.

Under separate cover, the Company shall be delivering to each potential bidder who has executed and returned the required Confidentiality Agreement (a form of which is enclosed) certain select financial information concerning the Closing Locations and the Assets.

EACH BIDDER MAY MAKE ARRANGEMENTS WITH THE COMPANY TO VISIT ANY CLOSING LOCATION AND TO CONDUCT SUCH OTHER DUE DILIGENCE AS THE BIDDER AND THE COMPANY DEEM APPROPRIATE. ANY SITE VISIT MUST BE ARRANGED IN ADVANCE WITH THE COMPANY BY CONTACTING JIM FRERING (CONTACT INFORMATION BELOW). REQUESTS FOR ADDITIONAL INFORMATION SHOULD BE DIRECTED TO JEFF WEBB OF AP SERVICES, LLC (CONTACT INFORMATION BELOW).

II. Request For Proposals

1. The Company desires to receive proposals which contemplate a bid to conduct "going out of business", "store closing", "total liquidation", "everything must go" or similar themed sales at all the Closing Locations and at the Distribution Centers for all the Assets.

2. All proposals to be considered must be received, in writing, **no later than 4:00 PM (EST) on Thursday, June 23rd** (the "Proposal Deadline") and must be submitted using the form of Agency Agreement, redlined to show proposed changes from the original. Electronic copies of the Agency Agreement may be obtained from the Financial Advisors. Joint venture proposals will not be considered unless previously approved by the Company. The Company anticipates selecting, in consultation with the Financial Advisors and Counsel, the highest and best proposal that arrives on or before the Proposal Deadline, and which conforms to the terms and provisions of this proposal solicitation, to serve as stalking horse **not later than Thursday, June 30th**.

3. The Company anticipates conducting a final auction and to select the agent to conduct the Sale beginning at **10:00 AM (EST) on Tuesday, July 19th** at Counsel's offices (address below). In advance of the auction, the Company will inform each bidder submitting a conforming bid of the material terms of the stalking horse proposal and the stalking horse proposal will be the opening bid at the auction. It is Company's intention, subject to Bankruptcy Court approval, to enter into a definitive Agency Agreement with the successful bidder(s) (the "Successful Liquidation Bidder") -- who will be determined by the Company in consultation with the Financial Advisors and Counsel -- which Agreement shall reflect the terms and conditions of the successful bid(s).

4. During this process, the Debtors also will solicit bids for a going concern sale. Consequently, the Company will consider the Successful Liquidation Bidder's bid and all going concern bids and, in consultation with the Financial Advisors and Counsel, will determine which bid is highest and best. The Successful Liquidation Bidder shall be required to keep its bid open and irrevocable until the earlier of (a) Friday, July 29, 2011 and (b) the closing of a going concern sale transaction that is deemed to be the highest and best bid. If the Debtors, following Bankruptcy Court approval, proceed with the Successful Liquidation Bidder's bid, the bidder will be given undisturbed possession of the Closing Locations and the Distribution Centers on the sale commencement date, which the Company presently expects will be on or before **Friday, July 29, 2011**.

5. Proposals must be marked as "**Strictly Confidential**" and delivered by email and overnight courier simultaneously to each of the following on or before the Proposal Deadline:

AP Services, LLC

Holly Etlin
40 West 57th Street
New York, NY 10019
Email: hetlin@alixpartners.com

Jeff Webb
2101 Cedar Springs Road
Suite 1100
Dallas, TX 75201
Email: jwebb@alixpartners.com

Kasowitz, Benson, Torres & Friedman LLP

1633 Broadway
New York, New York 10019
Andrew K. Glenn
Barry Rutcofsky
Daniel A. Fliman
Email: aglen@kasowitz.com
brutcofsky@kasowitz.com
dfliman@kasowitz.com

Borders Group, Inc.

Jim Frering
Senior Vice President, Store Operations
100 Phoenix Dr. - Ann Arbor, MI 48108
Email: jfrering@bordersgroupinc.com
Phone: (734) 477-1194

THE COMPANY RESERVES THE RIGHT TO MODIFY ANY PROCEDURES HEREIN, TO REJECT ANY OR ALL PROPOSALS SUBMITTED IN RESPONSE TO THIS REQUEST FOR PROPOSALS AND/OR TO WITHDRAW ANY OR ALL OF THE CLOSING LOCATIONS OR THE DISTRIBUTION CENTERS AT ANY TIME BEFORE, DURING OR AFTER THE AUCTION, IN ITS SOLE AND ABSOLUTE DISCRETION.

The description of Sale terms in this letter are for illustrative purposes only. The terms of any Sale will be in all respects governed by the terms of the Agency Agreement executed between the Company and successful bidder(s), subject to approval by the Bankruptcy Court.

Any requests for additional information or clarification of the matters addressed herein shall be directed to the person identified below. No other contact with any representative of the Company shall be made without the express prior consent of the Company.

Sincerely,

Jeff Webb
AP Services, LLC
jwebb@alixpartners.com
Phone: (469) 831-6488

EXHIBIT B

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

*Attorneys for Debtors
and Debtors in Possession*

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

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**DECLARATION OF RICHARD KLEIN IN SUPPORT OF DEBTORS' MOTION FOR
ORDER PURSUANT TO SECTIONS 105, 363 AND 365 OF THE BANKRUPTCY CODE
AND RULES 2002, 6004, 6006 AND 9014 OF THE FEDERAL RULES OF
BANKRUPTCY PROCEDURE (I) APPROVING THE SALE OF SUBSTANTIALLY
ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS,
ENCUMBRANCES AND INTERESTS AND THE ASSUMPTION AND ASSIGNMENT
OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES RELATED THERETO,
(II) APPROVING THE SALE PROCEDURES AND BREAK-UP FEE,
AND (III) GRANTING RELATED RELIEF**

I, Richard Klein, pursuant to 28 U.S.C. § 1746, hereby declares and state:

1. I am a Senior Vice President of Jefferies & Company, Inc. ("Jefferies"), an investment banking firm with its principal offices located at 520 Madison Avenue, New York, New York, 10022, and other offices located worldwide.

2. I have provided financial advisory services to debtors and creditors through in-court and out-of-court reorganizations in a number of industries for approximately 15 years.

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.

These matters include distressed sale, buy-side and other restructuring advisory mandates, including bankruptcy planning and management, negotiations, valuation and other analyses, as well as securing debtor in possession financing and/or exit financing. My distressed sale and restructuring experience, which includes numerous retail cases, includes Adelphia Communications, Apex Silver, Anthony Crane Rentals, Arthur D. Little, Bruegger's Corporation, Buffet Holdings, Circuit City, Fitzgeralds Gaming, Fontainebleau, Friedman's Jewelers, Harrah's Jazz, Legends Gaming, Majestic Star, Robotic Vision Systems, Inc., TIMCO Aviation Services, Tony Roma's, Transeastern Homes, Trump Hotels & Casino Resorts and Uno's Restaurant Holdings. Prior to joining Jefferies, I spent 12 years at Houlihan Lokey Howard & Zukin, where I advised companies and various creditor constituencies on a variety of recapitalization, restructuring and sale transactions. Prior to joining Houlihan Lokey in 1996, I worked in commercial finance for the CIT Group. I received a B.S. in Business Administration with a concentration in finance from the State University of New York at Albany.

3. Jefferies is the financial advisor to the above-captioned debtors and debtors in possession (collectively, the "Debtors").

4. I submit this declaration (the "Declaration") in support of the *Debtors' Motion for Order Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Approving the Sale of Substantially All of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Interests and the Assumption and Assignment of Executory Contracts and Unexpired Leases Related Thereto, (II) Approving the Sale Procedures and Break-Up Fee, and (III) Granting Related Relief* (the "Motion") to be filed concurrently with this Declaration.²

² Capitalized terms and phrases not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

5. Unless otherwise stated in this Declaration, I have personal knowledge of the facts set forth herein and, if called as a witness, I would testify thereto.

The Marketing Process

6. Since the Commencement Date, the Debtors and Jefferies have contacted or were approached by approximately eighty-six potential strategic and financial investors that the Debtors and Jefferies believed might have an interest in acquiring some or all of the Debtors' assets on a going concern basis. Approximately twenty of these parties executed confidentiality agreements and had access to the Debtors' electronic data room. In addition, Jefferies worked with interested parties to conduct due diligence and provide access to management.

7. As part of the solicitation process, Jefferies requested that interested parties submit non-binding indications of interest to acquire all or part of the Debtors' assets by May 6, 2011. On May 6, 2011, the Debtors received two non-binding indications of interest to acquire portions of the Debtors' assets. Ultimately the Debtors received five non-binding indications of interest, two of which were for the majority of the Debtors' assets, including an offer from the Najafi Companies, whereby a wholly owned subsidiary of its affiliate Direct Brands, Inc., BB Brands, LLC (the "Stalking Horse Bidder"), would purchase a majority of the Debtors' assets on a going concern basis. The Debtors entered into negotiations with the Stalking Horse Bidder and another party that submitted going concern bids in an effort to maximize the value of the Debtors' assets for the Debtors and the Debtors' creditors.

8. From time to time, and as appropriate, the Debtors consulted with the Committee and the DIP Lenders. After carefully evaluating the transaction embodied in the Stalking Horse Bidder's offer and all of the relevant circumstances of the Debtors' businesses and these cases, the Debtors and their board of directors, in conjunction with Jefferies and their other advisors, concluded, in an exercise of their business judgment, that the offer made by the Stalking Horse

Bidder for substantially all of the Debtors' assets was in the best interests of the Debtors, their estates and creditors.

9. Accordingly, on June 30, 2011, the Debtors and the Stalking Horse Bidder reached agreement on the terms of, and executed, the Purchase Agreement, for, among other things, the sale of the Debtors' business and substantially all of their assets and the assumption and assignment of certain executory contracts and unexpired leases. The negotiations between the Debtors, the Stalking Horse Bidder and their respective professionals were hard fought, good faith, and were conducted at arm's length. These negotiations were contentious at times, but ultimately proved to be beneficial to the Debtors' estates.

The Sale Procedures and Break-Up Fee

10. To ensure that the Stalking Horse Bid is the highest and best offer, the Debtors are seeking approval of the Sale Procedures. I believe that the Sale Procedures are reasonable, appropriate, and represent the best method to maximize the value of the Debtors' business and assets.

11. These procedures are required to induce the Stalking Horse Bidder to make its offer for the purchase of the Debtors' business. The Debtors and I are informed and believe that the Stalking Horse Bidder would not have submitted its offer without the Break-Up Fee, which is a condition precedent to the Stalking Horse Bid.

12. The proposed Break-Up Fee is reasonable and within the general market range for such fees, particularly considering that there is no separate expense reimbursement for the Stalking Horse Bidder. The proposed Break-Up Fee is \$6.45 million while the cash consideration that the estates will receive is approximately \$215 million.³ In my experience, this

³ In addition to the cash consideration, the Stalking Horse Bidder is assuming approximately \$220 million of liabilities for a total consideration to the estate in excess of approximately \$435 million.

Break-Up Fee, which is approximately 3% of the cash consideration, falls well within the range that bankruptcy courts typically approve.

13. The Sale Procedures, including the Break-Up Fee, will enable the Debtors to obtain a sale to a contractually committed bidder at a price that the Debtors and their advisors believe is fair and reasonable and indeed significantly higher than any other bid received to date. The Sale Procedures contain market terms with respect to, among other things, deposits, Qualified Bidders and bid increments. The Sale Procedures are reasonably calculated to assure that the Debtors obtain a purchase price for the Debtors' business and assets within the upper range of reasonably anticipated values, while ensuring that the Debtors have sufficient liquidity to consummate the Sale. The Break-Up Fee is appropriate, in that it encouraged the Stalking Horse Bidder to enter into the Purchase Agreement for the Sale.

[continued on next page]

I declare under penalty of perjury that the foregoing information is true and correct to the best of my knowledge, information, and belief.

Dated: June 30, 2011
New York, New York

Richard Klein
Richard Klein
Senior Vice President

EXHIBIT C

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

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**ORDER PURSUANT TO SECTIONS 105, 363 AND 365 OF THE BANKRUPTCY
CODE AND RULES 2002, 6004, 6006 AND 9014 OF THE FEDERAL RULES OF
BANKRUPTCY PROCEDURE APPROVING SALE PROCEDURES AND BREAK-UP
FEE IN CONNECTION WITH THE SALE OF THE DEBTORS' ASSETS FREE
AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS**

Upon the motion (the "Motion")² of the above-captioned debtors and debtors in possession (the "Debtors") for an order pursuant to sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") seeking approval of: (I) the sale of substantially all of the Debtors' assets free and clear of all liens, claims, encumbrances and interests and the assumption and assignment of executory contracts and expired leases related thereto, (II) approving the sale procedures and break-up fee, and (III) granting related relief; and it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and 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 it appearing that this Motion is a core proceeding pursuant to 28 U.S.C. § 157; and adequate notice

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 All terms not otherwise defined herein shall have the meanings assigned to them in the Motion.

of the Motion having been given and it appearing that no other notice need be given; and upon the arguments made at the hearing held on July 14, 2011, and having heard the objections made, if any, to the relief sought in the Motion; and after due deliberation and sufficient cause therefore,

IT IS HEREBY FOUND AND DETERMINED THAT:³

A. The Court has jurisdiction over this matter and over the property of the Debtors and their respective bankruptcy estates pursuant to 28 U.S.C. §§ 157(a) and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). The statutory predicates for the relief sought herein are 11 U.S.C. §§ 105, 363, 364, 365 and 503 and Bankruptcy Rules 2002, 6004, 6006 and 9014. Venue of these cases and the Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The relief granted herein is in the best interests of the Debtors, their estates, their creditors and other parties in interest.

C. The notice of the Motion and the hearing given by the Debtors constitutes due and sufficient notice thereof.

D. The Debtors have provided good and sufficient reasons and have demonstrated a compelling and sound business justification for the Court to: (1) approve the Bid Procedures; (2) approve the amount of the Break-Up Fee, as provided in the Purchase Agreement; (3) authorize the Debtors to pay the Break-up Fee if required to do so by the Purchase Agreement upon Closing; (4) approve the form and manner of notice of the Motion, the Auction, the Sale Hearing

³ The findings of fact and the conclusions of law stated herein shall 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 finding of fact shall be determined to be a conclusion of law, it shall be so deemed, and to the extent any conclusion of law shall be determined to be a finding of fact, it shall be so deemed.

and the assumption and assignment of the Assumed Agreements; and (5) set the date of the Auction and the Sale Hearing.

E. The Bid Procedures are reasonable and appropriate, and represent the best method of maximizing the realizable value of the Debtors' business and assets.

F. The Break-Up Fee, to the extent payable under the Purchase Agreement: (1) shall be deemed an actual and necessary cost and expense of preserving the Debtors' estates; (2) is reasonable and appropriate, including in light of the size and nature of the Sale; (3) is necessary to secure the Stalking Horse Bid; (4) has been negotiated by the Debtors and the Stalking Horse Bidder at arm's length and in good faith; (5) is in the best interests of the Debtors, the Debtors' estates and (6) will not chill bidding, the Debtors' creditors and other parties in interest.

THEREFORE, IT IS ORDERED, ADJUDGED, AND DECREED THAT:

A. Approval of Motion, Bid Procedures.

1. The Motion is granted to the extent provided herein.
2. All objections filed in response to the relief granted herein, to the extent not resolved as set forth herein or at the Hearing, are hereby overruled.
3. The Bid Procedures, substantially in the form annexed hereto as Exhibit A and incorporated herein by reference, are hereby approved and shall govern all proceedings related to the subject thereof, including: (1) the Purchase Agreement; (2) the Modified Purchase Agreement, if any; (3) the Modified Agency Agreement, if any; (4) the Auction, if any; and (5) the Sale. Notwithstanding the foregoing, if the Debtors alter the Bid Procedures, the Debtors shall provide notice of such changes to: (1) the Committee; (2) the Agent; and (3) the bidders or the Qualifying Bidders (as the case may be). The failure to include or reference a particular

provision of the Bid Procedures specifically in this Order shall not diminish or impair the effectiveness or enforceability of such a provision.

4. The Debtors are authorized to conduct the Auction as set forth in the Bid Procedures.

5. July 17, 2011 at 5:00 p.m. shall be the deadline (the "Bid Deadline") for the submission of bids in accordance with the terms described in the Bid Procedures (notwithstanding Bankruptcy Rule 9006(a)(1)(C)). Absent irregularities in the conduct of the Auction, or reasonable and material confusion during the bidding, the Court will not consider bids made after the Auction has been closed.

B. Notice of and Objections to the Sale.

6. The Debtors shall file a notice on or before July 20, 2011 announcing either that there was insufficient interest to conduct the Auction or the results of the Auction on the Court's docket and the Debtors' restructuring website (www.bordersreorganization.com). The Court shall hold a hearing on July 21, 2011 at 11:00 a.m. (prevailing eastern time), at which time the Court shall consider the approval of the Sale as set forth in the Motion and approve the Winning Bidder and confirm the results of the Auction, if any.

7. Objections, if any, to the Sale shall be made in writing, shall state with particularity the grounds therefore, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York (the "Local Rules"), and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General Order M-399 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court's case filing system, and by all other parties in interest, on a 3.5-

inch disk or CD-ROM, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received no later than July 14, 2011 at 4:00 p.m. (prevailing Eastern Time) (the “Sale Objection Deadline”) by: (i) Kasowitz, Benson, Torres & Friedman LLP, attorneys for the Debtors, 1633 Broadway, New York, New York 10019 (Attn: David M. Friedman, Esq., Andrew K. Glenn, Esq., and Jeffrey R. Gleit, Esq.); (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, New York, New York 10004 (Attn: Paul K. Schwartzberg, Esq.); (iii) Lowenstein Sandler PC, counsel for the official committee of unsecured creditors, 65 Livingston Avenue, Roseland, New Jersey 07068 (Attn: Bruce D. Buechler, Esq. and Paul Kizel, Esq.), and 1251 Avenue of the Americas, New York, New York 10020 (Attn: Bruce S. Nathan, Esq.); (iv) counsel for the DIP Agents: (a) Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178-0060 (Attn: Wendy Walker, Esq.), and 225 Franklin Street, 16th Floor, Boston, Massachusetts 02110-4104 (Attn: Sandra Vrejan, Esq.), counsel for the Working Capital Agent, and (b) Choate Hall & Stewart LLP, Two International Place, Boston, Massachusetts 02110 (Attn: Kevin Simard, Esq.), counsel for GA Capital LLC; (v) Kelley Drye & Warren LLP, attorneys for certain landlords, 101 Park Avenue, New York, New York 10178 (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); and (vi) Bingham McCutchen LLP, attorneys for Bank of America, N.A., One Federal Street, Boston, Massachusetts 02110-1726 (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.); provided, however, in the event that the Debtors conduct an auction in accordance with the Sale Procedures (an “Auction”) and the results of that Auction yield a Winning Bidder other than the Stalking Horse Bidder, objections as to any issues raised by such Winning Bid or

the identity of the Winning Bidder may be filed and served in accordance with the above requirements no later than July 20, 2011 at 3:00 p.m. (prevailing Eastern Time) (the “Supplemental Objection Deadline”).

C. Bidding Protections.

8. The Stalking Horse Bidder shall receive the Break-Up Fee in the event that the conditions for such payment as provided in the Purchase Agreement are met.

9. The Debtors’ obligation to pay the Break-Up Fee shall constitute a superpriority administrative claim against the Debtors’ estates pursuant to sections 105(a), 503(b) and 364(c)(1) of the Bankruptcy Code and shall be senior to, and have priority over, all other claims against the Debtors.

D. Assumed Agreements.

10. The Debtors will serve, on or before July 1, 2011, a notice to each Non-Debtor Counterparty to all or nearly all executory contract and/or unexpired lease of the Debtors, indicating that such Non-Debtor Counterparty’s contract may be assumed and assigned, along with the proposed cure amount (the “Cure Amount”) calculated by the Debtors (the “Notice of Assumption and Assignment”), the form of which is attached hereto as Exhibit B. The Notice of Assumption and Assignment is approved and the service of same on the addresses of the Non-Debtor Counterparties by the date the Debtors served such notices constitutes good and adequate service to the Non-Debtor Counterparties.

11. To the extent that any such Non-Debtor Counterparty seeks to object to (a) the assumption and assignment of its respective Assumed Agreement or (b) the Cure Amount, shall be made in writing, shall state with particularity the grounds therefore, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District

of New York (the “Local Rules”), and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General Order M-399 and the User’s Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court’s case filing system, and by all other parties in interest, on a 3.5-inch disk or CD-ROM, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received no later than July 14, 2011 at 4:00 p.m. (prevailing Eastern Time); provided, however, in the event that the Debtors conduct an Auction and the results of that Auction yield a winning bidder other than the Stalking Horse Bidder, written objections as to any issues raised by such Winning Bid or the identity of the Winning Bidder may be filed and served so as to be received by the Bankruptcy Court and the Notice Parties in accordance with the above requirements no later than the Supplemental Objection Deadline.

12. If an objection challenges a Cure Amount, the objection must set forth the cure amount being claimed by the objecting party (the “Claimed Cure Amount”) with appropriate documentation in support thereof.

E. Additional Provisions.

13. In the event of any inconsistencies between this Order and the Motion, the Purchase Agreement or the Bid Procedures, this Order shall govern in all respects.

14. Notwithstanding Bankruptcy Rule 6004(h), this Order shall not be stayed for fourteen (14) days after the entry hereof and this Order shall be immediately effective and enforceable upon its entry.

15. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: July __, 2011
New York, New York

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT D

Assumption and Assignment Objection Deadline: July 14, 2011 at 4:00 p.m. (prevailing Eastern Time)
Supplemental Objection Deadline: July 20, 2011 at 3:00 p.m. (prevailing Eastern Time)
Hearing Date: July 21, 2011 at 11:00 a.m. (prevailing Eastern Time)

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

Attorneys for Debtors and Debtors in Possession

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

In re

BORDERS GROUP, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**NOTICE OF ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS
AND UNEXPIRED LEASES IN CONNECTION WITH SALE OF
SUBSTANTIALLY ALL OF THE DEBTORS' BUSINESS AND ASSETS**

PLEASE TAKE NOTICE that in connection with the above captioned debtors and debtors-in-possession's (collectively, the "Debtors") *Motion* (the "Motion") for an Order Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Approving the Sale (the "Sale") of Substantially All of the Debtors' Assets Free and Clear of all Liens, Claims, Encumbrances and Interests and the Assumption and Assignment of Executory Contracts and Unexpired Leases Related Thereto, (II) Approving the Sale Procedures and Break-Up Fee, and (III) Granting

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.

Related Relief, a hearing (the “Sale Procedures Hearing”) shall be held to approve the sale procedures (the “Sale Procedures”), break-up fee and related relief before the Honorable Martin Glenn, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Courtroom 501, One Bowling Green, New York, New York 10004 (the “Bankruptcy Court”) on **July 14, 2011 at 11:00 a.m. (prevailing Eastern Time)** (the “Hearing Date”), or as soon thereafter as counsel may be heard.

PLEASE TAKE FURTHER NOTICE that a hearing shall be held on the Motion to approve the Sale before the Honorable Martin Glenn, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Courtroom 501, One Bowling Green, New York, New York 10004 (the “Bankruptcy Court”) on **July 21, 2011 at 11:00 a.m. (prevailing Eastern Time)** (the “Hearing Date”), or as soon thereafter as counsel may be heard, at which the Debtors may seek authority to assume all or substantially all of its executory contracts and unexpired leases (the “Assumed Agreements”) and assign them to the Stalking Horse Bidder (as defined in the Motion) or the winning bidder (the “Winning Bidder”) at an auction the Debtors may hold pursuant to the Sale Procedures (the “Auction”), including the Assumed Agreement(s) listed on Exhibit A hereto.

PLEASE TAKE FURTHER NOTICE that Exhibit A lists the “Cure Amount” for the Assumed Agreement(s), which are agreement(s) to which you are, or are the agent of, the counterparty to such agreement(s) (the “Non-Debtor Counterparty”). This Cure Amount is the amount, based on the Debtors’ books and records, which the Debtors assert is necessary to cure any defaults existing under such Assumed Agreement(s).² You may have been sent additional Notices of Assumption and Assignment of Executory Contracts and Unexpired Leases in

² The Debtors expressly reserve the right to challenge the status of any Assumed Agreement as to its status as an executory contract or unexpired lease and the Cure Amount, up until the Assumption Deadline.

Connection with Sale of Substantially All of the Debtors' Business and Assets, listing additional executory contracts and unexpired leases.

PLEASE TAKE FURTHER NOTICE that objections, if any, by a Non-Debtor Counterparty to (a) the assumption and assignment of its respective Assumed Agreement(s) and/or (b) the Cure Amount shall be made in writing, shall set forth, with specificity, the legal and factual bases of the objection, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York (the "Local Rules"), and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General Order M-399 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court's case filing system, and by all other parties in interest, on a 3.5-inch disk or CD-ROM, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received **no later than July 14, 2011 at 4:00 p.m. (prevailing Eastern Time)** (the "Objection Deadline"), by: (i) Kasowitz, Benson, Torres & Friedman LLP, attorneys for the Debtors, 1633 Broadway, New York, New York 10019 (Attn: Andrew K. Glenn, Esq. and Jeffrey R. Gleit, Esq.); (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, New York, New York 10004 (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (iii) Lowenstein Sandler PC, counsel for the official committee of unsecured creditors, 65 Livingston Avenue, Roseland, New Jersey 07068 (Attn: Bruce D. Buechler, Esq. and Paul Kizel, Esq.), and 1251 Avenue of the Americas, New York, New York 10020 (Attn: Bruce S. Nathan, Esq.); (iv) counsel for the DIP Agents: (a) Morgan, Lewis & Bockius LLP, 101 Park Avenue,

New York, New York 10178-0060 (Attn: Wendy Walker, Esq.), and 225 Franklin Street, 16th Floor, Boston, Massachusetts 02110-4104 (Attn: Sandra Vrejan, Esq.), counsel for the Working Capital Agent, and (b) Choate Hall & Stewart LLP, Two International Place, Boston, Massachusetts 02110 (Attn: Kevin Simard, Esq.), counsel for GA Capital LLC; (v) Kelley Drye & Warren LLP, attorneys for certain landlords, 101 Park Avenue, New York, New York 10178 (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); and (vi) Bingham McCutchen LLP, attorneys for Bank of America, N.A., One Federal Street, Boston, Massachusetts 02110-1726 (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.); provided, however, in the event that the Debtors conduct an Auction and the results of that Auction yield a Winning Bidder other than the Stalking Horse Bidder, objections as to any issues raised by such Winning Bid (as defined in the Motion) or the identity of the Winning Bidder may be filed and served in accordance with the above requirements **no later than July 20, 2011 at 3:00 p.m. (prevailing Eastern Time)** (the “Supplemental Objection Deadline”).

PLEASE TAKE FURTHER NOTICE that objections that challenge a Cure Amount must set forth the cure amount being claimed by the objecting party (the “Claimed Cure Amount”) with appropriate documentation in support thereof. Upon receipt of an objection to a Cure Amount, the Winning Bidder or the Stalking Horse Bidder (if there is no Auction) (the “Purchaser”) and/or the Debtors (in consultation with each other) may, prior to assuming and assigning the applicable unexpired lease or executory contract to the Winning Bidder, hold an amount equal to the Claimed Cure Amount in reserve, pending further order of the Court or agreement between the Debtors and the objecting party, with such agreement being consented to by the Purchaser. So long as the Purchaser or the Debtors hold the Claimed Cure Amount in reserve, the Debtors will be able, without further delay, to assume, assign and sell an Assumed

Agreement, notwithstanding an objection to such Assumed Agreement's Cure Amount. If there is an objection to the Cure Amount as to an Assumed Agreement and the Debtors and/or the Purchaser holds the Claimed Cure Amount in reserve, the Debtors and/or the Purchaser will make payment upon resolution of the dispute as to the proper Cure Amount as may be agreed to by the Debtors and/or the Purchaser and the applicable Non-Debtor Counterparty or as may be provided in an order of this Court.

PLEASE TAKE FURTHER NOTICE THAT IF YOU DO NOT TIMELY FILE AND SERVE AN OBJECTION TO THE ASSUMPTION AND ASSIGNMENT OF THE EXECUTORY CONTRACT(S) AND/OR UNEXPIRED LEASE(S) LISTED ON EXHIBIT A, INCLUDING WITH RESPECT TO THE CURE AMOUNT FOR SUCH EXECUTORY CONTRACT(S) AND/OR UNEXPIRED LEASE(S), THE DEBTORS WILL BE ABLE TO ASSUME, ASSIGN AND SELL SUCH EXECUTORY CONTRACT(S) AND/OR UNEXPIRED LEASE(S) TO THE PURCHASER, AND THE CURE AMOUNT SET FORTH IN THIS NOTICE WILL BE BINDING UPON YOU AS THE NON-DEBTOR CONTRACTING PARTY TO SUCH EXECUTORY CONTRACT(S) AND/OR UNEXPIRED LEASE(S) FOR ALL PURPOSES IN THE DEBTORS' CHAPTER 11 CASES. IN SUCH EVENT, YOU, AS THE RESPECTIVE NON-DEBTOR COUNTERPARTY, WILL BE FOREVER BARRED FROM OBJECTING TO THE CURE AMOUNT, INCLUDING, WITHOUT LIMITATION, THE RIGHT TO ASSERT ANY ADDITIONAL CURE OR OTHER AMOUNT WITH RESPECT TO SUCH EXECUTORY CONTRACT(S) AND/OR UNEXPIRED LEASE(S), AS WELL AS OBJECTING TO THE DEBTORS' ASSUMPTION AND ASSIGNMENT OF SUCH EXECUTORY CONTRACT(S) AND/OR UNEXPIRED LEASE(S) TO THE PURCHASER.

PLEASE TAKE FURTHER NOTICE that this Notice of Assumption and Assignment is not binding on the Debtors and/or the Purchaser and does not constitute the final decision to assume and assign the Debtors' executory contracts and unexpired leases, as the Stalking Horse Bidder has the right (and the Winning Bidder, if different from the Stalking Horse Bidder, may have the right) to defer any final decisions on assumption and assignment until: (a) the deadline to assume and assign each unexpired lease of non-residential real property under section 365(d)(4) of the Bankruptcy Code, as such deadline has been or may be extended by the Court and/or by agreement with a Non-Debtor Counterparty for any unexpired lease of non-residential real property; or (b) October 31, 2011 for any executory contract or any unexpired lease of property other than non-residential real property (as applicable, the "Assumption Deadline").

PLEASE TAKE FURTHER NOTICE that the following procedure will govern the Debtors in connection with notifying you as to the final decision whether to assume and assign each of the Debtors' executory contract(s) and unexpired lease(s) listed on Exhibit A, and to make payment of the Cure Amounts, if any, owed on each such executory contract(s) or unexpired lease(s):

- (i) *If there is an objection to the assumption and assignment of an executory contract or unexpired lease:*
 - (a) If such objection is granted and not appealed, the Debtors may not assume and assign such contract or lease (unless such objection was limited to the Cure Amount, in which case the Debtors reserve the right to assume and assign such contract or lease by paying the Cure Amount approved by the Court) and will provide no notice of such non-assumption.
 - (b) If such objection is outstanding on the Assumption Deadline, the Debtors maintain the right to assume and assign such contract or lease until a final order is issued (or a settlement is reached) resolving the objection and allowing the assumption and assignment. The Debtors will be required to maintain a reserve for the Claimed Cure Amount until such time as a final order is issued (or settlement is reached).

- (ii) *If there is no objection to the assumption and assignment of an executory contract or unexpired lease:*
- (a) The executory contract(s) and unexpired lease(s) on Exhibit A will be deemed assumed and assigned upon payment of the Cure Amount by the Debtors and/or the Winning Bidder, which payment must be sent on or before the Assumption Deadline. Such payment of the Cure Amount will constitute notice to you of the assumption and assignment.
 - (b) To the extent the Winning Bidder determines not to have the Debtors assume and assign the executory contract(s) and unexpired lease(s) on Exhibit A, the Debtors will serve to you a notice indicating that your contract or lease will not be assumed (the “Notice of Non-Assumption”) no later than one day following the Assumption Deadline.
 - (c) The Debtors may extend the Assumption Deadline by filing a notice with the Court prior to the expiration of the Assumption Deadline.

PLEASE TAKE FURTHER NOTICE that copies of the Motion, the procedures governing the bidding in connection therewith, the proposed order approving such procedures, and the break-up fee, the proposed order approving the Sale, and the form of the purchase agreement governing the potential sale of all or substantially all of the Debtors’ assets to the Stalking Horse Bidder is available at www.bordersreorganization.com.

Dated: June 30, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

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Attorneys for Debtors and Debtors in Possession

EXHIBIT A

Schedule of Assumed Agreements and Cure Costs

EXHIBIT E

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

In re

**BORDERS GROUP, INC., *et al.*,¹

Debtors.**

Chapter 11

**Case No. 11-10614 (MG)

(Jointly Administered)**

**ORDER PURSUANT TO SECTIONS 105, 363 AND 365 OF THE
BANKRUPTCY CODE AND RULES 2002, 6004, 6006 AND 9014 OF THE
FEDERAL RULES OF BANKRUPTCY PROCEDURE APPROVING THE
SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE
AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND
INTERESTS AND THE ASSUMPTION AND ASSIGNMENT OF
EXECUTORY CONTRACTS AND UNEXPIRED LEASES RELATED THERETO**

Upon the motion (the "Motion")² of the above-captioned debtors and debtors in possession (the "Debtors") for an order pursuant to sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") seeking approval of, among other things, the sale of substantially all of the Debtors' business and assets (the "Assets") free and clear of all Excluded Interests (as defined herein) and the assumption and assignment of Assumed Agreements (as defined herein) (the "Sale"); and it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title

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 All terms not otherwise defined herein shall have the meanings assigned to them in the Motion, the Purchase Agreement, or the Agency Agreement, as applicable.

11, dated July 10, 1984 (Ward, Acting C.J.); and it appearing that this Motion is a core proceeding pursuant to 28 U.S.C. § 157; and adequate notice of the Motion having been given and it appearing that no other notice need be given; and upon the arguments made at the hearings held on July 14, 2011 and July 21, 2011, and having heard the objections made, if any, to the relief sought in the Motion; and after due deliberation and sufficient cause therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:³

A. This Court has jurisdiction to approve the Sale pursuant to 28 U.S.C. §§ 157 and 1134.

B. Venue of these cases in this district is proper pursuant to 28 U.S.C. § 1409(a).

C. Approval of the Sale and the transactions contemplated in connection with the Sale (the “Related Transactions”) is a core proceeding under 28 U.S.C. §§ 157(b)(2)(A) and (N). The statutory predicates for the approval of the Sale and Related Transactions are sections 105, 363, 364(d) and 365 and 554 of the Bankruptcy Code and Rules 2002, 6004 and 6006 of the Bankruptcy Rules.

D. Proper, timely, adequate and sufficient notice of the Motion, the Sale, the Related Transactions and the Sale Hearing (including the assumption and assignment of the Assumed Contracts and Assumed Real Property Leases (collectively, the “Assumed Agreements”)) has been provided in accordance with sections 102(1), 105(a), 363 and 365 of the Bankruptcy Code, Bankruptcy Rules 2002, 6004 and 6006, and in compliance with the Sale Procedures Order. No other or further notice is required.

³ The findings of fact and the conclusions of law stated herein shall 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 finding of fact shall be determined to be a conclusion of law, it shall be so deemed, and to the extent any conclusion of law shall be determined to be a finding of fact, it shall be so deemed.

E. A reasonable opportunity to object or be heard regarding the relief requested in the Motion, the Sale and the Related Transactions has been afforded to all interested persons and entities, including the following: (i) the Office of the United States Trustee, (ii) counsel to the DIP Agents, (iii) counsel to the Creditors' Committee, (iv) all parties who are known to assert a security interest, lien, or claim in any of the Assets, (v) all Non-Debtor Counterparties to the Assumed Agreements, (vi) all applicable federal, state, and local taxing authorities, (vii) all government agencies required to receive notice under the Bankruptcy Rules, and (viii) all other applicable parties in interest, including all entities on the 2002 service list as of the date of entry of the Sale Procedures Order ((i) through (viii) collectively, the "Notice Parties"). Objections, if any, to the Motion, the Sale or the Related Transactions have been overruled, withdrawn or resolved.

F. As demonstrated by: (i) the testimony and other evidence proffered or adduced at the hearing and (ii) the representations of counsel made on the record at the hearing, the Debtors have marketed the Assets and the Debtors, Agent and Purchaser have respectively negotiated and undertaken their roles leading to the Sale (their "Pre-Sale Actions") in a diligent, noncollusive, fair and good faith manner. The Sale and/or the Agency Agreement constitutes the highest and best offer obtainable for the Assets. There is no legal or equitable reason to delay the Sale and the Related Transactions.

G. Approval of the Purchase Agreement and/or the Agency Agreement and all other documents contemplated thereby or entered into in connection therewith (including, without limitation, the Ancillary Agreements, and collectively with the Purchase Agreement and/or Agency Agreement, the "Agreements"), and consummation of the Sale at this time is in the best interests of the Debtors. The Debtors have articulated good and sufficient business

justifications for the Sale to BB Brands, LLC (as may be applicable, the "Purchaser"), pursuant to section 363 of the Bankruptcy Code, and the Sale is consistent with the Debtors' fiduciary duties and is in the best interests of the Debtors, their estates, their creditors and all parties in interest.

H. The Sale to the Purchaser must be approved and consummated promptly in order to preserve the viability of the Debtors' business as a going concern, and to maximize the value of the Debtors' estates. Time is of the essence in consummating the Sale to the Purchaser. Accordingly, cause exists to lift the stay to the extent necessary, as contemplated by Bankruptcy Rule 6004(h).

I. A sale of the Assets other than one free and clear of liens, claims, encumbrances, defenses (including, without limitation, rights of setoff and recoupment) and interests, including, without limitation, security interests of whatever kind or nature, mortgages, pledges, deeds of trust, hypothecations, assignments, preferences, debts, easements, charges, suits, licenses, options, rights-of-recovery, judgments, orders and decrees of any court or foreign or domestic governmental entity, taxes (including foreign, state and local taxes), licenses, covenants, restrictions, indentures, instruments, leases, options, off-sets, claims for reimbursement, contribution, indemnity or exoneration, successor, product, environmental, tax, labor, ERISA, CERCLA, alter ego and other liabilities, causes of action, contract rights and claims, to the fullest extent of the law, in each case, of any kind or nature, known or unknown, whether pre-petition or post-petition, secured or unsecured, choate or inchoate, filed or unfiled, scheduled or unscheduled, perfected or unperfected, liquidated or unliquidated, noticed or unnoticed, recorded or unrecorded, contingent or non-contingent, material or non-material, statutory or non-statutory, matured or unmatured, legal or equitable (collectively, "Interests"; and

Interests, including Excluded Liabilities but excluding Assumed Liabilities, if any, “Excluded Interests”) and without the protections of this Order would impact materially and adversely the Debtors’ estates and would yield substantially less value, with less certainty than any available alternatives. But for the protections afforded to the Purchaser under the Bankruptcy Code and this Order, the Purchaser would have not offered to pay the Purchase Price for the Assets. In addition, each entity with an Interest in the Assets, (i) has consented to the Sale or is deemed to have consented to the Sale, (ii) could be compelled in a legal or equitable proceeding to accept money satisfaction of such interest, or (iii) otherwise falls within the provisions of section 363(f) of the Bankruptcy Code, and therefore, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been satisfied. Those holders of Interests who did not object, or who withdrew their objections, to the Motion are (i) deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. Holders of Excluded Interests are adequately protected by having their Liens or other Interests, if any, attach to the cash proceeds of the Sale ultimately attributable to the property to which the Interests apply, subject to the terms thereof. Therefore, approval of the Agreements and the consummation of the Sale free and clear of Excluded Interests is appropriate pursuant to section 363(f) of the Bankruptcy Code and is in the best interests of the Debtors’ estates, their creditors and other parties in interest.

J. The consideration to be paid by the Purchaser under the Agreements, including in connection with the Sale, was negotiated at arm’s-length and constitutes reasonably equivalent value and fair and adequate consideration for the Assets under the Bankruptcy Code, the Uniform Fraudulent Transfer Act, the Uniform Fraudulent Conveyance Act and the laws of the United States, any state, territory, possession thereof or the District of Columbia (collectively, “Laws”). The terms and conditions set forth in the Agreements are fair and

reasonable under these circumstances and were not entered into for the purpose of, nor do they have the effect of, hindering, delaying or defrauding any of the Debtors or their creditors under any applicable laws.

K. The Debtors, their management and their board of directors actively participated in the Sale process and acted in good faith. Neither the Debtors nor the Purchaser has engaged in any conduct that would cause or permit the Sale, Related Transactions, Agreements or any related action to be avoided under section 363(n) of the Bankruptcy Code.

L. Each of the Debtors (i) has full corporate or other power to execute, deliver and perform its obligations under the Agreements, and the Sale of the Debtors' Assets by the Debtors has, in each case, been duly and validly authorized by all necessary corporate or similar action, (ii) has all of the corporate or other power and authority necessary to consummate the Sale and Related Transactions contemplated by the Agreements, and (iii) has taken all actions necessary to authorize and approve the Sale, Related Transactions and Agreements.

M. The Purchaser is not an "insider" of any of the Debtors, as that term is defined in section 101(31) of the Bankruptcy Code.

N. The Purchaser is a good faith purchaser within the meaning of section 363(m) of the Bankruptcy Code and is entitled to the protections afforded thereby.

O. To the extent the Sale includes the transfer of "*Personally Identifiable Information*" (as defined in section 101(41A) of the Bankruptcy Code), the Sale and the transfer of such information is consistent with the Debtors' privacy policy currently in effect concerning the transfer of certain Personally Identifiable Information.

P. No transfer or other disposition of the Assets pursuant to the Agreements will result in the Purchaser having any liability or responsibility for (i) any Excluded Interest (ii)

the satisfaction in any manner of any Excluded Interest or (iii) to third parties or the Debtors, except as expressly set forth in the Agreements. Without limiting the effect or scope of the foregoing, no transfer or other disposition of the Assets pursuant to the Agreements does or will subject the Purchaser to any liability for Interests against the Debtors or the Debtors' Interests in such Assets by reason of such transfer under any Laws, including, without limitation, any bulk-transfer laws or any theory of successor or transferee liability, antitrust, environmental, product line, de facto merger or substantial continuity or similar theories. The Purchaser is not a continuation of the Debtors or their respective estates and there is no continuity between the Purchaser and the Debtors.

Q. The sale and assignment of the Assets outside of a plan of reorganization pursuant to the Purchase Agreement neither impermissibly restructures the rights of the Debtors creditors, nor impermissibly dictates the terms of a liquidating plan of reorganization for the Debtors. The Sale does not constitute a *sub rosa* chapter 11 plan.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

A. Motion Granted, Objections Overruled.

1. The relief requested in the Motion is granted and approved in all respects (other than with respect to matters previously approved by the Sale Procedures Order).

2. The objections to the Motion or the relief requested therein that have not been withdrawn, waived, or settled, and all reservations of rights included in such objections, except objections relating solely to Claimed Cure Amounts, are overruled on the merits.

B. Sale Transactions Approved and Authorized.

3. The Sale and the assignment of the Assumed Agreements to the Purchaser pursuant to the Agreements is hereby approved and authorized in accordance with, and under sections 363(b), 363(f), 363(m) and 365(a) of the Bankruptcy Code.

4. The terms and conditions of the Agreements and all payments and transactions contemplated thereunder are hereby approved in all respects and incorporated herein.

5. Pursuant to section 363(f) of the Bankruptcy Code, other than with respect to Permitted Liens, certain Assets may be transferred to the Purchaser pursuant to the Sale (the "Transferred Assets"), free and clear of all Excluded Interests. All parties asserting any Excluded Interests, are deemed to have consented to such transfers, free and clear of any Interests other than Assumed Liabilities. Transfer of Transferred Assets to the Purchaser as provided in the Agreements will be legal, valid and effective. The Debtors' right, title and interest in and to the Transferred Assets shall pass to the Purchaser pursuant to the Agreements free and clear of all Excluded Interests with all such Excluded Interests relating to the Transferred Assets to be unconditionally released, discharged and terminated.

6. Neither the Purchaser's purchase of any Assets nor any subsequent business operation by the Purchaser in connection with the Assets relating to the business previously operated by the Debtors shall cause the Purchaser to be, or to be deemed to be: (a) a successor in interest or within the meaning of any Law, including any revenue, successor liability, pension, labor, ERISA, bulk-transfer, products liability, tax or environmental law, rule or regulation, or any theory of successor or transferee liability, antitrust, environmental, product line, de facto merger or substantial continuity or similar theories; or (b) a joint employer, co-employer or successor employer with the Debtors. The Purchaser shall have no obligation to pay the Debtors' wages, bonuses, severance pay, vacation pay, WARN act claims (if any), benefits or

any other payments to employees of the Debtors, including pursuant to any collective bargaining agreement, employee pension plan, or otherwise, except as expressly set forth in the Agreements. By entering into the Agreements, the Purchaser has not assumed or otherwise become obligated for any of the Debtors' liabilities other than the Assumed Liabilities. The Purchaser has not purchased any of the Excluded Assets and has not assumed the Excluded Liabilities or any other Excluded Interests. The Purchaser shall not have successor or transferee liability or otherwise be liable in any way to any third party for any Excluded Asset or Excluded Liability under any Law.

7. Any Excluded Interests shall attach to the proceeds of the Sale in the order of their priority, with the same validity, force and effect which they previously had against the Assets, subject to the rights and defenses, if any, of the Debtors with respect thereto, and the proceeds of the Sale shall be allocated and managed in accordance with the DIP Credit Agreement and any Orders of this Court related thereto and in accordance with the terms of any chapter 11 plan that may be confirmed and effective in these cases, and such proceeds shall be distributed to the DIP Agents for the benefit of the DIP Lenders (as defined in the DIP Credit Agreement) in accordance with paragraph 12 hereof.

8. All persons and entities holding Excluded Interests are hereby barred and enjoined from asserting such Interests in any manner against the Purchaser, its business, affiliates, successors or assigns, or against the Assets. No person or entity shall interfere with the Purchaser's title to or use and enjoyment of the Transferred Assets on account of the Excluded Interests and the Purchaser shall be free to sell or otherwise transfer the Transferred Assets it acquires in its sole discretion. All persons and entities in possession of any Transferred Assets subject to the Sale are directed to surrender possession of such Assets to the Purchaser upon demand.

9. At the relevant times set forth in the Agreements, this Order shall be construed as, and shall be for any and all purposes a full and complete general assignment, conveyance and transfer of the Transferred Assets or a bill of sale transferring good and marketable title in the Transferred Assets to the Purchaser pursuant to the terms of the Agreements. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the Sale and the Related Transactions and to give effect to the Agreements.

10. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors are authorized and directed to execute and deliver, and empowered to fully perform under, consummate, and implement the Agreements, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Agreements, and to take all further action as may reasonably be requested by the Purchaser for the purpose of assigning, transferring, granting, conveying and conferring the Assets to the Purchaser.

C. Use of Proceeds.

11. Immediately upon the Closing, the Debtors are authorized and directed to make one or more payments in cash to (i) fully fund the Carve-Out to the Carve-Out Amount (each as defined in the DIP Credit Agreement) (the “Carve-Out Funding”) and (ii) the DIP Agents, for the benefit of the DIP Lenders, in such amounts as are necessary to repay in full in cash at Closing all Obligations (as defined in the DIP Credit Agreement) outstanding thereunder, including the cash collateralization of all L/C Reimbursement Obligations and the funding of the Working Capital Indemnity Account and Term B Indemnity Account (each as defined in the DIP Credit Agreement). Following the Carve-out Funding, the DIP Agents and the DIP Lenders shall have no further funding or other obligation with respect to the Carve-Out. Without limiting the foregoing, and notwithstanding anything herein to the contrary, once the claims under the DIP

Credit Agreement have been irrevocably paid in full in cash, upon receipt of a payoff letter from the DIP Agents acknowledging the satisfaction of all of the Obligations under the DIP Credit Agreement, all Liens on property of the Debtors relating to the Debtors' Obligations under the DIP Credit Agreement shall automatically, without further action by the Debtors, the Purchaser, the DIP Agents or the DIP Lenders, be deemed released, and the DIP Agents shall take all reasonably requested actions to confirm the removal of any Liens on the Assets securing the claims under the DIP Credit Agreement, with related costs borne by the Debtors.

D. Order Binding.

12. This Order shall be binding upon and shall govern the acts of all entities, including, without limitation all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to the Assets.

13. If any person or entity that has filed financing statements, mortgages, construction or mechanic's liens, *lis pendens* or other documents or agreement evidencing liens on or interests in the Assets shall not have delivered to the Debtors prior to the Closing Date, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, or releases of any Interests which the person or entity has with respect to the Assets, each such person or entity is hereby directed to deliver all such statements, instruments and releases and the Debtors and the Purchaser are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity asserting the same and the Purchaser is authorized to file a copy of this Order which, upon filing, shall be

conclusive evidence of the release and termination of such interest. Each and every federal, state and local governmental unit is hereby directed to accept any and all documents and instruments necessary or appropriate to give effect to the Sale and Related Transactions.

E. Assumed Agreements.

14. With the exception of the Cure Amounts, addressed below, the requirements of sections 365(b)(1) and 365(f)(2) of the Bankruptcy Code are hereby deemed satisfied with respect to the Assumed Agreements. The Debtors are hereby authorized and directed, in accordance with sections 105(a), 363, and 365 of the Bankruptcy Code, to: (i) assume and assign and transfer to the Purchaser the Assumed Agreements free and clear of Interests, except for Assumed Liabilities; and (ii) take such actions and execute and deliver to the Purchaser such documents as may be necessary to confirm such assignment and transfer. In accordance with the Agreements and Sale Procedures Order, the Debtors will, by the times set forth in the Agreements and Sale Procedures Order, cure or provide adequate assurance of cure of any default or breaches required to be cured under any of the Assumed Agreements through the establishment of a reserve in the amount of the Claimed Cure Amounts, in accordance with section 365(b)(1)(A) and (B) of the Bankruptcy Code (with the Purchaser to bear Cure Costs only to the extent set forth in the Agreements). The Purchaser has provided adequate assurance of its future performance of and under the Assumed Agreements within the meaning of section 365(b)(1)(C) and, as applicable, section 365(b)(3) of the Bankruptcy Code.

15. The Assumed Agreements remain valid and binding and in full force and effect for the benefit of the Purchaser in accordance with their respective terms, notwithstanding any provision in any Assumed Agreement (including those of the type described in sections 365(b)(2), (e)(1) and (f)(1) of the Bankruptcy Code) that prohibits, restricts, or conditions assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall

be relieved from any further liability with respect to the Assumed Agreement after such assignment to and assumption by the Purchaser. Any provisions in any Assumed Agreement that prohibit or condition the assignment of such Assumed Agreement or allow the party to such Assumed Agreement to terminate, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon the assignment of such Assumed Agreement constitute unenforceable anti-assignment provisions which are void and shall be of no force in effect. All other requirements and conditions under sections 363 and 365 of the Bankruptcy Code for the assumption by the Debtors and assignment to the Purchaser of each Assumed Agreement have been satisfied and, pursuant to the Agreements, the Purchaser shall be fully and irrevocably vested in all right, title and interest of each Assumed Agreement.

16. Notwithstanding anything herein to the contrary, the Debtors may assume and assign to the Purchaser or decide not to assume and assign to the Purchaser (as may be governed by the Modified Purchase Agreement) all of the Debtors' executory contracts and unexpired leases until the Assumption Deadline. If the Debtors assume and assign an executory contract or unexpired lease to the Purchaser, the Debtors shall send the Cure Payment to the applicable Non-Debtor Counterparty on or before the Assumption Deadline. No other notice of the assumption and assignment of any such Assumed Agreement shall be or need be provided.

17. Upon assignment of the Assumed Agreements to the Purchaser and payment of the Cure Amount, if any, no default shall exist under the Assumed Agreement and no Non-Debtor Counterparty shall be permitted to declare a default by the Purchaser under such Assumed Agreement or otherwise take action against the Purchaser as a result of any Debtor's financial condition, bankruptcy or failure to perform any of its obligations under the Assumed Agreement, including any failure to pay any amounts necessary to cure any defaults thereunder.

Upon entry of this Order and assumption and assignment of an Assumed Agreement, the Purchaser shall be deemed in compliance with all terms and provisions of such Assumed Agreement. Each Non-Debtor Counterparty is hereby forever barred from, estopped and permanently enjoined from asserting against the Debtors or Purchaser (a) any default, arising prior to assignment or assumption of the relevant Assumed Agreement, or (b) any counterclaim, defense, setoff or any other claim relating to the Debtors' business or the Assets prior to the assignment or assumption of the relevant Assumed Agreement that is asserted or assertable against the Debtors or Purchaser or the affiliates or successors of either.

18. Subject to the provisions of the Sale Procedures Order with respect to Claimed Cure Amounts, the Debtors may assume and assign an Assumed Agreement as set forth in the Agreements, notwithstanding an objection to such Assumed Agreement's Cure Amount.

19. Subject to such reserves as are provided in the Sale Procedures Order, the Court hereby determines that the Cure Amounts established pursuant to the Notices of Assumption and Assignment or as otherwise agreed by the Non-Debtor Counterparties to the Assumed Agreements, constitute all of the Cure Amounts that are required to be paid in order to assume and assign the Assumed Agreements.

20. Except for the right to payment of the Cure Amounts, pursuant to sections 105(a), 363 and 365 of the Bankruptcy Code, all parties to the Assumed Agreements are forever barred and enjoined from raising or asserting against the Debtors and the Purchaser any assignment fee, default, breach or claim or pecuniary loss, or condition to assignment, arising under or related to the Assumed Agreements existing as of the Closing or arising by reason of the Closing. Any party that may have had the right to consent to an assignment, for purpose of section

365(e)(2)(A)(ii) of the Bankruptcy Code and otherwise, is deemed to grant such consent if it failed to object to the assumption and assignment.

F. Good Faith.

21. The Sale and Related Transactions are undertaken by the parties thereto in good faith, as that term is used in section 363(m) of the Bankruptcy Code and, accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale and Related Transactions shall not affect the validity of the Sale to the Purchaser, unless such authorization is duly stayed pending such appeal. The Purchaser is a good faith purchaser of the Transferred Assets, and is entitled to all of the benefits and protections afforded by section 363(m) of the Bankruptcy Code.

G. Liquidation Provisions.

22. The Agency Agreement⁴ 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.

23. 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 GOB SCSs at the Debtors' stores specified in and in accordance with the Agency Agreement and the sale guidelines (the "GOB Sale Guidelines") attached hereto as Exhibit A, which GOB Sale Guidelines are hereby approved in their entirety.

⁴ For purposes of this Order, the definition of "Agency Agreement" shall include that certain Agency Agreement, dated June 30, 2011, among the Debtors and the Joint Venture.

24. In the case of a GC Sale that includes a liquidation, a Full Chain Liquidation or a Remainder Chain Liquidation, 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 (to the extent applicable), the Agent shall be authorized to sell all Merchandise and other Assets to be sold pursuant to the Agency Agreement free and clear of any and all Interests, with all such Interests to attach to the cash proceeds thereof that are ultimately attributable to the property in, to or against which such Interest is asserted.

25. In the case of a GC Sale that includes a liquidation, a Full Chain Liquidation or a Remainder Chain Liquidation, 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.

26. Unless otherwise ordered by the Court, all newspapers and other advertising media in which the GOB SCSs 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 GOB SCSs in the manner contemplated by the Agency Agreement, including, without limitation, conducting and advertising of the GOB SCSs (at the contractual rates charged to the Debtors prior to the Petition Date) in accordance with the Agency Agreement, the GOB Sale Guidelines, and this Order.

27. The GOB SCSs 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 28 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.

28. To the extent that the GOB SCSs 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 SCSs and including ordinances establishing license or permit requirements, waiting periods, time limits or bulk sale restrictions that would otherwise apply solely to GOB SCSs (collectively, the “Liquidation Laws”), the following provisions shall apply:

a. Provided that the GOB SCSs are conducted in accordance with the terms of this Order, the Agency Agreement and the GOB 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 28 and 29 herein, are authorized to conduct the GOB SCSs in accordance with the terms of this Order and the GOB Sale Guidelines without the necessity of further showing compliance with any such GOB Laws and Liquidation Laws.

b. To the extent there is a dispute arising from or relating to the GOB SCSs, this Order, the Agency Agreement, or the GOB 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”).

c. 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 GOB SCSs 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 GOB SCSs pursuant to the terms of this

Order, the Agency Agreement, and/or the GOB 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.

d. 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 (b) and (c) 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.

e. Notwithstanding anything herein to the contrary, and in view of the importance of the use of sign-walkers, banners, and other advertising to the GOB SCSs, to the extent that disputes arise during the course of the GOB SCSs 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.

29. 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 GOB SCSs without necessity of further order of this Court as provided in the Agency Agreement or the GOB Sale Guidelines, including, but not limited to, advertising the GOB SCSs as “going out business,” “total liquidation,” “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.

30. Except as expressly provided in the Agency Agreement, the GOB SCSs 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 GOB SCSs, the rejection of leases, abandonment of assets or “going dark” provisions. The Agent and landlords of the Stores are authorized to enter into agreements (“Side Letters”) between themselves modifying the GOB 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 28 and 29. In the event of any conflict between the GOB Sale Guidelines and any Side Letter, the terms of such Side Letter shall control.

31. Except as expressly provided for herein or in the GOB Sale Guidelines, and except with respect to any Governmental Unit (as to which Paragraphs 28 and 29 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

GOB SCSs, or the advertising and promotion (including the posting of signs or the use of signwalkers) of such GOB SCSs, 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 GOB SCSs 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 GOB SCSs 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.

32. Except with respect to any Governmental Unit (as to which the provisions of Paragraph 28 and 29 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 GOB SCSs, and (iii) any other disputes related to the GOB SCSs. No such parties or person shall take any action against the Debtors, the Agent, the landlords or the GOB SCSs 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.

33. The Agent shall have the right to use the Debtors' stores and all related store services, furniture, fixtures, equipment and other assets of the Debtors for the purpose of conducting the GOB SCSs, free of any interference from any entity or person, subject to compliance with the GOB Sale Guidelines and this Order and subject to Paragraphs 28 and 29 of this Order.

34. During the Sale Term, Agent shall accept Debtors' gift cards 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. During the Sale Term, the Agent shall not honor any Borders Rewards Loyalty Program or Borders Rewards Loyalty Plus Program discounts or rewards.

35. 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 GOB SCSs 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 GOB SCSs that contain such a latent defect.

36. For purposes of a liquidation conducted pursuant to a GC Sale, a Full Chain Liquidation or a Remainder Chain Liquidation, until the final 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 GOB SCS in accordance with the terms of the Agency Agreement; provided, however, that the Agent shall not receive Personally Identifiable Information from the Debtors.

37. 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 GOB SCS 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.

38. 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.

39. In the case of a liquidation conducted pursuant to a GC Sale, a Full Chain Liquidation or a Remainder Chain Liquidation, in accordance with the terms of the Agency Agreement and effective as of the Payment Date (as defined in the Agency Agreement), subject to the prior payment by the Agent of all amounts due and owing pursuant to Section 33(a) of the Agency Agreement, 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 Newsstand Inventory, Café/Candy Inventory and Agent Sale FF&E up to the amount of the Agent's disposition commission related to Newsstand Inventory, Café/Candy Inventory or Agent Sale FF&E as provided for in Sections 5.4 and 15.9 of the Agency Agreement, and (z) the Proceeds (as defined in the Agency Agreement), 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 of the DIP Agents for the benefit of the DIP Lenders, to the extent of the unpaid portion of Agent's Payment Obligations, if any. 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.

40. 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.

41. 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.

42. 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.

43. 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.

44. All entities that are presently in possession of some or all of the Merchandise or other property in which the Debtors hold an interest that are or may be subject to the Agency Agreement (as opposed to the Purchase Agreement) hereby are directed to surrender possession of such Merchandise or other property to the Agent.

45. 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 GOB SCSs and effectuate the Agency Agreement and each of the transactions and related actions contemplated or set forth therein.

H. Other Provisions.

46. The Purchaser and the Agent are each a party in interest and shall have the ability to appear and be heard on all issues related to or otherwise connected to this Order, and the various procedures contemplated therein, as well as any issues related to otherwise connect to the Sale, Related Transactions, Agreements, and the various procedures contemplated therein.

47. The Agreements and related documents may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of this Court, provided that any such modification, amendment or supplement is not material and adverse to the Debtors.

48. This Order and the terms and provisions of the Agreements shall be binding on all of the Debtors' creditors (whether known or unknown), the Debtors, the Purchaser, 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 terms and provisions of the Agreements, 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 Agreements, as well as the rights and interests granted pursuant to this Order and the Agreements, shall continue in these or any superseding cases and shall be binding upon the Debtors, the Purchaser, 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 Agreements, and Agent, Purchaser and the trustee shall be and hereby are authorized to perform under the Agreements upon the appointment of the trustee without the need for further order of this Court.

49. In the event that anything contained in any plan(s) confirmed in these chapter 11 cases or any order confirming such plan(s) shall conflict with the provisions of this Order or of the Agreements, this Order shall control.

50. This Court shall retain jurisdiction (i) to enforce and implement the terms and provisions of the Agreements, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed in connection therewith, (ii) to resolve any disputes arising under or related to the Sale, Related Transactions, Agreements, Interests and Assets, (iii) to interpret, implement and enforce the provisions of this Order and (iv) to protect the Debtors

and/or the Purchaser against any assertions of Excluded Interests, and, until such time as all Obligations under the DIP Credit Agreement are irrevocably repaid in full, subject to the prior approval of the DIP Agents.

51. The failure to include specifically any particular provision of the Agreements in this Order shall not diminish or impair the effectiveness of such provisions, it being the intent of the Court that the Agreements and all of their provisions, payments and transactions, be authorized and approved in its entirety. Likewise, all of the provisions of this Order are nonseverable and mutually dependent.

52. Notwithstanding the provisions of Bankruptcy Rules 6004(h) and 6006(d), because time is of the essence, this Order shall not be stayed for fourteen (14) days after the entry hereof, but shall be effective and enforceable immediately upon issuance hereof.

53. To the extent that anything contained in this Order explicitly conflicts with a provision in the Purchase Agreement, the Agency Agreement, the GOB Sale Guidelines, the Ancillary Agreements and/or any other related agreements, this Order shall govern and control.

Dated: July __, 2011
New York, New York

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

GUIDELINES FOR CONDUCT OF THE SALE¹

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 "going out of business," "store closing" 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 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.

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

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 F

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Attorneys for Debtors and Debtors in Possession

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

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**BIDDING PROCEDURES FOR SALE OF ALL
OR SUBSTANTIAL ALL OF THE DEBTORS' ASSETS**

On July __, 2011, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered that certain order (the "Sale Procedures Order"), which granted the *Debtors' Motion for Order Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Approving the Sale of Substantially All of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Interests and the Assumption and Assignment of Executory Contracts and Unexpired Leases Related Thereto, (II) Approving the Sale Procedures and Break-Up Fee, and (III) Granting Related Relief* (the "Sale Motion") and authorized the Debtors to follow

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.

certain procedures governing the sale of the above captioned debtors and debtors-in-possession's (collectively, the "Debtors") business and substantially all of their assets in accordance with the procedures provided herein.

I. FORMS OF SALES

Pursuant to these Bidding Procedures, the Debtors are soliciting bids for the purchase of substantially all of their assets under the terms and conditions set forth in the Sale Motion (the "Sale").

The Debtors will consider the following types of bids: (i) the purchase, in one or a series of related transactions, of all or a substantial portion of the Debtors' business as a going concern (which may include a liquidation of a portion of the Debtors' assets) (a "GC Sale"), (ii) the purchase to liquidate, in one or a series of related transactions, substantially all or any portion of the Debtors' assets not subject to a GC Sale, including, but not limited to, inventory, furniture, fixtures and equipment, intellectual property, leases, executory contracts and substantially all other assets (a "Remainder Chain Liquidation") and (iii) the purchase to liquidate, in one or a series of related transactions, substantially all of the Debtors' assets, including, inventory, furniture, fixtures and equipment, intellectual property, leases, executory contracts and substantially all other assets (a "Full Chain Liquidation"). A bidder may submit one or more of the foregoing types of bids, or if applicable, a combination of the foregoing.²

The Sale shall be pursuant to the terms and conditions of that certain Asset Purchase Agreement dated June 30, 2011 (the "Stalking Horse APA") and the Agency Agreement dated June 30, 2001, the forms of which will be subject to approval by the Bankruptcy Court at the

² To the extent permitted under the Second Amendment and Waiver to DIP Credit Agreement, the Debtors reserve their right to exclude their intellectual property and interests in leases in or from a sale transaction other than as agreed to in the Purchase Agreement.

Sale Hearing, subject to higher and better bids to be submitted by a Qualified Bidder under the terms of these Bid Procedures.

II. BID PROCEDURES

A. Notice of Sale.

The Debtors will provide notice of the proposed Sale to the Stalking Horse Bidder,³ the Bid Procedures, the Sale Objection Deadline and the date and time of the Sale Hearing to all parties in interest, every party that has previously expressed any interest in the potential purchase or liquidation of the Debtors' business, and any other party that the Debtors believe might be interested in a possible purchase or liquidation of some or all of the Debtors' business.

B. Diligence Room.

The Debtors have made and will continue to make available until the conclusion of the Auction information concerning the Debtors' business and assets to all prospective bidders for a GC Sale, Full Chain Liquidation and/or Remainder Chain Liquidation that execute a confidentiality agreement acceptable to the Debtors in their sole and absolute discretion; provided, however, that the Debtors reserve the right to deny access to any bidder if the Debtors determine, in their sole and absolute discretion, that such denial is necessary to protect the Debtors' trade secrets, including with respect to the Debtors' competitors, or if the prospective bidder does not provide a reasonable showing that it has the ability to consummate a sale.

By submitting a Bid, each bidder shall be deemed to acknowledge and represent that it has had a reasonable opportunity to conduct due diligence on the Debtors' business and assets before submitting its Bid, that in making its Bid, it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or the Debtors' assets in making

³ Any capitalized term not defined shall have the definitions as set forth below, or, if not defined below, shall have the same definitions as provided in the Sale Motion.

its Bid, and that in making its Bid, it did not rely upon any written or oral statement, representation, promise, warranty or guaranty whatsoever, whether express or implied, by operation of law, or otherwise, regarding the Debtors, or the completeness of any information provided in connection therewith.

C. Qualified Bidder.

A “Qualified Bidder” is a bidder on the Debtors’ assets that provides the following (collectively, the “Bid”) on or before the Bid Deadline, together with the items set forth in Section I:

- (i) An executed confidentiality agreement acceptable to the Debtors;
- (ii) Current audited financial statements or such other form of financial disclosure acceptable to the Debtors demonstrating the ability to close the proposed transaction;
- (iii) A bid summary describing the purchase price and structure of the bid and sufficient evidence regarding the bidder’s ability to obtain financing for the proposed transaction; and
- (iv) A complete bid fulfilling all the requirements set forth in these Bid Procedures including the requisite deposit as defined herein.

The Debtors will notify each bidder whether it is a Qualified Bidder promptly upon receipt of the information listed above.

D. Purchase Price and Consideration of Bids.

All Bids submitted by a bidder (each, a “Bidder”) must state the total proposed purchase price (the “Purchase Price”), in U.S. dollars for a GC Sale, including any cash to be paid and any liabilities to be assumed, or the amount of the Guaranty Percentage (as defined in the Agency Agreement) for a Full Chain Liquidation or a Remainder Chain Liquidation, and, in each case,

must exceed the total amount of compensation of the Stalking Horse Bid (as described above) by a minimum of \$8.95 million for a Bid for a GC Sale and .25% (above the Guaranty Percentage in the Agency Agreement) for a Full Chain Liquidation and/or a Remainder Chain Liquidation (the "Bidding Interval"). Additionally, each Bid must include, at minimum, \$224.05 million in cash as part of the compensation. A Bidder who bids on two or all three of the following: a GC Sale, a Full Chain Liquidation and/or a Remainder Chain Liquidation (a "Multiple Transaction Bidder"), must specify the Purchase Price for each of the proposed transactions.

E. Bidding Deadline for Bids.

The deadline (the "Bid Deadline") for submission of a final and binding written proposal for a GC Sale, a Full Chain Liquidation and/or a Remainder Chain Liquidation (each, a "Bid") is 5:00 p.m. (prevailing Eastern Time) on July 17, 2011 (notwithstanding Bankruptcy Rule 9006(a)(1)(C)). Bids must be emailed to:

Kasowitz, Benson, Torres & Friedman LLP
1633 Broadway
New York, New York 10019
Attn: Andrew K. Glenn, Esq. (aglenn@kasowitz.com)
Jeffrey R. Gleit, Esq. (jgleit@kasowitz.com)
Facsimile: (212) 506-1800

with a copy to:

Jefferies & Company, Inc.
Investment Banking
520 Madison Ave, 7th Floor
New York, NY 10022
Attn: Richard Klein, Sr. Vice President (rklein@jefferies.com)

F. Deposit.

All Bids must include a deposit of seven and a half percent (7.5%) of the Purchase Price in cash, to be deposited in an escrow account at Citibank, N.A. (the "Escrow Agent"); provided, however a Multiple Transaction Bidder need only submit one deposit for all of its proposed

transactions. Additionally, each Bidder shall submit any other documentation that may be reasonably required by the Escrow Agent. Such deposit shall not be subject to the liens or claims of any creditors of the Debtors and shall not be property of the Debtors' estates.

In the event that a Bid is determined by the Debtors not to be a Qualified Bid, the Debtors shall cause the return of such bidder's deposit within five (5) business days after the Bid Deadline. Other than with respect to the Winning Bidder and the Back-Up Bidder, all other Deposits not already returned to the respective Qualified Bidder shall be returned no later than five (5) business days after the Auction.

If the Winning Bidder (or the Back-Up Bidder, if necessary) timely closes the transactions contemplated in the Winning Bid (or the Back-Up Bid, if necessary), such bidder's deposit shall be credited towards its cash payment due on Closing. In the event that the Winning Bidder (or the Back-Up Bidder, if necessary) fails to consummate the Sale because of a breach or failure to perform on the part of such Winning Bidder (or the Back-Up Bidder, if necessary), the Debtors will not have any obligation to return such bidder or bidders' deposit. Retention of such deposit(s), shall constitute liquidated damages, shall be one of the Debtors' remedies at law and in equity against the Winning Bidder (or the Back-Up Bidder, if necessary), and, upon failure to close by the Winning Bidder, the Debtors shall be free to consummate the Sale proposed by the Back-Up Bidder (to the extent applicable) without the need for an additional hearing or order of the Bankruptcy Court.

The treatment of the deposit made by the Stalking Horse Bidder shall be governed solely by the terms of the Stalking Horse APA.

G. Content of Bids.

In addition to the purchase price, consideration and deposit, as discussed above, each Bid must contain the following information:

(1) With respect to a GC Sale:

(a) A copy of the Purchase Agreement, marked electronically to show any changes, and a clean, executed version of the Purchase Agreement (the "Modified Purchase Agreement")⁴ and a representation that the Qualified Bidder can execute a further modified version of the Modified Purchase Agreement reflecting any changes made during the Auction and/or any other changes that may be agreed upon by such Qualified Bidder and the Debtors promptly upon being notified of its selection as the Winning Bidder without need for further approval(s), if any;

(b) Disclosure of the regulatory, shareholder or other approvals, consents or filings required to consummate and close the GC Sale;

(c) Details of any agreements or understandings between the Bidder and any third-party with respect to the GC Sale, the Bid, the Debtors' business or with respect to any possible or contemplated transaction involving any of the Debtors' assets;

(d) The identity of any outside advisors, including financial and legal advisors, engaged or planned to be engaged to assist the Bidder in the GC Sale, including the names of individuals at such advisors contemplated to be working on the GC Sale, and their contact information;

(e) A statement as to the extent to which the Bid is for the Debtors is a GC Sale, Full Chain Liquidation or Remainder Chain Liquidation Sale. With respect to a GC Sale, a statement by the Bidder identifying which stores it intends to operate as a going concern and which stores, if any, it intends to liquidate;

(f) Information sufficient to demonstrate to the Debtors' satisfaction that the Bidder has the necessary financial capacity to consummate the GC Sale, as proposed in its Bid, and to provide landlords and parties to executory contracts with adequate assurance of future performance under the leases and contracts it intends to assume;

(g) A statement acknowledging that the Debtors must close the GC Sale on or before July 29, 2011 (with time being of the essence), with a representation and warranty that the Bidder knows of no reason why it cannot close the GC Sale on or before that date, as well as either a representation and warranty that it either has obtained Hart Scott Rodino approval or a summary of the reasons why such approval will be obtained.

⁴ The amount and character of any such changes will be a significant consideration in Debtors' selection of the Winning Bid from amongst the Bids.

(2) With respect to Bids for the Full Chain Liquidation or Remainder Chain Liquidation (the "Liquidation Sale Bids"):

(a) To the extent the Bid is a Remainder Chain Liquidation, the Bid must comply with Section G(1) above, as well as this Section G(2).

(b) A copy of the Agency Agreement, marked electronically to show any changes, a clean, executed version of the Agency Agreement (the "Modified Agency Agreement")⁵ and a representation that the Qualified Bidder can execute a Modified Agency Agreement reflecting any changes made during the Auction and/or any other changes that may be agreed upon by such Qualified Bidder and the Debtors, promptly upon being notified of its selection as the Winning Bidder, without need for further approval(s), if any;

(c) The background of the Qualified Bidder, including details of previous experience conducting going out of business sales (*e.g.*, the size and nature of the business and the assets subject to the going out of business sale, the results of the sale);

(d) Details of any agreements or understandings between the Qualified Bidder and any third-party with respect to the Full Chain Liquidation or Remainder Chain Liquidation or with respect to any possible or contemplated transaction involving any of the Debtors' assets; and

(e) A statement acknowledging that the Debtors must close the Full Chain Liquidation or Remainder Chain Liquidation on or before July 22, 2011 (with time being of the essence), with a representation and warranty that the Qualified Bidder knows of no reason why it cannot close such Full Chain Liquidation or Remainder Chain Liquidation or before such date.

H. Closing Conditions to Bids.

All conditions to closing required by a Qualified Bidder must be set forth in the Modified Purchase Agreement and/or the Modified Agency Agreement, provided, however, that no Bid may be subject to any financing, due diligence or other material conditions. To the extent a Bid relies on one or more third-party financing sources, the Bid must include a signed, binding and irrevocable commitment letter from such third-party financing source(s) or comparable commitment from any equity source. To the extent a Bid relies on financing sources of affiliates of the Bidder, the Bid must include sufficient evidence of financial capacity to consummate the

⁵ The amount and character of any such changes will be a significant consideration in Debtors' selection of the Winning Bid from amongst the Bids.

Sale and satisfy all obligations and potential obligations pursuant to the Modified Purchase Agreement and/or the Modified Agency Agreement. Other than those conditions set forth in the Modified Purchase Agreement and/or the Modified Agency Agreement, each Bid shall be irrevocable until and unless the Debtors select a higher or otherwise better Qualified Bid and such Bidder is not selected as the Back-Up Bidder.

I. Joint Bids.

The Debtors will be authorized to approve joint Bids in the Debtors' sole and absolute discretion on a case-by-case basis.

J. Evaluation of Bids.

Each Bid will be evaluated by the Debtors and their advisors to determine if it is a Qualified Bid, in their sole and absolute discretion. The Debtors, in their sole and absolute discretion, may accept a single Qualified Bid or multiple Qualified Bids for non-overlapping material portions of the Debtors' business and assets.

If the Debtors determine that a Bid is not a Qualified Bid, the Debtors will inform such bidder as soon as practicable after such determination is made. To the extent a Bid does not satisfy the applicable requirements, the Debtors reserve the right, but have no obligation, to contact a bidder to obtain any necessary further information, documentation, deposit or other modification of such bidder's proposed Bid package that would allow the Bid to be a Qualified Bid. Without the written consent (by letter, email or facsimile) of the Debtors, which consent may be granted or denied in the Debtors' sole and absolute discretion, a bidder that the Debtors determine to be a Qualified Bidder may not modify, amend, or withdraw its Qualified Bid, except as such Bid may be increased or improved at the Auction.

Notwithstanding anything else herein to the contrary, the Stalking Horse Bidder is a Qualified Bidder and the Stalking Horse Bid is a Qualified Bid.

In evaluating the Bids, the Debtors will take into consideration, among other factors, the form and amount of the consideration, the extent to which the Bid involves a GC Sale and/or a liquidation, the presence of any closing conditions, the need and availability of financing, the extent of financial wherewithal to meet all commitments under the bid, the required approvals (if any), and the transaction structure and execution risk.

At least one (1) day prior to the Auction, the Debtors will provide copies of all Qualified Bids to the Stalking Horse Bidder.

K. Auction.

If, after the examination of all Qualified Bids, the Debtors determine that an auction (the “Auction”) is appropriate and will generate an offer for the purchase of the Debtors’ assets that is higher and better than the Stalking Horse Bid, the Debtors will conduct an auction on July 19, 2011, beginning at 1:00 p.m. (prevailing Eastern Time) at a location of which the Debtors will inform each Qualified Bidder. Each Qualified Bidder will be invited to participate as soon as practicable after the Debtors make the determination to conduct an Auction. Only Qualified Bidders and their legal and financial advisors shall be entitled to attend and/or bid at the Auction; provided, however, that representatives of the Official Committee of Unsecured Creditors, the DIP Lenders and the DIP Agents may attend the Auction. Each Qualified Bidder, by participating in the Auction, agrees to keep the Auction, the bids at the Auction, and all details concerning Auction confidential (including its location), unless and until the Debtors file the Notice of Results of Sale Process or to the extent such information is otherwise public information. Each Qualified Bidder must have at least one individual representative with authority to bind the Qualified Bidder attend the Auction in person. The Auction shall be conducted in the presence of a certified court reporter who shall transcribe all of the bidding procedures conducted at the Auction.

The minimum interval for bidding at the auction (the “Auction Bidding Interval”) shall be of a value of at least \$1 million; provided, however, the Debtors, in consultation with the Stalking Horse Bidder, may increase or decrease the Bidding Interval at or before the Auction, in which case the Debtors will so inform each of the Qualified Bidders.

The Debtors may have one Auction for all Qualified Bidders or may separate the Auction into separate Auctions for Qualified Bidders for each of a GC Sale, Full Chain Liquidation and/or Remainder Chain Liquidation, or any combination thereof, as the Debtors may determine in consultation with the Stalking Horse Bidder. The Auction shall continue until there is no further bidding in response to the Qualified Bid(s) (as may be increased at the Auction) that the Debtors determine, is/are the highest or otherwise best Qualified Bid(s) (the “Winning Bid”), at which point the Auction will be closed. As set forth herein, the terms “Winning Bid” and “Winning Bidder” encompasses both a single Winning Bid and Winning Bidder, if there is a single, undivided Auction, and two Winning Bids and Winning Bidders, if there are separate auctions and a Winning Bid is accepted by the Debtors for a GC Sale and a Remainder Chain Liquidation. Use of the singular “Winning Bid” or “Winning Bidder” herein includes the possibility of multiple Winning Bids and Winning Bidders. Acceptance of the Winning Bid (or the Back-Up Bid, if necessary) by the Debtors is conditioned on approval of the Bankruptcy Court at the Sale Hearing.

If there is an Auction, the Bidder with the Qualified Bid that is next-highest or otherwise second best to the Winning Bid (the “Back-Up Bid”), as determined by the Debtors, subject to Bankruptcy Court approval at the Sale Hearing, shall be required to be the back-up bidder (the “Back-Up Bidder”). As set forth herein, the terms “Back-Up Bid” and “Back-Up Bidder” encompasses both a single Back-Up Bid and Back-Up Bidder, if there is a single, undivided

Auction, and two Back-Up Bids and Back-Up Bidders, if there are separate auctions and a Winning Bid is accepted by the Debtors for a GC Sale and a Remainder Chain Liquidation. Use of the singular "Back-Up Bid" or "Back-Up Bidder" herein includes the possibility of multiple Back-Up Bids and Back-Up Bidders.

The identity of the Bidder who submits the Winning Bid (the "Winning Bidder") and the Back-Up Bidder and the amount and material terms of the Winning Bid and the Back-Up Bid shall be announced by the Debtors at the conclusion of the Auction. The Winning Bidder and the Back-Up Bidder shall be required to keep their respective Bids open and irrevocable until and including July 29, 2011; provided, however, if the Sale closes with the Winning Bidder, the Back-Up Bidder's Back-Up Bid may be revoked after such closing.

If, at any time prior to or on July 29, 2011, the Winning Bidder cannot consummate the GC Sale as proposed in the Winning Bid, the Debtors may close the GC Sale with the Back-Up Bidder by accepting the Back-Up Bid. To the extent the Winning Bid is for a Full Chain Liquidation or a Remainder Chain Liquidation (as the case may be) and such transaction cannot be consummated in the Winning Bid on or before July 22, 2001 for a Full Chain Liquidation or a Remainder Chain Liquidation, the Debtors may close a GC Sale, a Full Chain Liquidation or a Remaining Chain Liquidation (as the case may be) with the Back-Up Bidder by accepting the Back-Up Bid. Notwithstanding anything else herein to the contrary, the deposit of the Back-Up Bidder may be held by the Debtors until the earlier of three (3) business days after (a) July 29, 2011 and (b) the closing of the Sale with the Winning Bidder, at which time the deposit must be refunded.

L. Bid Protections.

The Stalking Horse Bidder shall receive the Break-Up Fee in the event that the conditions for such payment as provided in the Purchase Agreement are met.

The Debtors' obligation to pay the Break-Up Fee shall constitute a superpriority administrative claim against the Debtors' estates pursuant to sections 105(a), 503(b) and 364(c)(1) of the Bankruptcy Code and shall be senior to, and have priority over, all other claims against the Debtors except for the super-priority claim granted to the DIP Agents under the Final DIP Order.

M. Fiduciary Out.

Upon the determination by the Debtors, and upon advice of counsel, no term or provision of the Modified Purchase Agreement or the Modified Agency Agreement shall prevent, amend, alter, or reduce the Debtors' ability to exercise their fiduciary duties under applicable law.

N. Reservation of Rights.

Notwithstanding anything herein to the contrary and subject to the rights of the Stalking Horse Bidder under the Purchase Agreement, the Debtors reserve the right, in consultation with the Stalking Horse Bidder, to modify these Bid Procedures at any time, with notice to the Qualified Bidders, that is reasonable under the circumstances, to facilitate the submission of value-maximizing Bids, to adjourn the Auction one or more times for any reason, and/or to terminate these Bidding Procedures at any time to pursue an alternative restricting strategy that maximizes value for the Debtors' estates.

O. Consultation.

The Debtors will consult with the Creditors' Committee and the DIP Agents on an ongoing basis throughout the sale and auction process.

P. Jurisdiction.

Each Bidder, by submitting the Bid, is deemed to have submitted itself to the jurisdiction of the Bankruptcy Court. The Bankruptcy Court shall have exclusive jurisdiction over any disputes arising out of or related to the Bidding Procedures, and each Bidder, by submitting the Bid, has acknowledged and consented to such jurisdiction and has waived any right to trial by jury in connection with any disputes related to Debtors' qualification of Bids, the Auction and the construction and enforcement of these Bid Procedures.

EXHIBIT 1

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), is entered into this 30th day of June, 2011, by and among (a) BORDERS GROUP, INC., a corporation formed under the laws of the State of Michigan ("Parent"), and BORDERS, INC., a corporation formed under the laws of the State of Colorado (the "Company" and, together with Parent, the "Sellers," and each, individually, a "Seller"), and (b) BB Brands, LLC, a limited liability company formed under the laws of the State of Delaware (the "Buyer"). The Sellers and the Buyer are referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the Sellers and certain of their domestic subsidiaries (together with the Sellers, the "Seller Group") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") on February 16, 2011 in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), and such bankruptcy cases are being jointly administered under Case No. 11-10614 (MG) and are hereinafter referred to collectively as the "Cases," and

WHEREAS, each of the Sellers wishes to sell, transfer, convey, assign and deliver to the Buyer, and the Buyer wishes to purchase, assume and acquire, in accordance with Sections 363 and 365 and the other applicable provisions of the Bankruptcy Code, the Assets (as hereinafter defined), together with the Assumed Liabilities (as hereinafter defined), upon the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, subject to the Bankruptcy Court's entry of the Sale Order (as hereinafter defined), the Buyer shall purchase from the Sellers, and the Sellers shall sell, transfer, convey, assign and deliver to the Buyer, the Assets together with the Assumed Liabilities, upon the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, prior to the Closing Date (as hereinafter defined), (i) the Sellers, the Buyer and Hilco Merchant Resources, LLC (the "Agent") shall enter into a Going Concern Agency Agreement (as amended and modified from time to time, the "Going Concern Agency Agreement"), or (ii) the Buyer shall execute a joinder to the Backstop Agency Agreement among the Sellers, the Agent and certain other agents (as amended and modified from time to time, the "Backstop Agency Agreement," and together with the Going Concern Agency Agreement, the "Agency Agreements"), in each case pursuant to which the Agent (and such other agents, in the case of the Backstop Agency Agreement) shall be retained as exclusive agent in connection with the disposition of certain of the assets of the Seller Group in accordance with the terms and conditions set forth therein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties mutually agree as follows:

ARTICLE 1

PURCHASE AND SALE OF ASSETS

1.1 Defined Terms. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth for such terms in Article 13.

1.2 Purchase and Sale. Subject to the terms and conditions set forth in this Agreement, the Sellers hereby agree that at the Closing, or such other date or dates provided in Section 1.4, they shall, and shall cause the other members of the Seller Group to, sell, transfer, convey and assign to the Buyer, free and clear of all Liens (except for Permitted Liens), and the Buyer shall purchase, assume and acquire from the Seller Group, all right, title and interest of the Seller Group in, to and under all of the business, properties, assets and goodwill of whatever kind and nature, real or personal, tangible or intangible, actual or contingent, which are owned or held by the Seller Group, other than the Excluded Assets (collectively, the “Assets”), including the following:

(a) All of the interest of the Seller Group in and to the Real Property Leases set forth on Schedule 1.2(a) that are designated by the Buyer to be assumed by the Seller Group and assigned to the Buyer in accordance with Section 1.4 (the “Assumed Real Property Leases”);

(b) All of the interest of the Seller Group in and to the Contracts set forth on Schedule 1.2(b) that are designated by the Buyer to be assumed by the Seller Group and assigned to the Buyer in accordance with Section 1.4 (the “Assumed Contracts”);

(c) All of the interest of the Seller Group in and to all Equipment and leasehold improvements in the Transferred Stores and Distribution Centers (the “Transferred Equipment and Improvements”);

(d) All Licenses (to the extent such Licenses are freely transferable), other than Licenses relating exclusively to any Excluded Leased Property (the “Excluded Licenses”);

(e) All of the interest of the Seller Group in Intellectual Property;

(f) All of the interest of the Seller Group in and to all Inventory other than Inventory located at the Store Closing Locations (the “Transferred Inventory”);

(g) All security and other deposits and advances and all pre-paid expenses maintained by the Seller Group, other than the deposits, advances and pre-paid expenses relating exclusively to any Excluded Leased Property (the “Excluded Deposits”);

(h) All Accounts Receivable arising from sales of Inventory prior to the Closing Date (the “Transferred Accounts Receivable”);

(i) Subject to Section 2.9, all right, title and interest in and to the equity interest (the “Kobo Interest”) in Kobo, Inc. (“Kobo”) held by the Seller Group;

(j) All goodwill of the Seller Group associated with the Business as a going concern;

(k) All of the Sellers’ books, records, files, documents and other written or electronic materials, including customer lists, except those related to the Excluded Assets or the Excluded Liabilities or expressly included in the Excluded Assets pursuant to Section 1.3;

- (l) All Cash;
- (m) The Disposition Rights; and
- (n) All franchisor rights with respect to the foreign operations of the Seller Group, including all rights to receive franchise fees.

1.3 Excluded Assets. Notwithstanding anything to the contrary contained herein, expressly excluded from the Assets are all of the right, title and interest of the Seller Group in and to the following (collectively, the “Excluded Assets”):

- (a) All corporate and Tax records of the Seller Group and any foreign subsidiaries of the Seller Group, including corporate charters, corporate minute and stock books and records, and other documents and instruments relating solely to the organization, maintenance and existence of the Seller Group or such foreign subsidiaries or the Taxes of the Seller Group or such foreign subsidiaries;
- (b) All claims (including any litigation or arbitration claims and any refunds and deposits), rights, rights of offset or causes of action that the Seller Group or their Affiliates may have against or from any Person relating to any of the Excluded Assets or the Excluded Liabilities;
- (c) All refunds, pre-payments, net operating losses and claims relating to federal, state or municipal income Taxes of the Seller Group or their Affiliates for any period, or portion of any period, ending on or prior to the Closing Date;
- (d) The capital stock of the Seller Group and each of their subsidiaries and all equity securities owned or held by any Seller Group or any of their subsidiaries, other than the Seller Group’s right, title and interest in and to the Kobo Interest, subject to Section 2.9;
- (e) All causes of action and claims that may be asserted against the Buyer and all rights of the Sellers under this Agreement or any Ancillary Agreement or any other agreements or instruments otherwise delivered in connection with this Agreement or any Ancillary Agreement;
- (f) All of the interest of the Seller Group in and to all Real Property Leases other than the Assumed Real Property Leases (the “Excluded Real Property Leases”);
- (g) All of the interest of the Seller Group in and to all Contracts other than the Assumed Contracts (the “Excluded Contracts”);
- (h) All Equipment and leasehold improvements in the Store Closing Locations;
- (i) All Excluded Licenses;
- (j) All Inventory located at the Store Closing Locations;
- (k) All Excluded Deposits;
- (l) All confidential personnel and medical records of employees who do not become Transferred Employees;
- (m) All assets, properties or rights relating to any Employee Plan of the Seller Group;
- (n) All Avoidance Actions;

(o) All assets and other rights relating to the Business sold or otherwise transferred or disposed of during the period from the date of this Agreement through and including the Closing Date, in any event in accordance with the provisions of this Agreement; and

(p) All of the other assets, rights and properties set forth on Schedule 1.3(p).

1.4 Assumed and Rejected Leases and Contracts; Inventory Liquidation.

(a) The Buyer shall have the right, exercisable without limitation at any time and from time to time prior to the applicable Designation Deadline, to notify the Sellers in writing of the Buyer's election to treat each Real Property Lease set forth on Schedule 1.2(a) as either an Assumed Real Property Lease or an Excluded Real Property Lease.

(b) The Buyer shall have the right, exercisable without limitation at any time and from time to time prior to the applicable Designation Deadline, to notify the Sellers in writing of the Buyer's election to treat each Contract set forth on Schedule 1.2(b) as either an Assumed Contract or an Excluded Contract.

(c) Promptly following delivery of each notice by the Buyer pursuant to Section 1.4(a) or 1.4(b) or, in the case of any notice delivered prior to the Closing Date, as of or promptly following the Closing Date, the Sellers shall or shall cause (i) each Real Property Lease or Contract that the Buyer has elected to treat as Assumed Real Property Lease or Assumed Contract to be assumed and assigned to the Buyer in accordance with Section 365 of the Bankruptcy Code and the Sale Order and (ii) each Real Property Lease or Contract that the Buyer has elected to treat as an Excluded Real Property Lease or Excluded Contract to be rejected in accordance with Section 365 of the Bankruptcy Code and the Sale Order. The Sellers shall timely file appropriate motions and take such other actions as may be necessary to assume and assign to the Buyer the Assumed Real Property Leases and Assumed Contracts, and the Sale Order shall authorize such assumption and assignment. On the date of the assignment thereof to the Buyer, the Seller Group shall be released from any further liability under the Assumed Real Property Leases and Assumed Contracts. On the date of the assignment of any Assumed Real Property Lease to the Buyer, all right, title and interest of the Seller Group in and to any Assets located at any Store subject to such Assumed Real Property Lease shall be deemed sold, transferred, conveyed and assigned to the Buyer.

(d) To the extent that any Assumed Real Property Lease or Assumed Contract is subject to a cure (pursuant to Section 365 of the Bankruptcy Code and described in any Order of the Bankruptcy Court relating to such cure liability), the Buyer shall be obligated to pay such Cure Costs as a condition to such assumption and assignment to the Buyer. A good faith estimate of such Cure Costs, determined as of the date of this Agreement, is attached as Schedule 1.4(d).

(e) If the Buyer fails for any reason to notify the Sellers in writing prior to the applicable Designation Deadline with respect to any Real Property Lease or Contract of the Buyer's election pursuant to Section 1.4(a) or 1.4(b), then such Real Property Lease or Contract shall be deemed to be an Excluded Real Property Lease or Excluded Contract and the provisions of Section 1.4(c)(ii) shall apply.

(f) Subject to entry by the Bankruptcy Court of the Sale Order, the Agent shall act as the exclusive agent of the Sellers and the Buyer for the purpose of liquidating the Inventory and Equipment and leasehold improvements at the Leased Real Property subject to all Real Property Leases that are designated as Excluded Real Property Leases in accordance with this Section 1.4 (such locations, the "Store Closing Locations") through the conduct of GOB Sales. Notwithstanding designation of a

Real Property Lease as an Excluded Real Property Lease, the Buyer may deliver notice to the Agent to defer commencement of a GOB Sale at such Store Closing Location; *provided* that the Buyer may not defer the commencement of any Pre-Closing GOB Sale. The terms, conditions and procedures applicable to the conduct of the GOB Sales in the Store Closing Locations are set forth in the applicable Agency Agreement. After the Closing Date, the Buyer or its parent may have representatives present at Store Closing Locations during GOB Sales to sell Direct Brands club memberships, provided such activities do not adversely impact the conduct of the GOB Sales.

ARTICLE 2

PURCHASE PRICE AND PAYMENT

2.1 Initial Purchase Price. The aggregate consideration to be paid by the Buyer or by the Agent pursuant to the applicable Agency Agreement for the sale of the Assets and for the right of the Agent to conduct the GOB Sales pursuant to the terms of the Agency Agreement shall consist of (a) \$215,100,000 (the “Initial Purchase Price”), subject to adjustment in accordance with Sections 2.2 and 2.3, and (b) the assumption by the Buyer of the Assumed Liabilities. At the Closing, \$17,000,000 of the Initial Purchase Price (the “Escrow Amount”) shall be delivered by the Buyer to the Escrow Agent by wire transfer of immediately available funds in accordance with instructions given by the Escrow Agent. The balance of the Initial Purchase Price, as adjusted in accordance with Section 2.2, shall be paid to the Sellers at the Closing by wire transfer of immediately available funds in accordance with instructions given by the Sellers to the Buyer.

2.2 Adjustments to the Initial Purchase Price.

(a) No later than three (3) Business Days prior to the Closing Date, the Sellers shall prepare and deliver to the Buyer a statement setting forth in reasonable detail the Sellers’ calculation of the Net Working Capital as of the close of business on the Closing Date (the “Estimated Closing Net Working Capital”). The Sellers’ calculation of the Estimated Closing Net Working Capital shall be made on an estimated basis using the same accounting methodologies and procedures used to calculate the Reference Closing Net Working Capital as set forth on Schedule 2.2(a). An appropriate dollar-for-dollar adjustment shall be made in the Estimated Closing Net Working Capital to take into account any Pre-Closing GOB Sales.

(b) If the Estimated Closing Net Working Capital is less than the Reference Closing Net Working Capital, the Initial Purchase Price shall be decreased dollar-for-dollar by the absolute value of the deficiency. If the Estimated Closing Net Working Capital is greater than the Reference Closing Net Working Capital, the Initial Purchase Price shall be increased dollar-for-dollar by the absolute value of the excess.

(c) Within fifteen (15) days after the first full monthly accounting period (or four or five weeks, as the case may be) following the Closing Date, the Buyer shall prepare and deliver to the Sellers written notice (the “Adjustment Notice”) containing (i) the Buyer’s calculation in reasonable detail of the Net Working Capital as of the close of business on the Closing Date (the “Final Closing Net Working Capital”) and (ii) the Buyer’s calculation of the amount of any payments required pursuant to Section 2.2(h) (the “Adjustment Calculation”). The Buyer’s calculation of the Final Closing Net Working Capital shall be made based on the financial books and records of the Business as of the close of business on the Closing Date using the same accounting methodologies and procedures used to calculate the Reference Closing Net Working Capital as set forth in Schedule 2.2(a). An appropriate dollar-for-dollar adjustment shall be made in the Final Closing Net Working Capital to take into account any Pre-Closing GOB Sales. With respect to any Store Closing Locations at which a physical inventory has been

conducted in accordance with the applicable Agency Agreement prior to the delivery of the Adjustment Notice, the Final Closing Net Working Capital shall take into account the results of such physical inventory applying the valuation methodologies, as applicable, set forth in the applicable Agency Agreement. The Buyer shall include with the Adjustment Notice delivered to the Sellers copies of all inventory and valuation reports prepared in connection with such physical inventories.

(d) Within thirty (30) days after delivery of the Adjustment Notice, the Sellers shall deliver to the Buyer a written response in which the Sellers shall either (i) agree in writing with the Adjustment Calculation, in which case such calculation shall be final and binding on the parties for purposes of Section 2.2(h), or (ii) dispute the Adjustment Calculation by delivering to the Buyer a written notice (a “Dispute Notice”) setting forth in reasonable detail the basis for each such disputed item.

(e) If the Sellers fail to take either of the foregoing actions within 30 days after delivery of the Adjustment Notice, then the Sellers shall be deemed to have irrevocably accepted the Adjustment Calculation, in which case, the Adjustment Calculation shall be final and binding on the Parties for purposes of Section 2.2(h).

(f) If the Sellers timely deliver a Dispute Notice to the Buyer, then the Buyer and the Sellers shall attempt in good faith, for a period of thirty (30) days, to agree on the Adjustment Calculation for purposes of Section 2.2(h). Any resolution by the Buyer and the Sellers during such thirty (30) day period as to any disputed items shall be final and binding on the Parties for purposes of Section 2.2(h). If the Buyer and the Sellers do not resolve all disputed items within thirty (30) days after the date of delivery of the Dispute Notice, then the Buyer and the Sellers shall submit the remaining items in dispute to PriceWaterhouseCoopers LLP (the “Independent Accounting Firm”) for resolution. The Buyer and the Sellers shall instruct the Independent Accounting Firm to render its determination with respect to the items in dispute in a written report that specifies the conclusions of the Independent Accounting Firm as to each item in dispute and the resulting Adjustment Calculation. The Buyer and the Sellers shall each use their reasonable best efforts to cause the Independent Accounting Firm to render its determination within thirty (30) days after referral of the items to such firm or as soon thereafter as reasonably practicable. The Independent Accounting Firm’s determination of the Adjustment Calculation as set forth in its report shall be final and binding on the Parties for purposes of Section 2.2(h). The Buyer shall revise the calculation of the Final Closing Net Working Capital as appropriate to reflect the resolution of the issues in dispute pursuant to this Section 2.2(f). The fees and expenses of the Independent Accounting Firm shall be shared by the Buyer and the Sellers in inverse proportion to the relative amounts of the disputed amount determined to be for the account of the Buyer and the Sellers, respectively.

(g) For purposes of complying with this Section 2.2, the Buyer and the Sellers shall furnish to each other and to the Independent Accounting Firm such work papers and other documents and information relating to the disputed items as the Independent Accounting Firm may request and are available to that party (or its independent public accountants) and shall be afforded the opportunity to present to the Independent Accounting Firm any material related to the disputed items and to discuss the items with the Independent Accounting Firm. If the Buyer elects to conduct a physical inventory in connection with its calculation of the Final Closing Net Working Capital, the Buyer shall notify the Sellers in advance of such inventory, shall permit representatives of the Sellers to be present during such inventory and shall provide to the Sellers copies of all reports and other records and information produced in connection with such inventory.

(h) If the Final Closing Net Working Capital, as finally determined pursuant to this Section 2.2, is greater than the Estimated Closing Net Working Capital, then the Sellers shall be entitled to receive a distribution of the Escrow Amount and the Buyer shall pay to the Sellers an amount equal to

such excess. If the Final Closing Net Working Capital, as finally determined pursuant to this Section 2.2, is less than the Estimated Closing Net Working Capital, then the Buyer shall be entitled to receive a distribution of a portion of the Escrow Amount equal to the amount of such shortfall, and the Sellers shall be entitled to receive a distribution of the balance, if any, of the Escrow Amount. If the Escrow Amount is not sufficient to cover the amount the Sellers are required to pay to the Buyer pursuant to the preceding sentence, the Sellers shall pay the shortfall to the Buyer.

(i) All distributions and payments pursuant to Section 2.2(h) shall be made within five Business Days following the final determination of the Final Closing Net Working Capital in accordance with this Section 2.2; *provided* that if the Sellers deliver a Dispute Notice to the Buyer in accordance with Section 2.2(f) and the aggregate value of all disputed items is less than the Escrow Amount, the Sellers and the Buyer shall promptly instruct the Escrow Agent in writing to distribute to the Sellers the portion of the Escrow Amount that is not in dispute and to retain the balance of the Escrow Amount pending final resolution of such disputes in accordance with Section 2.2(f).

(j) The Initial Purchase Price as adjusted in accordance with this Section 2.2 is referred to in this Agreement as the “Purchase Price.”

2.3 Assumed Liabilities and Excluded Liabilities

(a) Subject to the terms and conditions set forth in this Agreement, the Buyer hereby agrees that at the Closing, or such other date or dates provided in Section 1.4, it shall assume and become responsible for the following liabilities and obligations of the Seller Group existing as of such time and arising from the operation of the Business prior to the Closing or the other date or dates provided in Section 1.4, as applicable (collectively, the “Assumed Liabilities”):

(i) All liabilities and obligations under the Assumed Real Property Leases and Assumed Contracts that are assumed and assigned to the Buyer in accordance with Section 1.4, whether at the Closing or thereafter, including all related Cure Costs;

(ii) All liabilities and obligations with respect to any gift cards outstanding on the Closing Date, and in the event that the Going Concern Agency Agreement is executed, all liabilities with respect to other loyalty programs outstanding on the Closing Date;

(iii) All liabilities and obligations with respect to Inventory returned to the Stores after the Closing Date;

(iv) All liabilities and obligations with respect to the Transferred Employees, to the extent set forth in Section 7.6;

(v) All liabilities and obligations of the Seller Group relating to real property, personal property, sales and use and other accrued and unpaid Taxes taken into account in the calculation of the Final Closing Net Working Capital;

(vi) All post-petition trade and other accounts payable and other accrued liabilities taken into account in the calculation of the Final Closing Net Working Capital;

(vii) All obligations under the letters of credit set forth on Schedule 2.3(a)(vii) (the “Assumed Letters of Credit”); and

(viii) All Wind Down Obligations in accordance with Section 2.4.

(b) Except for the Assumed Liabilities, the Buyer shall not be subject to and shall not assume nor be liable for any liabilities of any kind or nature, whether absolute, contingent, accrued, known or unknown, of the Seller Group or related to the Assets or the Business, including the following (collectively, the “Excluded Liabilities”):

- (i) Any obligation or liability in respect of Outstanding Indebtedness, other than the Assumed Letters of Credit;
- (ii) Subject to Section 2.3(a)(v) and Section 2.6, any obligation or liability of the Seller Group for Taxes;
- (iii) Any pre-petition obligation or liability of the Seller Group and any obligation or liability of the Seller Group that constitutes a claim or interest against the Seller Group under Sections 502 or 503 of the Bankruptcy Code to the extent not specifically included in the Assumed Liabilities;
- (iv) Any obligation or liability under the Excluded Real Property Leases or the Excluded Contracts;
- (v) Any obligation or liability in respect of professional fees and expenses incurred by the Sellers prior to the Closing Date;
- (vi) Any obligation or liability in respect of any contingent or success-based fees payable by the Sellers in connection with the Closing pursuant to any Contract entered into by the Sellers prior to the Closing Date;
- (vii) Any obligation or liability in respect of the Sellers’ Key Employee Retention Plan, Key Employee Incentive Plan or any grant or award under either such Plan;
- (viii) Any obligation or liability of the Seller Group to their respective shareholders or equity holders or Affiliates of the Seller Group;
- (ix) Any obligation or liability relating to any current or former employee of the Seller Group, or their dependents and beneficiaries, other than the obligations and liabilities set forth in Section 7.6.

2.4 Wind Down Obligations.

(a) From and after the Closing Date, the Buyer shall, on behalf of the Seller Group, pay, perform or otherwise satisfy when and as due all of the obligations, liabilities and expenses as provided in the Transition Agreement (collectively, the “Wind Down Obligations”), including the following:

- (i) All compensation (including any severance compensation) and benefits (including group medical, dental and life insurance benefits) paid or provided by the Seller Group to current or former employees of the Seller Group (other than employees employed at Store Closing Locations the costs of which are the responsibility of the Agent under the applicable Agency Agreement), or their dependents and beneficiaries;
- (ii) All rents (including holiday closing payments), real and personal property and use taxes and assessments, maintenance and cleaning costs, insurance premiums, utility costs and

other costs and expenses arising from the operation of the Headquarters Building, the Distribution Centers and the Stores (other than such costs relating to Store Closing Locations which are the responsibility of the Agent under the applicable Agency Agreement) by the Seller Group;

(iii) All property, casualty and other insurance premiums, fees and expenses payable in connection with the operations of the Seller Group;

(iv) All professional fees and expenses, court costs and fees, appraisal and valuation expenses and other costs and expenses arising in connection with the Cases (or any successor liquidating trust or similar arrangement); and

(v) All other obligations, liabilities and expenses that are reasonably incurred by the Seller Group in connection with the performance of this Agreement or the orderly winding down and termination of the Seller Group's business.

(b) Notwithstanding Section 2.4(a), the aggregate amount of Wind Down Obligations set forth in Sections 2.4(a)(iv) and 2.4(a)(v) for which the Buyer shall be responsible shall not exceed \$15,000,000.

(c) Prior to the Closing Date, the Parties shall agree upon and document mutually acceptable arrangements with respect to the incurrence and payment for Wind Down Obligations, including arrangements reasonably satisfactory to the Buyer with respect to minimizing to the extent practicable the Wind Down Obligations for which it is responsible.

(d) In order to ensure the payment, performance and satisfaction in full of the Wind Down Obligations by the Buyer, the Buyer hereby covenants and agrees that until the final discharge of all of the Wind Down Obligations, without the prior written consent of the Sellers, the Buyer shall not (i) declare or pay any dividend or make any distribution of cash or other property, including any Assets, or repurchase or redeem for value any of its outstanding debt or equity securities, or (ii) directly or indirectly assign or otherwise transfer to any Affiliate of the Buyer any interest in assets of the Buyer, including the Assets.

2.5 Non-Assignable Assets. If any Asset is by its terms or by Applicable Law non-assignable or non-transferable, to the extent such terms are not superseded by the terms of the Sale Order, the Sellers shall use their reasonable best efforts to obtain, or cause to be obtained, on or prior to the Closing, any approvals or consents necessary to convey to the Buyer the benefit thereof. The Buyer shall cooperate with the Sellers in such manner as may be reasonably requested in connection therewith. In the event any consent or approval to an assignment contemplated hereby is not obtained on or prior to the Closing Date, the Sellers shall continue to use reasonable best efforts to obtain any such approval or consent after the Closing Date and the Sellers agree to enter into any appropriate and commercially reasonable arrangement to provide that the Buyer shall receive the Seller Group's interest in the benefits under any such Asset; *provided* that the Buyer shall undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefit to the extent the Buyer would have been responsible therefor if such consent or approval had been obtained.

2.6 Transfer Taxes. To the extent the transactions contemplated hereby are not exempt under Section 1146 of the Bankruptcy Code, the Buyer shall be liable for and pay any sales and transfer Taxes, filing fees, documentary fees or other Taxes payable in connection with the purchase, sale or transfer of the Assets to, and the assumption of the Assumed Liabilities by, the Buyer pursuant to this Agreement. The Buyer and the Sellers shall use reasonable best efforts to minimize the amount of all the foregoing Taxes and shall cooperate in providing each other with any appropriate resale exemption certifications,

Tax clearance certificates and other similar documentation. The Party that is required by Applicable Law to make the filings, reports, or returns and to handle any audits or controversies with respect to any of the foregoing Taxes shall do so, and the other Party shall cooperate (and make reimbursement) with respect thereto as necessary.

2.7 Allocation of Purchase Price. No later than ninety (90) days after the Closing Date, the Buyer and the Sellers shall mutually agree upon a Tax allocation of the Purchase Price, applicable Assumed Liabilities and other relevant items among the Assets in accordance with Section 1060 of the Tax Code and the regulations thereunder and any comparable provision of state or local law. Each of the Parties agrees that it or they shall file a statement (on IRS Form 8594 or other applicable form) setting forth such allocation with its or their federal and applicable state income Tax returns and shall also file such further information or take such further actions as may be necessary to comply with the Treasury Regulations that have been promulgated pursuant to Section 1060 of the Tax Code and similar applicable state laws and regulations.

2.8 Deposit. The Buyer shall, within two (2) Business Days after the date of this Agreement, deposit with a mutually acceptable independent escrow agent (the “Escrow Agent”) an amount equal to \$15,000,000 (the “Deposit”), pursuant to an escrow agreement in customary commercial form (the “Escrow Agreement”). If the Closing takes place as provided herein, then the Deposit shall be credited against the Initial Purchase Price pursuant to Section 2.1 and paid by the Escrow Agent to the Sellers at the Closing. If this Agreement is terminated in accordance with Article 10 for any reason other than pursuant to Section 10.1(g), then the Escrow Agent shall promptly return the Deposit to the Buyer. If this Agreement is terminated pursuant to Section 10.1(g), the Escrow Agent shall retain the Deposit pending a determination of actual damages pursuant to Section 12.14.

2.9 Kobo Interest. The Buyer acknowledges that the assignment and transfer of the Kobo Interest by the Seller Group to the Buyer pursuant to this Agreement are subject to certain transfer restrictions, first refusal rights and participation rights under the organizational documents and shareholders agreement of Kobo. Prior to the Closing, the Sellers shall obtain a waiver of the foregoing restrictions and rights from Kobo and its shareholders or shall otherwise cause such restrictions and rights not to be applicable to the assignment and transfer of the Kobo Interest to the Buyer pursuant to this Agreement. The Buyer shall cooperate with the reasonable requests of the Sellers in connection with the assignment and transfer of the Kobo Interest, including executing at Closing a joinder agreement or similar instrument pursuant to which it agrees to become a party to and bound by the Kobo shareholders agreement and any other agreements to which the shareholders of Kobo, including the Sellers, are party as of the date of this Agreement.

2.10 Second Escrow.

(a) On the Closing Date, the Buyer shall fund a second escrow with the Escrow Agent in the amount of \$7,500,000 (the “Second Escrow Amount”), pursuant to an escrow agreement in customary commercial form (the “Second Escrow Agreement”). If the Sellers have insufficient assets after the Closing to pay all allowed administrative expenses pursuant to Section 503(b) and allowed priority tax claims pursuant to Section 507(a)(8) of the Bankruptcy Code that were incurred and unpaid as of the Closing Date, excluding any and all of such expenses that will be paid by the Buyer or the Agent hereunder or pursuant to the applicable Agency Agreement, then the Sellers may from time to time provide written notice of the deficiency to the Buyer (the “Second Escrow Claim Notice”). The Second Escrow Claim Notice shall be accompanied by reasonable supporting documentation setting forth the amount and nature of any allowed administrative expenses or allowed priority tax claims for which a deficiency exists and the amount of the deficiency. A copy of the Second Escrow Claim Notice shall also be provided by the Sellers to the Escrow Agent. The Second Escrow Claim Notice shall be final and

binding on the Buyer unless within ten (10) days following receipt thereof, the Buyer disputes any calculation thereon by delivering a written notice to the Seller and the Escrow Agent (the “Second Escrow Dispute Notice”).

(b) If the Buyer does not timely provide a Second Escrow Dispute Notice, or if the Buyer affirmatively accepts the Second Escrow Claim Notice, the Buyer and the Sellers shall instruct the Escrow Agent to transfer to the Sellers the amount set forth in the Second Escrow Claim Notice. If the Buyer disputes only a portion of the Second Escrow Claim Notice in its Second Escrow Dispute Notice, the Buyer and the Sellers shall jointly instruct the Escrow Agent to release to the Sellers the undisputed amount.

(c) Any dispute with respect to a Second Escrow Claim Notice shall be resolved by an action in the Bankruptcy Court. Upon resolution of such dispute, if additional amounts are payable to the Seller, the Buyer and the Sellers shall mutually instruct the Escrow Agent to pay such amounts.

(d) The escrow contemplated by this Section 2.10 shall terminate on the earlier of January 31, 2012 or sixty (60) days after the effective date of a plan of reorganization, and the remaining balance paid by the Escrow Agent to the Buyer; *provided* that any amount subject to dispute not resolved by such time shall remain in the escrow until the dispute is resolved.

(e) Any payments to the Sellers under this Section 2.10 shall be treated as an increase to the Purchase Price.

ARTICLE 3

CLOSING

3.1 Closing. Consummation of the transactions contemplated hereby (the “Closing”) shall occur as soon as practicable on such date as is specified by the Buyer, but in any event not later than two (2) Business Days after the date the conditions to Closing set forth in this Agreement are satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing), at the offices of Kasowitz, Benson, Torres & Friedman LLP, New York, New York, or at such time and place as the Buyer and the Sellers may otherwise agree. The date on which the Closing actually takes place is referred to in this Agreement as the “Closing Date.” Notwithstanding anything herein to the contrary, the Buyer shall be entitled to direct the Agent to conduct GOB Sales on the terms set forth in the applicable Agency Agreement commencing on the first day following the entry of the Sale Order.

3.2 Deliveries by the Sellers at Closing. At the Closing, the Sellers shall each execute, acknowledge and deliver to the Buyer the following (which events shall occur, each being deemed to have occurred simultaneously with the others):

(a) A Bill of Sale in a form reasonably satisfactory to the Buyer and its counsel and the Sellers and their counsel;

(b) An Assignment and Assumption Agreement in a form reasonably satisfactory to the Buyer and its counsel and the Sellers and their counsel, pursuant to which the Buyer shall be assigned and shall assume the Assumed Real Property Leases, Assumed Contracts and Assumed Liabilities from the Seller Group (the “Assignment and Assumption Agreement”);

(c) A copy of the Sale Order;

(d) Trademark, patent and domain name assignments in a form reasonably satisfactory to the Buyer and its counsel and the Sellers and their counsel, pursuant to which the Seller Group shall assigned the Transferred Intellectual Property to the Buyer (the “IP Assignments”);

(e) The Escrow Agreement and the Second Escrow Agreement, each in a form reasonably satisfactory to the Buyer and its counsel and the Sellers and their counsel;

(f) The applicable Agency Agreement in a form reasonably satisfactory to the Sellers, the Buyer and the Agent;

(g) A copy of the resolutions adopted by the Sellers’ Boards of Directors authorizing the transactions contemplated hereby and the consummation thereof, certified by a secretary or assistant secretary of the Sellers to be a true and correct copy;

(h) A certificate of incumbency as to those officers of the Sellers executing instruments in connection with this Agreement; and

(i) All other documents, certificates, instruments or writings, including the Ancillary Agreements, reasonably requested by the Buyer in connection herewith.

3.3 Deliveries by the Buyer at Closing. At the Closing, the Buyer shall execute, acknowledge and deliver to the Sellers the following (which events shall occur, each being deemed to have occurred simultaneously with the others):

(a) A duly executed Assignment and Assumption Agreement;

(b) The Bill of Sale and the IP Assignments, if any, that call for a signature by the Buyer;

(c) The Escrow Agreement and the Second Escrow Agreement, each in a form reasonably satisfactory to the Buyer and its counsel and the Sellers and their counsel;

(d) The Initial Purchase Price, as adjusted in accordance with Section 2.2(b), to the Sellers by wire transfer in immediately available funds;

(e) A copy of the resolutions adopted by the Buyer’s Board of Directors authorizing the transactions contemplated hereby and the consummation thereof, certified by a secretary or assistant secretary of the Buyer to be a true and correct copy;

(f) A certificate of incumbency as to those officers of the Buyer executing instruments in connection with this Agreement; and

(g) All other documents, certificates, instruments or writings, including the Ancillary Agreements, reasonably requested by the Sellers in connection herewith.

3.4 Deemed Consents and Cures. The Sellers shall be deemed to have obtained all required consents, as applicable, in respect of the assignment of any of the Assumed Real Property Leases and Assumed Contracts and all defaults thereunder shall be deemed to have been cured if, and to the extent that, pursuant to the Sale Order or another Order of the Bankruptcy Court, the Seller Group is authorized to assume and assign any such Assume Real Property Leases and Assumed Contracts to the Buyer pursuant to Section 365 of the Bankruptcy Code.

3.5 Subsequent Documentation; Further Assurances. The Buyer and the Sellers shall, at any time and from time to time after the Closing Date, upon the reasonable request of the other, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such further (a) assignments, transfers and conveyances as may be required for assigning, transferring, granting, conveying and confirming the transactions contemplated hereby, including aiding and assisting the Buyer in collecting and reducing to possession any or all of the Assets and (b) documents and instruments as may be reasonably necessary for the further completion of any of the transactions contemplated hereby.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers, jointly and severally, represent that the following are true and correct as of the date hereof and shall be true and correct at the date of the Closing after giving effect to the Sale Order:

4.1 Organization and Power. Each Seller (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of its organization, (b) has all requisite corporate power and authority to carry on its Business as currently conducted, and (c) has the requisite corporate power and authority to own, lease, operate or hold the applicable Assets.

4.2 Authority; No Conflicts. Subject to Bankruptcy Court approval and entry of an Order of the Bankruptcy Court approving the terms of this Agreement, each Seller has the authority to enter into and consummate this Agreement and the Ancillary Agreements, and to consummate the transactions contemplated hereby and thereby. Subject to the approval of the Bankruptcy Court pursuant to the Sale Order and except for the requirements of the HSR Act, the execution, delivery and performance by each Seller of this Agreement and of the Ancillary Agreements to which it is a party (a) do not and shall not violate or conflict with any provision of the certificate or articles of incorporation or bylaws of such Seller, (b) do not and shall not violate any provision of any Applicable Law or any order, judgment or decree of any Governmental Entity or any Governmental Authority, (c) do not and shall not violate or result in a material breach of or constitute (with due notice or lapse of time or both) a material default under any Assumed Contract that is a Material Contract, (d) shall not result in the creation or imposition of any material Lien (other than Permitted Liens) upon any of the Assets, and (e) shall not result in the cancellation, modification, revocation or suspension of any material Permit.

4.3 Execution and Delivery. Subject to the approval of the Bankruptcy Court pursuant to the Sale Order, the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby by the Sellers have been duly authorized by all necessary corporate action, and the execution and performance of the Ancillary Agreements by the Sellers has been or shall be authorized by all necessary corporate action prior to the Closing Date. Subject to Bankruptcy Court approval and entry of an Order of the Bankruptcy Court approving the terms of this Agreement, this Agreement constitutes, and upon execution of each of the Ancillary Agreements such agreements shall constitute, valid and binding obligations of the Sellers, enforceable against the Sellers in accordance with their respective terms.

4.4 Sale Free and Clear of Liens. On the Closing Date or such other applicable date as provided in Section 1.4, after giving effect to the Sale Order, (a) the Assets shall be transferred to the Buyer free and clear of all Liens other than Permitted Liens and (b) the Buyer shall obtain good title to the Assets free and clear of all Liens other than Permitted Liens.

4.5 Ownership of Assets; Condition; Sufficiency; Subsidiaries.

(a) Except as set forth on Schedule 4.5(a), the Seller Group collectively has good title to, or valid leasehold interest in, the Assets.

(b) The Equipment included in the Assets and the other tangible Assets are in good operating condition, reasonable wear and tear excepted, suitable and usable for the purposes for which they have been used by the Seller Group in the Business.

(c) The entities listed on Schedule 4.5(c) represent all of the subsidiaries of the Sellers (collectively, the “Borders Subsidiaries”). Each Borders Subsidiary is an entity duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization. Each Borders Subsidiary is duly authorized to conduct business and is in good standing under the laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not have a Material Adverse Effect. Except as set forth on Schedule 4.5(c), neither Seller has any equity participation in any Person that is not another Seller or a Borders Subsidiary.

(d) Except for those restrictions and rights provided in the organizational documents and shareholders’ agreement of Kobo, the Seller Group owns the Kobo Interest free and clear of all Liens, and have not granted to any Person other than the Buyer a preferential right to acquire such equity interest.

4.6 Taxes. Except as set forth on Schedule 4.6:

(a) All material ad valorem and other property Taxes relating to the Assets have been fully paid for all Tax years ending on or before the Closing and there are no material delinquent property Tax Liens or assessments; and

(b) The Sellers have filed all required Tax returns and have paid (or shall pay on or before the Closing) all Taxes of whatever kind pertaining to the Assets and the Business and required to be paid by the Sellers for all periods up to and including the Closing Date.

4.7 Litigation. Except as set forth on Schedule 4.7, and except for the Cases, there is no claim, litigation, action, arbitration or legal proceeding pending before a Governmental Entity or, to the Sellers’ Knowledge, threatened against the Sellers, affecting (a) the Sellers’ ability to perform their obligations hereunder, (b) the rights granted under the Material Contracts, or (c) the ownership, use, maintenance or operation of the Assets and the Business, including the Stores, in each case that would not, individually or in the aggregate, materially and adversely affect the Buyer, the Assets or the Business. Except with respect to claims filed in connection with the Cases, and subject to all of the provisions of the Bankruptcy Code, neither the Business nor the Assets are subject to any order, writ, judgment, award, injunction or decree of any Governmental Entity that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

4.8 Material Contracts. Each Assumed Contract that is a Material Contract is valid, binding and enforceable against the Sellers, as applicable, in accordance with its terms, and is in full force and effect on the date of this Agreement. The Seller Group has performed in all material respect the obligations required to be performed by the Seller Group to date under, and is not in default or delinquent in the performance in connection with, any Assumed Contract that is a Material Contract, or, upon entry and effectiveness of the Sale Order, which would not preclude the Seller Group from assigning such Assumed Contract to the Buyer, subject to payment of the applicable Cure Amount as provided in this Agreement. No other party to any Assumed Contract that is a Material Contract is in material default in respect thereof, and no event has occurred which, with due notice or lapse of time or both, would constitute such a material default by any such other party. Excepted from the representations in this

Section 4.8 related to the absence of default or delinquent performance under Assumed Contracts that are Material Contracts are those obligations that are deemed to be Cure Costs, which shall be paid under the terms of the Sale Order.

4.9 Permits; Compliance with Laws.

(a) The Sellers possess all permits, Licenses, approvals, authorizations, consents or filings with Governmental Authorities necessary for the conduct of the Business (the “Permits”) other than Permits that (a) are not customarily required to be obtained in connection with businesses having operations similar to those of the Business, (b) could, in the reasonable judgment of the Sellers, be obtained in the ordinary course of business after Closing through routine, administrative filings, and (c) if not obtained, would not, individually or in the aggregate, materially and adversely affect the Buyer, the Assets or the Business. All material Permits issued to the Sellers are in full force and effect, and no proceeding is pending or, to the Knowledge of the Sellers, threatened to revoke, withdraw or limit any such Permit. Except as set forth on Schedule 4.9, to the Knowledge of the Sellers, no outstanding material violations are or have been recorded in respect of any material Permits.

(b) The operation of the Business by the Sellers complies in all material respects with all Applicable Laws and the requirements and conditions of all Permits, including all applicable operating certificates and authorities, and all other rules, regulations, directives and policies of all Governmental Authorities having jurisdiction over the Business. There is no unresolved written notice from any Governmental Authority that the Assets or the operations of the Business are not being conducted in accordance with all Applicable Laws and orders and other requirements of Governmental Entities and Governmental Authorities having jurisdiction over either Seller and/or the Assets, except for matters that would not, individually or in the aggregate, materially and adversely affect the Buyer, the Assets or the Business.

4.10 Broker or Finder. Except as set forth on Schedule 4.10, no Person assisted in or brought about the negotiation of this Agreement, or the subject matter of the transactions contemplated hereby, in the capacity of broker, agent, or finder or in any similar capacity on behalf of the Sellers.

4.11 Third Party Approvals. Except for (a) entry of the Sale Order, (b) compliance with the HSR Act, and (c) approvals or consents set forth on Schedule 4.11, the execution, delivery and performance by the Sellers of this Agreement and the consummation of the transactions contemplated hereby do not require any material consent, waiver, authorization or approval of, or filings with, any Person (including any Governmental Authority) that has not been obtained or is not deemed to be superseded by applicable provisions of the Bankruptcy Code (the matters described in this Section 4.11, collectively referred to as the “Consents”).

4.12 Real Estate.

(a) Except as set forth on Schedule 4.12(a), the Seller Group has, and at Closing shall transfer to the Buyer, a valid leasehold interest in the premises subject to the Assumed Real Property Leases, free and clear of any Liens other than Permitted Liens. Except as set forth on Schedule 4.12(a), the Seller Group as of the date of this Agreement enjoys peaceful and undisturbed possession under all premises subject to the Assumed Real Property Leases.

(b) Except as set forth on Schedule 4.12(b), as of the date of this Agreement, the Seller Group has not received any notice of any pending, threatened or contemplated condemnation proceeding affecting any of the premises subject to the Assumed Real Property Leases or any material

part thereof or any proposed termination or impairment of any parking at any of such premises or of any sale or other disposition of any of such premises or any part thereof in lieu of condemnation.

(c) The Seller Group has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the premises subject to the Assumed Real Property Leases, except for assignments, transfers, conveyances, mortgages, deeds of trust or other encumbrances that shall be released or terminated at Closing.

4.13 Labor and Employment Matters.

(a) The Seller Group (i) has withheld all amounts required by Applicable Law or by agreement to be withheld from the wages, salaries and other payments to its employees and (ii) is not liable for any arrears of wages or any Taxes or any penalty for failure to comply with any of the foregoing. Without limiting the generality of the foregoing, the Seller Group has timely paid or adequately accrued to be paid to any unemployment compensation fund or other fund to which the Seller Group is required to contribute under Applicable Laws through the Closing.

(b) Except as set forth on Schedule 4.13(b), the Seller Group is not a party to a collective bargaining agreement (including side letters or agreements, supplemental agreements or memorandum of understanding that would materially alter a collective bargaining agreement) covering any employees, nor, to the Knowledge of the Sellers, are there currently any union organizing efforts by or with respect to any such employees. The Seller Group with respect to the Business has not experienced any actual or, to the Sellers' Knowledge, threatened employee strike or employee related work stoppage, slowdown or lockout, except for matters that would not, individually or in the aggregate, materially and adversely affect the Buyer, the Assets or the Business.

(c) The Seller Group does not have any employment agreements with any of its employees that are not terminable at will without material cost or expense at the election of the Seller Group, except for those previously identified in writing to the Buyer. The Seller Group is not party to any change of control severance agreements, except for those previously identified in writing to the Buyer.

(d) Except as set forth in Schedule 4.13(d) and except for matters that would not, individually or in the aggregate, materially and adversely affect the Buyer, the Assets or the Business (i) there are no administrative charges or court complaints against either Seller concerning alleged employment discrimination or other employment related matters that are pending or, to the Knowledge of the Sellers, threatened before the U.S. Equal Employment Opportunity Commission, the U.S. Department of Labor or any other Governmental Authority and (ii) the Seller Group is in compliance with all Applicable Laws relating to employment and employment practices, wages, hours, and terms and conditions of employment, including all immigration laws.

4.14 Benefit Matters.

(a) Except as provided on Schedule 4.14(a) and except for health continuation coverage as required by Section 4980B of the Code or Part 6 of Title I of ERISA, the Seller Group does not have any liability for life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof that shall affect the Buyer or the Assets. There is no health care plan sponsored or maintained by the Seller Group that provides health or dental coverage or benefits to any current or future retiree of the Seller Group or their spouses or dependents.

(b) Schedule 4.14(b) contains a list of all material Employee Plans sponsored, maintained or contributed to by the Seller Group, or to which the Seller Group has an obligation to

contribute. With respect to any Employee Plan that is sponsored, maintained, or contributed to (or to which there is an obligation to contribute), or has been sponsored, maintained, or contributed to (or to which there has been an obligation to contribute) within six (6) years prior to the Closing Date, by the Seller Group, or any corporation, trade, business, or entity under common control with either Seller, within the meaning of Section 414(b), (c), (in) or (o) of the Code or Section 4001 of ERISA (“Commonly Controlled Entity”), except as set forth on Schedule 4.14(b) (i) no withdrawal liability, within the meaning of Section 4201 of ERISA, has been incurred, which withdrawal liability has not been satisfied in full, (ii) no liability to the Pension Benefit Guaranty Corporation has been incurred by the Seller Group or any Commonly Controlled Entity, which liability has not been satisfied in full, (iii) no Tax under Section 4971 of the Code has been incurred for failure to satisfy the minimum funding requirements, (iv) all contributions (including employer contributions and employee elective deferred contributions) that are due have been timely paid to the Savings Plans and all contributions (including installments) to such plan (other than the Savings Plans) required by Sections 302, 303 and 304 of ERISA and Sections 412, 430, 431 and 432 of the Code have been timely made and all contributions for any period ending before the Closing Date that are not yet due have been paid up to and including the Closing Date to any such Employee Plan which is subject to Section 302 of ERISA or Section 412 of the Code, or accrued on the books of the Sellers or any Commonly Controlled Entity, (v) no liability under Sections 302, 303 or 304 of ERISA, Sections 412, 430, 431 or 432 of the Code or Title IV of ERISA has been incurred by either Seller or any Commonly Controlled Entity that could become a Liability of the Buyer or any of its Affiliates and (vi) no Employee Plan is a Multiemployer Plan or is subject to Title IV of ERISA.

4.15 Intellectual Property.

(a) Schedule 4.15(a) includes a listing of all of the patents, trademark, service mark and copyright registrations, domain names and the pending patent, trademark and copyright applications for Intellectual Property that are owned by the Seller Group.

(b) Schedule 4.15(b) also includes a listing of all licenses and other agreements to which the Seller Group is a party that are material to the operation of the Business and pursuant to which the Seller Group authorizes any other Person to use any Intellectual Property, and also includes a listing of all licenses and other agreements pursuant to which Intellectual Property that is used in and material to the operation of the Business and owned by Persons other than the Seller Group is licensed to the Seller Group.

(c) Each material item of Transferred Intellectual Property owned by the Seller Group (i) is valid, subsisting and in full force and effect and (ii) has not been abandoned or passed into the public domain. Except as set forth on Schedule 4.15(c), the Seller Group has not been notified in writing prior to the date of this Agreement that it is or may be infringing any patents, trade secrets, trademarks, trade names, service marks, service names, copyrights or other Intellectual Property of any third party and, to the Knowledge of the Sellers, there is no continuing infringement of the Transferred Intellectual Property by other Persons. Except as set forth on Schedule 4.15(c), the Seller Group as of the date of this Agreement is not bound by any outstanding judgment, injunction, order or decree restricting the use of the Transferred Intellectual Property, or restricting the licensing thereof by the Seller Group to any Person, and the issued patents and the issued trademark, service mark and copyright registrations and URLs listed on Schedule 4.15(a) have not lapsed, expired or been cancelled. The Seller Group has taken reasonable measures to protect and maintain all of the Seller Group’s rights in the Transferred Intellectual Property.

4.16 Absence of Certain Changes or Events. Except as set forth in Schedule 4.16(a), since April 1, 2011, there has not been any uninsured loss, damage, destruction or other casualty to the Assets

that would, individually or in the aggregate, materially and adversely affect the Buyer, the Assets or the Business.

4.17 Financial Assurance Instruments. Schedule 4.17 contains an accurate and complete list of all outstanding financial assurance instruments related to the Business, including performance bonds, letters of credit and surety bonds. True and complete copies of such financial assurance instruments have been provided to the Buyer.

4.18 Insurance. Schedule 4.18 contains an accurate and complete list of all material policies or binders of property, general liability, workmen's compensation, automobile liability and pollution legal liability insurance held by or on behalf of the Seller Group in connection with the Business. As of the date of this Agreement, the Seller Group has not received notice of cancellation or non-renewal of any policy of insurance, nor been refused any insurance, nor has their coverage been limited by any carrier, in each case in connection with the Seller Group's ownership of the Assets and operation of the Business.

4.19 Accounts Receivable and Accounts Payable. All Transferred Receivables represent bona fide transactions and have arisen in the ordinary course of business, are valid and not subject to material set off or counterclaim, except for customary allowances and reserves in the ordinary course of business and subject to allowances for doubtful receivables recorded in the financial records of the Seller Group in the ordinary course of business, consistent with past practice. All of the post-petition accounts payable, including post-petition trade accounts payable, included in the Assumed Liabilities represent bona fide transactions and have arisen in the ordinary course of business, taking into account the pendency of the Cases, and no material such account payable is delinquent by more than thirty (30) days in its payment.

4.20 Disclaimer of Representations and Warranties; Schedules. NEITHER THE SELLERS NOR ANY EMPLOYEES, DIRECTORS, OFFICERS, SHAREHOLDERS OR REPRESENTATIVES OF THE SELLERS HAVE MADE ANY REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, RELATING TO THE SELLER GROUP OR ITS BUSINESS OPERATIONS OR PROSPECTS OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OTHER THAN THOSE EXPRESSLY MADE IN THIS AGREEMENT OR ANY SCHEDULE HERETO OR ANY ANCILLARY AGREEMENT.

4.21 Termination of Representations and Warranties Upon Closing. The representations and warranties of the Sellers in this Agreement and each Ancillary Agreement shall not survive the Closing Date and shall be null and void ab initio and of no further force or effect immediately after the Closing Date.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Sellers that the following are true and correct as of the date hereof and shall be true and correct at the date of the Closing:

5.1 Organization and Power. The Buyer (a) is a duly organized, validly existing entity under the laws and in good standing in the state of its organization, (b) has all requisite power and authority to carry on the business in which it is now engaged, and (c) has taken all action required by Applicable Law, and by the Buyer's organizational documents, to authorize the execution and delivery of this Agreement

and the purchase of the Assets and assumption of the Assumed Liabilities in accordance with this Agreement.

5.2 Authority; No Conflicts. The Buyer has the requisite power and authority (including full limited liability company power and authority) to execute this Agreement and each Ancillary Agreement to which the Buyer is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Buyer of this Agreement and each Ancillary Agreement to which the Buyer is a party (a) do not and shall not violate or conflict with any provision of the certificate of formation or limited liability company agreement of the Buyer, and (b) do not and shall not violate any provision of any Applicable Law or any order, judgment or decree of any Governmental Entity or any Governmental Authority.

5.3 Execution and Delivery. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby has been duly authorized by all necessary limited liability company action on the part of the Buyer, and the execution and performance of each Ancillary Agreement to which the Buyer is a party has been or shall be authorized by all necessary limited liability company action on the part of the Buyer prior to the Closing Date. This Agreement constitutes, and upon execution by the Buyer of each of the Ancillary Agreements to which it is a party, such agreements shall constitute, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms.

5.4 Litigation. There is no claim, litigation, action or legal proceeding before a Governmental Entity or, to the Buyer's knowledge, threatened against the Buyer, adversely affecting the Buyer's ability to perform its obligations hereunder. There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or, to the Buyer's knowledge, threatened against the Buyer.

5.5 No Brokers. The Buyer has not utilized the services of or contracted or dealt with a broker or finder in connection with any of the transactions contemplated by this Agreement, including the Buyer's purchase of the Assets or any portion thereof, and no commission or other compensation is or shall be due or owed from the Buyer to any Person with respect to the purchase and sale of the Assets.

5.6 Termination of Representations and Warranties Upon Closing. The representations and warranties of the Buyer in this Agreement and each Ancillary Agreement to which the Buyer is a party shall not survive the Closing Date and shall be null and void ab initio and of no further force or effect immediately after the Closing Date.

ARTICLE 6

COVENANTS OF THE SELLERS

Each Seller covenants and agrees with the Buyer that:

6.1 Access. Prior to the Closing, the Sellers shall afford to the authorized representatives of the Buyer reasonable access during normal business hours to the business, Leased Real Property, facilities, books and records (regardless of form or medium, which shall include source code and related documentation, databases, and other electronic media), and senior management so as to afford the Buyer reasonable opportunity to make such review, examination and investigation of the Business as the Buyer reasonably determine is necessary in connection with the consummation of the transactions contemplated hereby and the financing thereof, and during such period the Sellers shall furnish, as reasonably promptly as practical, to the Buyer and its representatives any information they may reasonably request; *provided*

that (a) the Buyer shall provide the Sellers with sufficient advance notice of such access (which shall be no less than two (2) Business Days) to permit the Sellers to designate a party to accompany the Buyer when they are visiting the Sellers' facilities should they so desire, and (b) the foregoing right of access shall not be exercisable in such a manner as to interfere in a material way with the normal operations and business of the Sellers. The Buyer shall be permitted to make extracts from or to make copies of such books and records as may be reasonably necessary in connection therewith; *provided* that in the event that either Seller has executed an agreement with a third party providing that any information in its possession from such third party is covered by confidentiality protections, such Seller shall not provide access to such information to the Buyer until such Seller has obtained the necessary waivers from such third party to permit the disclosure to the Buyer of such information and such Seller shall use its reasonable best efforts to obtain such waivers. All requests for information pursuant to this Section 6.1 shall be directed to any of the persons listed on Schedule 6.1 hereto or any other such additional person as may be designated by the Sellers. All information received pursuant to this Section 6.1 shall be governed by the terms of that confidentiality letter between the Buyer's Affiliate Direct Brands, Inc. and the Sellers, dated March 25, 2011 (the "Confidentiality Agreement").

6.2 Reasonable Best Efforts. Each Seller shall use its reasonable best efforts to cause, to the extent within such Sellers' control, the conditions set forth in Article 8 to be satisfied and to facilitate and cause the consummation of the transactions contemplated hereby.

6.3 Notice to the Buyer. Each Seller agrees to promptly notify the Buyer in writing of any information it obtains or becomes aware of that would indicate that a representation and warranty of the Sellers made herein or in any Schedule hereto is not correct in all material respects or that any of the conditions to Closing shall not be satisfied.

6.4 New Commitments. Without the prior written consent of the Buyer (which shall not be unreasonably withheld), neither Seller shall prior to the Closing (a) other than in accordance with the Bid Procedures Order, enter into any new agreement or commitment with respect to the Assets or the Business other than in the ordinary course operation of the Business, (b) modify or terminate any existing agreements relating to the Assets other than in the ordinary course operation of the Business, or (c) encumber, sell or otherwise dispose of any of the Assets other than personal property that is replaced by equivalent property or consumed in the normal, ordinary course operation of the Business, except for any commitment as set forth on Schedule 6.4 sought pursuant to motions pending with or approved by the Bankruptcy Court as of the date hereof.

6.5 Maintenance of Interests. The Seller shall use their reasonable best efforts from the date of execution of this Agreement until the Closing to maintain and operate the Business and Assets (or cause the Business and Assets to be maintained and operated) in the ordinary course of business consistent with past practice, in a reasonable and prudent manner, in full compliance with Applicable Law, to maintain insurance now in force with respect to the Assets, and, subject to applicable bankruptcy law, to pay when due all costs and expenses coming due and payable in connection with the normal maintenance and operation of the Assets. Without limiting the generality of the foregoing and without the prior written consent of the Buyer, neither Seller shall, except for any of the following, as set forth on Schedule 6.5, being sought pursuant to motions pending with or approved by the Bankruptcy Court as of the date hereof: (a) introduce any materially new or different method of maintenance, operation or accounting with respect to the Business and the Assets, (b) incur any liabilities other than in the ordinary course of business, (c) enter into, amend or terminate any employment, bonus, severance or retirement contract or arrangement, nor increase any salary or other form of compensation payable or to become payable to any executives or employees of the Business (except for the payment of a sale bonus as may be approved pursuant to the motion filed with the Bankruptcy Court), or (d) sell, lease or otherwise dispose

of or agree to sell, lease or otherwise dispose of, any of its assets, properties, rights or claims, except for sales of inventory in the ordinary course of business consistent with past practice.

6.6 Reports and Information. Each Seller shall, promptly on receipt, deliver to the Buyer copies of all notices, reports, demands, claims, appraisals, and similar information supplied by any Person asserting a Lien or by any Governmental Authority respecting the Assets, or their ownership or operation. Prior to Closing, the Sellers shall deliver to the Buyer monthly financial statements within thirty (30) days of the applicable month-end, which financial statements shall be similar in scope to and shall be prepared on a consistent basis with, the monthly financial statements previously provided to the Buyer.

6.7 Consents and Approvals.

(a) The Sellers shall use their reasonable best efforts to obtain all Consents required by the Bankruptcy Code or other Applicable Law to be obtained by the Sellers to effect the transactions contemplated hereby. Without limiting the foregoing, as soon as practicable after the date of this Agreement, the Sellers shall make or cause to be made all such further filings and submissions, and take or cause to be taken such further action, as may reasonably be required in connection therewith on a timely basis.

(b) Without limiting the generality of Section 6.7(a), the Sellers and the Buyer shall comply fully with all applicable notification, reporting and other requirements of the HSR Act. The Sellers and the Buyer, within five (5) Business Days after the date of this Agreement, shall file the required notifications with the Federal Trade Commission (the “FTC”) and the Antitrust Division of the Department of Justice (the “Antitrust Division”) pursuant to and in compliance with the HSR Act, and seek early termination of the waiting period thereunder. The Buyer and the Sellers shall each pay fifty percent (50%) the applicable HSR Act filing fee. The Sellers and the Buyer shall use reasonable best efforts to cooperate with each other with respect to such filing, and shall respond as promptly as reasonably practicable to any inquiries received from the FTC or the Antitrust Division for additional information or documentation and to all inquiries and requests received from any other Governmental Authority in connection therewith. Each Party shall (i) subject to Applicable Laws, promptly notify the other Party of any written communication to that Party from the FTC, the Antitrust Division or any other Governmental Authority relating to this Agreement and, subject to Applicable Laws, permit the other Party to review in advance any proposed written communication to any of the foregoing relating to this Agreement; (ii) to the extent permitted by Applicable Laws, not agree to participate in any substantive meeting or discussion with any Governmental Authority in respect of any filings, investigation or inquiry concerning this Agreement unless it consults with the other Party in advance and, to the extent permitted by such Governmental Authority, gives the other Party the opportunity to attend and participate thereat; and (iii) to the extent permitted by Applicable Laws, furnish the other Party with copies of all correspondence, filings and communications between such Party and its Affiliates and their respective representatives on the one hand, and any Governmental Authority or their respective staffs on the other hand, with respect to this Agreement and the transactions contemplated hereby.

6.8 Employee and Employee Benefits Obligations. Other than the liabilities and obligations with respect to the Transferred Employees that the Buyer has expressly agreed to assume, perform and become responsible for in accordance with Section 7.6, the Seller Group shall, subject to Section 2.4, retain and be responsible for all liabilities and obligations with respect to its current and former employees and their dependents and beneficiaries, including all liabilities and obligations arising under any Employee Plan, including any Savings Plan, sponsored, maintained or contributed to (or to which there has been an obligation to contribute) at any time by the Seller Group or any Commonly Controlled Entity.

ARTICLE 7

COVENANTS OF THE BUYER

The Buyer covenants and agrees with the Sellers that:

7.1 Reasonable Best Efforts. The Buyer shall use its reasonable best efforts to cause, to the extent within the Buyer's control, the conditions set forth in Article 8 to be satisfied and to facilitate and cause the consummation of the transactions contemplated hereby.

7.2 Notice to the Sellers. The Buyer agrees to promptly notify the Sellers in writing of any information the Buyer obtains or becomes aware of that would indicate that a representation and warranty of the Buyer made herein or in any Schedule hereto is not correct in all material respects.

7.3 Bankruptcy Court Approval and Related Matters. The Buyer acknowledges and agrees to Article 11 and shall use reasonable best efforts to assist the Sellers in obtaining any orders necessary to consummate the transactions contemplated hereby and any orders ancillary hereto and agree to provide the Sellers with information necessary to obtain such orders.

7.4 Confidentiality. The Buyer shall maintain the Confidential Information in accordance with the terms of the Confidentiality Agreement. In the event the Closing does not occur for any reason, the Buyer shall immediately return to the Sellers or destroy all copies and recordings of the Confidential Information in their possession or under their control in accordance with the Confidentiality Agreement.

7.5 Transition Agreement. The Buyer and the Sellers shall negotiate in good faith and execute an agreement (the "Transition Agreement") at Closing pursuant to which, inter alia, the Seller Group shall be entitled to use without cost the Transferred Intellectual Property (including the name "Borders") following the Closing to the extent reasonably required in connection with the performance of this Agreement by the Sellers.

7.6 Transferred Employees.

(a) At least five (5) days prior to (i) the Closing Date with respect to those Stores or Distribution Centers subject to Assumed Real Property Leases to be assigned to the Buyer on the Closing Date or (ii) the expected assignment date with respect to those Stores and Distribution Centers subject to Assumed Real Property Leases to be assigned to the Buyer after the Closing Date in accordance with Section 1.4, the Buyer shall deliver, in writing individually or generally, an offer of employment commencing on the Closing Date or assignment date, as applicable, and contingent upon the Closing or such assignment, on an at-will basis (except to the extent otherwise expressly agreed in a writing signed by the Buyer and such employee), to substantially all of the employees who remain employed by the Seller Group and are employed at the applicable Store or Distribution Center. In addition, the Buyer may deliver such offers of employment to other employees of the Seller Group, including employees employed at the Headquarters Building, at the sole discretion of the Buyer. Offers of employment extended by the Buyer to non-managerial employees in accordance with this Section 7.6(a) shall be for positions with job duties substantially similar to the job duties of the position that the employees held immediately prior to the Closing Date and on at least the same terms and conditions with respect to base salary or hourly wages as those in effect immediately prior to the Closing Date. The Buyer shall extend an offer of employment to employees normally employed at the Stores and Distribution Centers subject to Assumed Real Property Leases who are on an approved leave of absence for workers compensation, disability, military, family illness or parental leave as of the Closing Date or applicable assignment date to at least the same extent, if any, as such employees would be entitled to reemployment under either

Applicable Law or the Seller Group's policies and procedures in existence immediately prior to the Closing Date. The individuals who accept offers of employment extended by the Buyer pursuant to this Section 7.6(a) are hereinafter referred to as the "Transferred Employees."

(b) The Buyer shall assume and be responsible for the payment of (i) all wages due to the Transferred Employees accrued since the last regular payroll date prior to the Closing Date or assignment date, as applicable, (ii) all amounts due to the Transferred Employees (or to service providers for benefits provided to Transferred Employees or their dependents) under the employment policies and Employee Plans (other than accrued benefits under the Savings plan as of the Closing Date or assignment date, as applicable or benefits which are fully insured) of the Seller Group immediately prior to the Closing Date or assignment date, as applicable, with respect to all benefits provided under the Employee Plans, including accrued and unused vacation, sick days and personal days, medical and dental (including incurred but not reported claims and claims reported but not yet paid) and earned but unpaid bonuses as shown on Schedule 7.6(b), (iii) all workers' compensation liabilities relating to the Transferred Employees (including incurred but not reported claims and claims reported but not yet paid) as shown on Schedule 7.6(b), and (iv) all severance obligations with respect to the Transferred Employees whose employment with the Buyer or its Affiliates terminates for any reason other than cause from and after the Closing Date or assignment date, as applicable. All such liabilities shall be deemed to be Assumed Liabilities. The Buyer shall be responsible for all compensation and benefits payable or provided to the Transferred Employees and any other employees of the Buyer or its Affiliates from and after the Closing Date or applicable assignment date. Application of the foregoing to Employee Plans providing medical and dental benefits shall be subject to the terms of the Transition Agreement.

(c) Except as otherwise provided in the Transition Agreement, Transferred Employees shall cease participation in all Employee Plans effective as of the Closing Date or assignment date, as applicable. To the extent that service is relevant for purposes of eligibility, vesting or benefit accrual under any employee benefit plan, program or arrangement established or maintained by the Buyer for the benefit of Transferred Employees, such plan, program or arrangement shall credit the Transferred Employees for service on or prior to the Closing with the Seller Group.

(d) The Transition Agreement shall include provisions reasonably acceptable to the Sellers and the Buyer with respect to transitional coverage of the Transferred Employees under the group medical and dental plans of the Seller Group.

7.7 Agency Agreements. On or before July 22, 2011, the Parties shall complete negotiation of the Going Concern Agency Agreement or a joinder to the Back Stop Agency Agreement to be executed by the Buyer, in each case in form and substance reasonably satisfactory to each Party, and the Buyer shall irrevocably notify the Sellers of its determination, in its sole and absolute discretion, to either enter into the Going Concern Agency Agreement or execute such joinder to the Back Stop Agency Agreement at the Closing (subject to satisfaction of the conditions set forth in Section 8.2).

7.8 Financing Commitments. If the Buyer has notified the Sellers of its determination to enter into the Going Concern Agency Agreement in accordance with Section 7.7, on or before July 14, 2011, the Buyer shall deliver on a confidential basis to the financial advisor to the Sellers (i) an executed written commitment, in form and substance reasonably acceptable to such advisor, from or on behalf of Buyer's parent Direct Brands, Inc., to provide equity financing in an amount and on terms reasonably satisfactory to the Sellers, and (ii) one or more additional executed written commitments, in form and substance reasonably satisfactory to such advisor, for all additional financing necessary to permit the Buyer to pay the Purchase Price and to perform its other obligations under this Agreement and the Ancillary Agreements, and the Buyer shall have available as of the Closing Date (either from its immediately available cash or from the foregoing commitments or a combination thereof) funds sufficient

to pay the Purchase Price and to perform its other obligations under this Agreement and the Ancillary Agreements.

ARTICLE 8

CONDITIONS TO CLOSING

8.1 Sellers' Conditions to Closing. The obligations of the Sellers at the Closing are subject, at the option of the Sellers, to the satisfaction at or prior to the Closing of the following conditions:

(a) All representations and warranties of the Buyer contained in this Agreement shall be true in all material respects at and as of the Closing and the Buyer shall have performed and satisfied all material obligations in all material respects required by this Agreement to be performed and satisfied by the Buyer at or prior to the Closing. The Buyer shall have provided the Sellers with certificates executed by a responsible officer of the Buyer to such effect;

(b) No stay or injunction shall have been obtained by a court of competent jurisdiction restraining, prohibiting or declaring illegal the purchase and sale contemplated by this Agreement;

(c) The entry by the Bankruptcy Court of the Sale Order;

(d) All material Consents legally required to be obtained by the Sellers for the Closing shall have been obtained, and any waiting period (including any extension thereof) applicable to the transactions contemplated hereby under the HSR Act shall have expired or been terminated; and

(e) The Buyer shall have executed and delivered the documents required to be executed and delivered pursuant to Section 3.3.

8.2 Buyer's Conditions to Closing. The obligations of the Buyer to consummate the transactions contemplated hereby at the Closing are subject, at the option of the Buyer, to the satisfaction at or prior to the Closing of the following conditions:

(a) All representations and warranties of the Sellers contained in this Agreement and the Ancillary Agreements shall be true in all material respects at and as of the Closing and the Sellers shall have performed and satisfied in all material respects all obligations required by this Agreement and the Ancillary Agreements to be performed and satisfied by the Sellers at or prior to the Closing. The Sellers shall have provided the Buyer with certificates executed by a responsible officer of the Sellers to such effect;

(b) No stay or injunction shall have been obtained by a court of competent jurisdiction restraining, prohibiting or declaring illegal the purchase and sale contemplated by this Agreement;

(c) The entry by the Bankruptcy Court of the Sale Order;

(d) All material Consents legally required to be obtained by the Sellers for the Closing shall have been obtained, and any waiting period (including any extension thereof) applicable to the transactions contemplated hereby under the HSR Act shall have expired or been terminated; and

(e) The Sellers shall have executed and delivered the documents required to be executed and delivered pursuant to Section 3.2.

ARTICLE 9

ADDITIONAL OBLIGATIONS AFTER CLOSING

The Parties shall have the following additional obligations after the Closing:

9.1 Execution; Delivery of Instruments and Assistance. The Sellers and the Buyer shall each execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such instruments and take such other actions as may be necessary or advisable to carry out their obligations under this Agreement and the Agency Agreement and under any document, certificate or other instrument delivered pursuant hereto or thereto or required by Applicable Law.

9.2 Name Change. From and after the Closing Date, the Sellers shall cause each entity in the Seller Group to change its names to a name that is not (and that is not confusingly similar to) “Borders,” subject to their obligations to operate and conclude the Cases, it being the intent of the Parties that from and after the Closing, the Buyer shall have the sole right to conduct business under such name, subject to the rights of the Seller Group under the Transition Agreement.

9.3 Access to Records. From and after the Closing Date, the Seller Group on the one hand and the Buyer on the other hand shall afford each other and their respective counsel, accountants and other representatives such access to records in respect of the Seller Group’s businesses which, after the Closing, are in the custody or control of the other Party and which such Party reasonably requires, including in order to comply with its obligations under Applicable Law, including, but not limited to, audits by Tax authorities, or which the Buyer reasonably requires to comply with its material obligations under the Assumed Liabilities or the Assumed Contracts. Each Party may require the other Party or its representatives to enter into a confidentiality agreement in customary form in connection with providing access to the records of such Party.

9.4 Accounts Receivable/Collections. The Sellers shall promptly deliver to the Buyer any cash, checks or other property they may receive after the Closing in respect of the Transferred Accounts Receivable, including any credit card receipts.

9.5 Privacy. On or prior to the Closing Date, the Buyer shall adopt a written policy with respect to protection of the confidentiality of personally identifiable information regarding the customers and employees of the Business and other Persons not affiliated with the Seller Group that initially includes provisions substantially similar to those included in the written privacy policies of the Seller Group in effect as of the date of this Agreement. From and after the Closing Date, the Buyer shall comply with such policy, or such successor policies adopted by Buyer from time to time, and Applicable Law with respect to the protection of such personally identifiable information.

ARTICLE 10

TERMINATION

10.1 Termination. This Agreement may be terminated as follows:

(a) At any time by the mutual written agreement of the Sellers and the Buyer;

(b) By the Buyer, at its sole election, in the event that the Sale Motion or the Bid Procedures Motion has not been filed with the Bankruptcy Court within the time period required in Section 11.1; *provided* that the Buyer shall not be entitled to terminate this Agreement pursuant to this Section 10.1(b) if the failure to file the Sale Motion or Bid Procedures Motion within such time period results primarily from the Buyer itself materially breaching any representation, warranty or covenant contained in this Agreement;

(c) Automatically, upon the consummation of any Acquisition Transaction between the Sellers and a party other than the Buyer;

(d) By the Buyer, at its sole election, in the event that the Closing shall not have occurred on or before August 5, 2011; *provided* that the Buyer shall not be entitled to terminate this Agreement pursuant to this Section 10.1(d) if the failure of the Closing to occur on or prior to such date results primarily from the Buyer itself materially breaching any representation, warranty or covenant contained in this Agreement;

(e) By the Sellers, at their sole election, in the event that the Closing shall not have occurred on or before August 5, 2011; *provided* that the Sellers shall not be entitled to terminate this Agreement pursuant to this Section 10.1(e) if the failure of the Closing to occur on or prior to such date results primarily from the Sellers themselves materially breaching any representation, warranty or covenant contained in this Agreement;

(f) By the Buyer, at its sole election, in the event of a material breach of this Agreement by the Sellers that has not been cured, or if any representation or warranty of the Seller shall have become untrue in any material respect, in either case such that such breach or untruth is incapable of being cured, by August 5, 2011;

(g) By the Sellers, at their sole election, in the event of a material breach of this Agreement by the Buyer that has not been cured, or if any representation or warranty of the Buyer shall have become untrue in any material respect, in either case such that such breach or untruth is incapable of being cured, by August 5, 2011;

(h) By the Buyer, at its sole election, upon the granting of any motion for relief from the automatic stay which would have a Material Adverse Effect, the conversion of any of the Cases to a case under Chapter 7 of the Bankruptcy Code, the dismissal of any of the Cases, the filing of any plan of reorganization by any party in interest that does not incorporate this Agreement, the filing of any motion by a party in interest in the Cases to liquidate the Assets or any similar commencement of liquidation proceedings relating to Sellers, other than as contemplated herein, in each case which are not dismissed within thirty (30) days, or upon the commencement of any similar actions or proceedings in or by any foreign court with respect to any Seller, which are not dismissed within thirty (30) days; or

(i) By the Buyer upon the entry of an order by the Bankruptcy Court for the appointment of a trustee or examiner with managerial powers, other than at the request of the Buyer, and such trustee or examiner takes any action to interfere with or impair the transaction contemplated by this Agreement.

10.2 Effect of Termination. Upon the termination of this Agreement in accordance with Section 10.1, the Parties shall be relieved of any further obligations or liability under this Agreement other than (a) confidentiality obligations contained in Section 7.4, (b) any obligations for material breach of this Agreement occurring prior to such termination, (c) obligations contained in Section 2.8 and (d) any obligations contained in Article 11.

ARTICLE 11

CHAPTER 11 BANKRUPTCY PROCEEDING

11.1 Bankruptcy Court Approval of the Buyer as Initial Bidder. Within ten (10) days following the date of the execution of this Agreement, the Sellers shall file a motion with the Bankruptcy Court pursuant to Section 363 and Section 365 of the Bankruptcy Code (the “Sale Motion”) seeking (a) approval of the provisions of this Agreement and the Agency Agreement and the transactions contemplated hereby and thereby under Section 363 of the Bankruptcy Code, (b) assumption and assignment of the Assumed Real Property Leases and Assumed Contracts from the Sellers to the Buyers under Section 365 of the Bankruptcy Code, and (c) entry of the Sale Order. The Sale Motion shall seek the designation of the Buyer as the “Initial Bidder” for the Assets under the terms of this Agreement and shall seek Bankruptcy Court approval of the provisions set forth in this Agreement, including the payment of the Break Up Fee described in Section 11.4. Simultaneously with the filing of the Sale Motion, the Sellers shall file a motion with the Bankruptcy Court (the “Bid Procedures Motion”) seeking entry of the Bid Procedures Order. The Bid Procedures Order shall not be modified without the consent of the Buyer.

11.2 Motions and Notices Regarding Sale of Assets and Assumption and Assignment of Assumed Real Estate Leases and Assumed Contracts.

(a) Sellers shall seek prompt entry of the Sale Order pursuant to the Sale Motion after sufficient notice has been given, which Sale Order shall include, among other things, findings of fact and conclusions of law that the Buyer is not a successor in interest to the Sellers or any Affiliate of Sellers and that the Buyer is a good faith purchaser pursuant to Bankruptcy Code Section 363(m).

(b) The Sellers covenant that, to the extent that they have not done so prior to the date of this Agreement, they shall promptly serve the third parties who are parties to Assumed Real Estate Leases and Assumed Contracts (such third parties being “Cure Obligees”) with written notice of proposed cures on the Assumed Real Estate Leases and Assumed Contracts (such notice being the “Proposed Cure Notice”), which Proposed Cure Notice shall be provided to the Buyer within the time periods provided by the Bid Procedures Order. The Proposed Cure Notice shall, as set forth in the Bid Procedures Order, establish a deadline reasonably in advance of the Closing Date by which Cure Obligees must object to respective proposed cures or be deemed to have waived any such objection.

11.3 Requests for Information. From the date of the approval of the Bid Procedures Order (a) if the Sellers supply any information regarding the Business to a potential bidder not heretofore given to the Buyer, the Sellers shall further provide the Buyer with a copy of such information within 24 hours of providing that information to any other potential bidder; and (b) with respect to any bid, term sheet, or written expression of interest by any other party for any asset or assets of any Seller, or any other reorganization proposal, submitted prior to the bid deadline established in the Bid Procedures Order, the Sellers shall provide the Buyer with prompt notice of such proposal and a copy of such proposal within 48 hours of either Sellers’ receipt thereof.

11.4 Break Up Fee. If this Agreement is terminated for any reason except pursuant to Section 10.1(a) or (g), then in consideration of the real and substantial benefits conferred by the Buyer upon the Sellers’ bankruptcy estates by providing a minimum floor bid upon which the Sellers, their creditors and the other bidders were able to rely and in consideration of the time, expense and risks associated with serving as the “Initial Bidder,” including legal fees and expenses, overhead costs, due diligence expenses and other similar expenses related to the negotiation and preparation of this Agreement and of all related transactional documentation, due diligence and representation, the Sellers shall pay to the Buyer at the time of the closing of the sale of the Assets to the successful bidder for the Assets, provided that the

Buyer is not then in material default of its obligations under this Agreement, an amount equal to \$6,450,000, subject to the approval of the Bankruptcy Court (the “Break Up Fee”). The Sellers and Buyer agree and stipulate that the Buyers have provided a mutual benefit to the Sellers’ estates by increasing the likelihood that the best possible price for the Assets shall be received and that the Break Up Fee is reasonable and appropriate in light of the size and nature of the proposed sale transactions and comparable transactions, the commitments that have been made and the efforts that have and shall be expended by the Buyer and were necessary to induce the Buyer to pursue the transactions contemplated hereby under the terms of this Agreement. The Break Up Fee also shall serve as liquidated damages with respect to any claims the Buyer may have against the Sellers in connection with the Sellers’ failure to close the sale of the Assets to the Buyer as contemplated by this Agreement and Buyers shall provide a release to the Sellers of any and all such claims upon payment of the Break Up Fee.

11.5 Defense of Orders. The Sellers, at their sole cost and expense, shall diligently defend the Bid Procedures Order and the Sale Order in the event that any motion for reconsideration or appeal of such Orders is filed.

ARTICLE 12

GENERAL PROVISIONS

12.1 Notice. All notices hereunder shall be in writing, dated and signed by the Party giving the same. Each notice shall be either (a) delivered in person to the address of the Party for whom it is intended at the address of such Party as shown below, (b) delivered to the United States Postal Service in a secure and sealed envelope or other suitable wrapper addressed to the Party for whom it is intended at the address of such Party as provided below, with sufficient postage affixed, certified or registered mail, return receipt requested, (c) sent by facsimile with a confirmation sheet, or (d) delivered to a nationally recognized overnight courier service that traces any such notice. The effective date of such notice shall be the date of delivery in the event of delivery in accordance with (a) or (c) and five (5) days after deposit in the U.S. Mail in the event of delivery in accordance with (b). The address at which any Party hereto is to receive notice may be changed from time to time by such Party by giving notice of the new address to all other parties hereto. The addresses of the Parties, until changed in accordance with the foregoing, are:

The Sellers: Borders Group, Inc.
 100 Phoenix Drive
 Ann Arbor, Michigan 48108
 Attn: Matthew A. Chosid, Esq.
 Facsimile: (734) 477-1370

And copies (which
shall not constitute
notice) to: Kasowitz, Benson, Torres & Friedman LLP
 1633 Broadway
 New York, New York 10019
 Attn: Andrew K. Glenn, Esq.
 Facsimile: (212) 506-1800

 Baker & McKenzie LLP
 One Prudential Plaza
 130 East Randolph Drive
 Chicago, Illinois 60601
 Attn: Craig A. Roeder, Esq.

Facsimile: (312) 698-2365

The Buyer: BB Brands, LLC
c/o Najafi Companies, LLC
2525 East Camelback Road, Suite 850
Phoenix, Arizona 85016
Attn: Jahm Najafi
Facsimile: (602) 476-0625

And copies (which
shall not constitute
notice) to:

Ballard Spahr LLP
1 East Washington Street, Suite 2300
Phoenix, Arizona 85004
Attn: Karen C. McConnell, Esq.
Facsimile: (602) 798-5595

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn: Richard F. Hahn, Esq.
Facsimile: (212) 521-7236

12.2 Amendment. This Agreement may not be amended nor any rights hereunder waived except by an instrument in writing signed by the Parties.

12.3 Payment of Costs. Except as otherwise set forth herein, the Parties shall each pay their own costs incurred in negotiating this Agreement and in consummating the transactions contemplated hereby, including any fees or commission payable to any party representing them in connection with arranging or negotiating this Agreement and transactions contemplated hereby.

12.4 Headings. The headings of the sections of this Agreement are for convenience or reference only and shall not affect any of the provisions of this Agreement.

12.5 References. References made in this Agreement, including use of a pronoun, shall be deemed to include, where applicable, masculine, feminine, singular or plural, individuals, partnerships or corporations.

12.6 Applicable Law. This Agreement and the transactions contemplated hereby shall be construed in accordance with and governed by the laws of the State of New York. Each of the Parties agrees that any proceeding brought to enforce the rights and obligations of any Party under this Agreement (including the schedules attached hereto) or any Ancillary Agreement shall be commenced and maintained exclusively in the Bankruptcy Court and that the Bankruptcy Court shall have exclusive jurisdiction over any such proceeding.

12.7 Entire Agreement. This Agreement, the Schedules attached hereto, and the Ancillary Agreements (in each case incorporated herein by this reference) contain the entire agreement and understanding of the Parties hereto with respect to the transactions contemplated hereby, and supersede any and all prior agreement, arrangements, and understandings, whether oral or written, between the Parties.

12.8 Authorization of Parent as Representative of the Sellers.

(a) By entering into and executing this Agreement, the Sellers irrevocably appoint Parent as their agent, effective as of the date hereof, and authorize and empower Parent to fulfill the role of the Sellers' representative hereunder, and each Seller appoints Parent as such Person's true and lawful attorney in fact and agent, for all purposes necessary or desirable in order for Parent to take all actions contemplated by this Agreement, with the ability to execute and deliver all instruments, certificates and other documents of every kind incident to the foregoing to all intents and purposes and with the same effect as such Seller could do personally, including to give and receive notices and communications; to object to such deliveries, to agree to, negotiate, enter into settlements and compromises of, and comply with orders of courts with respect to such claims; and to take all actions necessary or appropriate in the judgment of Parent for the accomplishment of the foregoing. The power of attorney granted in this Section 12.8 is coupled with an interest and is irrevocable.

(b) The Buyer shall be entitled to rely exclusively upon any communication given or other action taken by Parent pursuant to this Agreement, and shall not be liable for any action taken or not taken in good faith reliance on a communication or other instruction from Parent.

12.9 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties and, except as otherwise prohibited, their respective successors and assigns. Nothing contained in this Agreement, or implied herefrom, is intended to confer upon any Person other than the Parties any benefits, rights, or remedies.

12.10 Assignment. No Party may assign all or any portion of its respective rights or delegate any portion of its duties hereunder without (a) the approval of the Bankruptcy Court and (b) the written consent of the other Parties; *provided* that (i) the Buyer may collaterally assign this Agreement to its lenders without the consent of the Sellers, (ii) the Buyer may assign its right to take title to the Kobo Interest to an Affiliate, and (iii) the Buyer may assign this Agreement in whole or in part to any direct or indirect subsidiary of the Buyer so long as the Buyer retains its obligations under this Agreement, subject to the terms and conditions hereof, to effect the consummation of the transactions contemplated hereby. All of the terms, provisions and conditions of this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors, assigns and legal representatives.

12.11 Severability. If a court of competent jurisdiction determines that any provision of this Agreement is void, illegal or unenforceable, the other provisions of this Agreement shall remain in full force and effect and the provisions that are determined to be void, illegal or unenforceable shall be limited so that they shall remain in effect to the extent permissible by Applicable Law.

12.12 Publicity. Prior to the Closing, no Party shall issue any press release or similar public announcement concerning the transactions contemplated hereby or the contents of this Agreement without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, nothing in this Section 12.12 shall preclude any Party (or Person controlling such Party) from making disclosures required by Applicable Law or Governmental Authority (or of any applicable stock or securities exchange or otherwise), or appropriate filings with the Bankruptcy Court in connection with the Cases or necessary and proper in conjunction with the filing of any Tax return or other document required to be filed with any Governmental Authority; *provided* that the Party required to make the release or statement shall allow the other Party reasonable time to comment on such release or statement in advance of such issuance.

12.13 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall

be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute shall be deemed to refer to such statute as amended and to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “include” or “including” means include or including, without limitation. All references in this Agreement to Sections and Schedules shall be deemed references to Sections of, and Schedules to, this Agreement unless the context shall otherwise require.

12.14 Specific Performance. Each Party acknowledges that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by such Party in accordance with their specific terms or were otherwise breached by such Party. Each Party accordingly agrees that, prior to the termination of this Agreement pursuant to Article 10, in addition to any other remedy to which the other Parties are entitled at law or in equity, the other Parties are entitled to injunctive relief to prevent breaches of this Agreement by such Party and otherwise to enforce specifically the provisions of this Agreement against such Party. Each Party expressly waives any requirement that any other Party obtain any bond or provide any indemnity in connection with any action seeking injunctive relief or specific enforcement of the provisions of this Agreement. If the Sellers assert a claim for actual damages against the Buyer based on an alleged breach, the Sellers must bring an action against the Buyer in Bankruptcy Court seeking recovery of actual damages, and the Deposit will be held by the Escrow Agent pending a final resolution of such claims. Actual damages shall include the reasonable legal fees and expenses incurred by the Sellers in connection with the action in Bankruptcy Court described in the preceding sentence. To the extent required to compensate the Sellers for any actual damages awarded by final order of the Bankruptcy Court, the Deposit will be used for such purpose. To the extent not required for the payment of such award, the Deposit or any balance thereof will be returned to the Buyer.

ARTICLE 13

DEFINITIONS

“Accounts Receivable” shall mean all accounts and notes receivable of the Seller Group.

“Acquisition Transaction” shall mean any sale, transfer or other disposition (not involving the Buyer or its Affiliates), in one transaction or a series of transactions, of all or any substantial portion of the Assets or the Business, whether proposed to be effected pursuant to a merger, consolidation, tender offer, exchange offer, share exchange, amalgamation, stock acquisition, asset acquisition, business combination, restructuring, recapitalization, liquidation, dissolution, joint venture or similar transaction, whether or not proposed or advanced by the Sellers.

“Adjustment Calculation” shall have the meaning set forth in Section 2.2(c).

“Adjustment Notice” shall have the meaning set forth in Section 2.2(c).

“Affiliate” shall mean, with respect to any Person, any direct or indirect subsidiary or such Person, and any other Person that directly, or through one or more intermediaries, controls or is controlled by or is under common control with such first Person.

“Agency Agreements” shall have the meaning set forth in the Recitals.

“Agent” shall have the meaning set forth in the Recitals.

“Agreement” shall have the meaning set forth in the Preamble.

“Ancillary Agreements” shall mean any ancillary agreements hereto to which each Party is or may be a party, including the Agency Agreement actually executed by the Buyer and the Transition Agreement.

“Antitrust Division” shall have the meaning set forth in Section 6.7(b).

“Applicable Law” shall mean, with respect to any Person, any federal, state or local law (including common law), statute, code, ordinance, rule, regulation, or other requirement enacted, promulgated, issued or entered by a Governmental Authority, that is applicable to such Person or its business, properties or assets.

“Assets” shall have the meaning set forth in Section 1.2.

“Assignment and Assumption Agreement” shall have the meaning set forth in Section 3.2(b).

“Assumed Contracts” shall have the meaning set forth in Section 1.2(b).

“Assumed Letters of Credit” shall have the meaning set forth in Section 2.3(a).

“Assumed Liabilities” shall have the meaning set forth in Section 2.3(a).

“Assumed Real Property Leases” shall have the meaning set forth in Section 1.2(a).

“Avoidance Actions” shall mean any and all actions which a trustee, debtor-in-possession or other appropriate party in interest may assert on behalf of the Sellers or their estate under applicable state statute or Chapter 5 of the Bankruptcy Code, including actions under one or more provisions of Sections 542, 543, 544, 545, 546, 547, 548, 549, 550, 551 and 553.

“Backstop Agency Agreement” shall have the meaning set forth in the Recitals.

“Bankruptcy Code” shall have the meaning set forth in the Recitals.

“Bankruptcy Court” shall have the meaning set forth in the Recitals.

“Bid Procedures Motion” shall have the meaning set forth in Section 11.1.

“Bid Procedures Order” shall mean an Order of the Bankruptcy Court that (a) is in substantially the form set forth as Exhibit A to this Agreement or otherwise in a form reasonably satisfactory to the Sellers and acceptable to the Buyer in its sole discretion, and (b) approves procedures for the solicitation and consideration of competitive bids for the Assets under the terms and conditions of this Agreement and authorizing the protections set forth in Article 11 for the Buyer.

“Borders Subsidiaries” shall have the meaning set forth in Section 4.5(c).

“Break Up Fee” shall have the meaning set forth in Section 11.4.

“Business” shall mean the business conducted by the Seller Group utilizing the Assets and the Assumed Liabilities.

“Business Day” shall mean any day other than Saturday, Sunday or any day on which banking institutions in the United States are closed either under Applicable Law or action of any Governmental Authority.

“Buyer” shall have the meaning set forth in the Preamble.

“Cases” shall have the meaning set forth in the Recitals.

“Cash” shall mean all cash and cash equivalents (including marketable securities and short-term investments) calculated in accordance with GAAP applied on a basis consistent with the financial statements of the Seller Group.

“Closing” shall have the meaning set forth in Section 3.1.

“Closing Date” shall have the meaning set forth in Section 3.1.

“Commitment Letters” shall have the meaning set forth in Section 5.6.

“Commonly Controlled Entity” shall have the meaning set forth in Section 4.14(b).

“Company” shall have the meaning set forth in the Preamble.

“Confidentiality Agreement” shall have the meaning set forth in Section 6.1.

“Confidential Information” shall have the meaning set forth for “Evaluation Material” as such term is defined in the Confidentiality Agreement.

“Consents” shall have the meaning set forth in Section 4.11.

“Contract” shall mean any agreement, arrangement, contract, lease, purchase order, sale order or commitment, or any series of related agreements, arrangements, contracts, leases, purchase orders, sale orders, or commitments.

“Cure Costs” shall mean, in the aggregate, any and all costs and expenses for any available cures (pursuant to Section 365 of the Bankruptcy Code and described in any Order of the Bankruptcy Court relating to such cure liability) of any Assumed Real Property Leases or Assumed Contracts.

“Cure Obligees” shall have the meaning set forth in Section 11.2(b).

“Deposit” shall have the meaning set forth in Section 2.8.

“Designation Deadline” shall mean (a) with respect to each Real Property Lease subject to an assumption/rejection deadline prior to September 30, 2011, 5:00 p.m., New York City time, on July 22, 2011, (b) with respect to each Real Property Lease relating to a Distribution Center, 5:00 p.m., New York City time, on October 31, 2011, (c) with respect to each other Real Property Lease, 5:00 p.m., New York City time, on the date that is five (5) Business Days prior to the applicable assumption/rejection deadline with respect to such Real Property Lease set forth on Schedule 1.2(a) and (d) with respect to each Contract, 5:00 p.m., New York City time, on October 31, 2011, in each case or such later date as the Seller and the Buyer may agree and as the Bankruptcy Court may authorize pursuant to the terms of the Sale Order or otherwise.

“Disposition Rights” shall mean the right to direct the disposition of the Inventory and other property to be disposed of pursuant to the Agency Agreement and to receive and retain the proceeds thereof on the terms provided therein.

“Dispute Notice” shall have the meaning set forth in Section 2.2(d).

“Distribution Centers” shall mean the distribution centers operated by the Seller Group located at Mira Loma, California, Carlisle, Pennsylvania and Laverne, Tennessee.

“Employee Plans” shall mean each plan, program, agreement or other arrangement, whether or not set forth in a collective bargaining agreement, providing for employment, compensation, pension, profit-sharing, retirement savings, vacation, sick leave, health, life insurance, scholarship, tuition reimbursement, welfare benefits, deferred compensation, severance, termination pay, performance awards, bonus, commission, incentive compensation, equity or equity-related awards, change in control, retention, or employee benefits, including each “employee benefit plan” within the meaning of Section 3(3) of ERISA.

“Equipment” shall mean (a) the furniture, machinery, equipment, tables, chairs, cash registers, computer equipment and license of related software, display cases, shelves, lights, uniforms, signs, cabinets, racks, ornaments and (b) any of the foregoing which are leased by the Sellers pursuant to the Equipment Leases.

“Equipment Leases” shall mean all agreements or documents under which the Seller Group claims or holds a leasehold or other interest or right to the use Equipment.

“Estimated Closing Net Working Capital” shall have the meaning set forth in Section 2.2(a).

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

“Escrow Agent” shall have the meaning set forth in Section 2.8.

“Escrow Agreement” shall have the meaning set forth in Section 2.8.

“Escrow Amount” shall have the meaning set forth in Section 2.1.

“Excluded Assets” shall have the meaning set forth in Section 1.3.

“Excluded Contracts” shall have the meaning set forth in Section 1.3(g).

“Excluded Deposits” shall have the meaning set forth in Section 1.2(g).

“Excluded Liabilities” shall have the meaning set forth in Section 2.3(b).

“Excluded Licenses” shall have the meaning set forth in Section 1.2(d).

“Excluded Leased Property” shall mean the Headquarters Building or any Store or Distribution Center that is not a premises subject to an Assumed Real Property Lease. To the extent any such premises becomes subject to an Assumed Real Property Lease after the Closing Date in accordance with Section 1.4, such premises shall cease to be an Excluded Leased Property as of the date of the assignment of such Assumed Real Property Lease to the Buyer pursuant to Section 1.4.

“Excluded Real Property Leases” shall have the meaning set forth in Section 1.3(f).

“Final Closing Net Working Capital” shall have the meaning set forth in Section 2.2(c).

“FTC” shall have the meaning set forth in Section 6.7(b).

“GAAP” shall mean United States generally accepted accounting principles.

“GOB Sales” shall mean those “store closing” or other similarly themed sales conducted by the Agent pursuant to the Agency Agreements and the Sale Order.

“Going Concern Agency Agreement” shall have the meaning set forth in the Recitals.

“Governmental Approvals” shall mean those approvals, authorizations, confirmations, consents, exemptions and orders from Governmental Authorities and the making of all necessary registrations and filings (including filings with Governmental Authorities) and the taking of all reasonable steps as may be necessary (a) to consummate the transactions contemplated hereby under Applicable Law or (b) for the Buyer to operate the Business after Closing, including approvals under the HSR Act.

“Governmental Authority” shall mean any national, federal, state, provincial, local or foreign government, or any subdivision, agency, instrumentality, authority, department, commission, board or bureau thereof, or any federal, state, provincial, local or foreign court, tribunal, or arbitrator, including the Bankruptcy Court.

“Governmental Entity” shall mean any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign.

“Headquarters Building” means the corporate headquarters building of the Sellers located in Ann Arbor, Michigan.

“HSR Act” shall mean the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended.

“Independent Accounting Firm” shall have the meaning set forth in Section 2.2(f).

“Initial Purchase Price” shall have the meaning set forth in Section 2.1.

“Intellectual Property” shall mean all patents, trademarks, trade names, service marks, trade dress, copyrights, applications for registration of any of the foregoing, and brand names, inventions, processes, know how, trade secrets, all databases, data collections, source code, all domain names and websites and related URLs, any moral and economic rights of authors and inventors, however denominated, throughout the world, and any similar or equivalent rights to any of the foregoing anywhere in the world. Without limiting the generality of the foregoing, the Intellectual Property includes the name “Borders” and all rights to the website borders.com.

“Inventory” shall mean all inventories of the Seller Group, including all Merchandise, as of the Closing Date.

“IP Assignments” shall have the meaning set forth in Section 3.2(d).

“Kobo” shall have the meaning set forth in Section 1.2(i).

“Kobo Interest” shall have the meaning set forth in Section 1.2(i).

“Knowledge of the Sellers” (or “the Sellers’ Knowledge”) shall mean the actual knowledge of the officers of the Sellers listed on Schedule 13.1, after reasonable inquiry.

“Leased Real Property” shall mean each parcel of real estate leased by the Seller Group or in which the Seller Group has a leasehold, subleaseholder or other interest, including (a) those on which a store of the Sellers is located and (b) those used in connection with the Business.

“Licenses” shall mean all business licenses, occupancy permits and other permits, authorizations on approvals held by the Seller Group.

“Liens” shall mean any liens (including any inchoate liens and any liens for Taxes, materialmen, laborer, or mechanics’ liens, judgment liens, liens imposed by operation of law, contractual liens, and liens arising out of or resulting from any employment agreements, employee benefits plans or laws, or collective bargaining agreements), encumbrances, burdens, claims, demands, judgments, orders, writs, injunctions, decrees, and arbitral awards, attachments, charges, security interests, mortgages, deeds of trust, pledges, hypothecations, adverse claims of title, preferential rights of purchase and/or first refusal rights, options, contracts for sale, transfer, or other disposition, and any claims or rights of any kind, description or nature whatsoever of or in favor of any creditors, Governmental Entities, or other Persons, whether or not any of the above arose, accrued, or relate to any time periods before or after the filing of the Cases, and whether or not a Chapter 11 or Chapter 7 trustee is hereafter appointed in the Cases for any reason.

“Material Adverse Effect” shall mean with respect to the Seller Group, the Assets or the Business, as the context requires, any event or occurrence which shall materially affect the business, operations, properties, Assumed Liabilities, as the case may be, taken in each case as a whole; *provided* that any (a) change in general economic or industry-wide conditions that does not effect the Business disproportionately, (b) change in law or accounting standards or interpretations thereof that is of general application, or (c) adverse effect that is solely the result of the execution or announcement of this Agreement or the transactions contemplated hereby or the consummation thereof, shall not be taken into account for purposes of determining a Material Adverse Effect hereunder.

“Material Contracts” shall mean (a) any Contract requiring payments by the Seller Group, or resulting in receipts or disbursements by the Seller Group of amounts, in excess of \$100,000 during any twelve (12) month period, (b) any Contract that is material to the operation of the Business, (c) all agreements evidencing any warranty obligation of the Seller Group with respect to goods sold or leased by it, (d) all agreements imposing on the Seller Group any non-competition or similar obligation, (e) any employment contract or agreement with any current employee of the Seller Group, that is currently in effect, in whole or in part, under which the employment of such employee (i) is not “at will” or requires any payment by the Seller Group to such employee on termination of employment or a change of control of the Seller Group, or (ii) cannot be cancelled by the Seller Group without penalty, (f) each contract or agreement with any retired employee, or consulting contract or agreement which in such case cannot be cancelled by the Seller Group without penalty or liability and upon not more than sixty (60) days notice, (g) any joint venture Contract or other Contract that has involved or is expected to involve a sharing of profits with other Persons, (h) any agreement of indemnification, (i) any Contract relating to the disposition or acquisition of assets by the Seller Group having a value in excess of \$25,000 (other than Contracts for the sale of Inventory in the ordinary course of business), (j) all insurance policies, and (k) all software licenses or other licenses or agreements relating to the use of Intellectual Property.

“Merchandise” shall have the meaning set forth in the Agency Agreement.

“Multiemployer Plan” shall mean a multiemployer plan, as defined in Section 4001(a)(3) of ERISA.

“Net Working Capital” shall mean the net working capital of the Business, calculated based on the categories of current assets and liabilities set forth on Schedule 2.2(a) using the same accounting methodologies and procedures used to calculate the Reference Closing Net Working Capital.

“Order” shall mean any writ, judgment, decree, injunction or similar order, writ, ruling, directive or other requirement of any Governmental Entity (in each case whether preliminary or final).

“Outstanding Indebtedness” shall mean (a) all debts, liabilities, losses, bank indebtedness, mortgages and guarantees, (b) all other obligations for borrowed money, (c) all obligations evidenced by bonds, debentures, notes, or other similar instruments, (d) all reimbursement or other obligations in respect of letters of credit, bankers’ acceptances, interest rate swaps, or other financial products, (e) all obligations under capital leases (other than the Assumed Real Property Leases), (f) any other obligation guaranteeing or intended to guarantee any obligation or liability, (g) all obligations of the types described in the foregoing (a) through (d) that are secured by a Lien, or (h) interest, fees, fines, pre-payment penalties or other similar payments related to the foregoing (a) through (g).

“Parent” shall have the meaning set forth in the Preamble.

“Party” and “Parties” shall have the meanings set forth in the Preamble.

“Permits” shall have the meaning set forth in Section 4.9.

“Permitted Liens” shall mean (a) mechanics’, materialmen’s, warehousemen’s, carriers’, workers’, or repairmen’s liens or other similar common law or statutory encumbrances arising or incurred in the ordinary course and that are-for amounts (i) that are not material in amount or effect and (ii) that are either not yet due or delinquent or are otherwise being contested in good faith by appropriate proceedings, (b) liens for Taxes, assessments and other governmental charges for amounts (i) that are not material in amount or effect and (ii) that are either not due or payable or are being contested in good faith by appropriate proceedings, (c) zoning restrictions, easements, licenses, reservations, provisions, covenants, waivers, rights-of-way, restrictions, minor irregularities of title (and with respect to Real Property Leases, mortgages, obligations, Liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord, ground lessor or owner of the leased property, with or without consent of the lessee) and other similar charges or encumbrances with respect to real property not interfering in any material respect with the ordinary conduct of the business of the Sellers and which do not secure obligations for payment of money, (d) Liens incurred in the ordinary course of business for amounts (i) that are not material in amount or effect and (ii) that are either not yet due or delinquent or are otherwise being contested in good faith by appropriate proceedings, and (e) liens or encumbrances imposed by any contract or any Applicable Law governing a License for amounts (i) that are not material in amount or effect and (ii) that are either not yet due or delinquent or are otherwise being contested in good faith by appropriate proceedings.

“Person” shall mean any individual, corporation, partnership, joint venture, trust, limited liability company, business association, Governmental Entity or other entity.

“Pre-Closing GOB Sale” shall mean a GOB Sale that is commenced prior to the Closing Date with respect to a Real Property Lease described in clause (a) of the definition of the term Designation Deadline.

“Proceeds” shall mean the aggregate of (a) the total amount (in dollars) of all sales of Merchandise made under the Agency Agreement, exclusive of Sales Taxes and (b) all proceeds of the Sellers’ 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 GOB Sales, whether through salvage, bulk sale or otherwise.

“Proposed Cure Notice” shall have the meaning set forth in Section 11.2(b).

“Purchase Price” shall have the meaning set forth in Section 2.2(j).

“Real Property Leases” shall mean all agreements or documents under which the Seller Group claims or holds a leasehold, subleasehold or other interest or right to the use of the Leased Real Property.

“Reference Closing Net Working Capital” shall mean \$390,200,000.

“Sale Motion” shall have the meaning set forth in Section 11.1.

“Sale Order” shall mean an Order of the Bankruptcy Court entered pursuant to Bankruptcy Code Sections 363 and 365 that (a) is in substantially the form set forth as Exhibit B to this Agreement or otherwise in a form reasonably satisfactory to the Sellers and satisfactory to the Buyer in its sole discretion, (b) approves the sale of the Assets to the Buyer pursuant to the terms of this Agreement and the provisions of the Bankruptcy Code (including Bankruptcy Code Section 363), and (c) approves the Seller Group’s assignment of the Assumed Contracts to the Buyer pursuant to Section 365 of the Bankruptcy Code.

“Sales Taxes” shall have the meaning set forth in the Agency Agreement.

“Savings Plans” shall mean the Borders Group, Inc. Savings Plan and the Borders Group, Inc. Savings Plan for Employees Working in Puerto Rico, as each may be amended from time to time, and any successor plan thereto.

“Second Escrow Agreement” shall have the meaning set forth in Section 2.10(a).

“Second Escrow Amount” shall have the meaning set forth in Section 2.10(a).

“Second Escrow Claim Notice” shall have the meaning set forth in Section 2.10(a).

“Second Escrow Dispute Notice” shall have the meaning set forth in Section 2.10(a).

“Seller” or “Sellers” shall have the meaning set forth in the Preamble.

“Seller Group” shall have the meaning set forth the Recitals.

“Store Closing Locations” shall have the meaning set forth in Section 1.4(f).

“Stores” shall mean the retail book stores that are operated at the leased premises subject to the Real Property Leases.

“Tax” or “Taxes” shall mean (a) all taxes, charges, fees, levies, penalties or other assessments of any kind whatsoever imposed by an federal, state, local or foreign taxing authority, including, but not limited to, income, excise, property, sales, transfer, franchise, payroll, withholding, social security or other taxes, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalties or additions attributable thereto or (b) liability for the payment of any amounts of the type described in clause (a) above as a result of being a party to any agreement or any express or implied obligation to indemnify or otherwise succeed to the liability of any other Person.

“Tax Code” shall mean the Internal Revenue Code of 1986, as it has been and may be amended.

“Transferred Accounts Receivable” shall have the meaning set forth in Section 1.2(h).

“Transferred Inventory” shall have the meaning set forth in Section 1.2(f).

“Transferred Employees” shall have the meaning set forth in Section 7.6(a).

“Transferred Equipment and Improvements” shall have the meaning set forth in Section 1.2(c).

“Transferred Intellectual Property” shall mean all of the interest of the Seller Group in Intellectual Property.

“Transferred Stores” shall mean Stores that are operated at leased premises subject to Assumed Real Property Leases.

“Transition Agreement” shall have the meaning set forth in Section 7.5.

“Transition Services” shall have the meaning set forth in Section 7.5.

“Treasury Regulations” shall mean the federal income Tax regulations promulgated under the Tax Code, as amended, including any temporary and proposed regulations.

“Wind Down Obligations” shall have the meaning set forth in Section 2.4(a).

*Remainder of Page Intentionally Left Blank.
Signature Pages Follow.*

This Asset Purchase Agreement is executed by the Parties on the date set forth above.

SELLERS:

BORDERS GROUP, INC.

By: ____/s/____

Name: _____

Title: _____

BORDERS, INC.

By: ____/s/____

Name: _____

Title: _____

BUYER:

BB BRANDS, LLC

By: ____/s/____

Name: _____

Title: _____

EXHIBIT 2

AGENCY AGREEMENT

This Agency Agreement (this "Agreement") is made as of June 30, 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 Hilco Merchant Resources, LLC, Gordon Brothers Retail Partners, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC and Great American Group, LLC (collectively, the "Agent").

RECITALS

WHEREAS, on February 16, 2011, the Merchant commenced voluntarily bankruptcy cases (the "Bankruptcy Cases") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"); and

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 "going out of business," "store closing" or similar themed sale; (b) selling Distribution Center Inventory; and (c) disposing of the Agent Sale FF&E, Corporate FF&E, News Stand Inventory and Café/Candy Inventory (as further described below, the "Sale").

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. All capitalized terms shall have the meaning as defined herein.

Section 2. Appointment of Agent/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 Merchant's distribution centers (collectively referred to as the "Distribution Centers") in accordance with the terms and conditions of this Agreement.

(b) On June 30, 2011, Merchant filed a motion with the Bankruptcy Court for entry of an order approving this Agreement and authorizing Merchant to conduct the Sale in accordance with the terms hereof (the "Approval Order"). The Approval Order shall be in substantially the form annexed hereto as Exhibit 2(b).

(c) Subject to entry of the Approval Order, Agent shall be authorized to advertise the Sale as a "going out of business," "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 “going out of business,” “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) seventy two percent (72%) (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 and (iii) the amounts set forth in Section 15.9.

(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 \$350,000,000 and no more than \$395,000,000 (the “Merchandise Threshold”) as of the Sale Commencement Date, excluding News Stand Inventory and Café/ Candy Inventory, periodical items, and other 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. The aggregate Cost Value of the Return to Vendor Inventory shall be no more than \$10,800,000, provided that, such amount can increase by an amount up to \$1,700,000 to the extent the Schuler Goods are returned to the Merchant (the “RTV Threshold”). To the extent that the aggregate Cost Value of the Return to Vendor Inventory included in the Sale is more than the RTV Threshold, any excess Return to Vendor Inventory shall be valued fifty percent (50%) of the Cost Value of such inventory (the “RTV Adjustment”) (in addition to any adjustment applicable pursuant to this section and section 11.1(m) hereof), as and where applicable.

(d) To the extent that Proceeds exceed the sum of (i) the Guaranteed Amount and (ii) Expenses of the Sale (the sum of (i) and (ii), the "Sharing Threshold"), then all Proceeds of the Sale above the Sharing Threshold shall be shared fifty percent (50%) to Merchant and fifty percent (50%) to Agent. All amounts, if any, to be received by Merchant from Proceeds in excess of the Sharing Threshold shall be referred to as the "Recovery Amount" and amounts to be received by Agent from Proceeds in excess of the Sharing Threshold shall be referred to as the "Agent Recovery Amount". To the extent that Merchant is entitled to receive the Recovery Amount, such Recovery Amount shall be paid as part of the weekly and Final Reconciliation under Section 8.6.

(e) In addition to the Guaranteed Amount and the Recovery Amount, Agent shall pay the Merchant an amount equal to four percent (4%) of the gross proceeds (net of sales taxes) of the sale of Additional Agent Merchandise (the "Merchant's Additional Goods Recovery Amount"). All proceeds of the sale of Additional Agent Merchandise in excess of the Merchant's Additional Goods Recovery Amount shall be retained by Agent and be referred to as the "Agent's Additional Goods Recovery Amount."

3.2 Compensation to Agent. Subject to the entry of the Approval Order, Agent shall be entitled to the Agent Recovery Amount and the Agent's Additional Goods Recovery Amount. Agent shall also be entitled to receive all proceeds of the sale of the Agent Sale FF&E as provided for in Section 15.9 hereof and a commission based on the sale of the Corporate FF&E, News Stand Inventory and Café/Candy Inventory and any other Merchant Consignment Goods as provided for hereunder.

(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 Bankruptcy 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 (i) 90% 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"), (ii) the Agent Sale FF&E Guarantee and (iii) the aggregate amount calculated in accordance with Section 7.4. 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 on the Sale Commencement Date as reflected in the master inventory file(s) provided to Agent on June 19, 2011, which shall be rolled forward to the Sale Commencement Date (the "Perpetual Inventory File"), provided that, the Guaranteed Amount Deposit shall not take into account any On-Order Goods or Schuler Goods, which shall be paid when received in the applicable weekly reconciliation.

(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) ten percent (10%) 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 thirty (30) 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 (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) 100% of the fees and costs of the Inventory Taking Service to conduct the Inventory Taking at the Stores and the Distribution Centers to the extent a third-party service is used;
- (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 and other goods sold in the Sale;
- (i) bank service charges (for Store accounts), check guarantee fees, and bad check expenses to the extent attributable to the Sale;
- (j) costs for additional Supplies used 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) trash and snow removal;

(p) on-site supervision of the Stores and the Distribution Centers, including base fees and bonuses of Agent's field personnel, travel to and from the Stores or the Distribution Centers and incidental out-of-pocket and commercially reasonable travel expenses relating thereto (including reasonable and documented corporate travel to monitor and manage the Sale), provided that, the supervision costs shall not exceed a budget that is mutually agreed to by Merchant and Agent;

(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) Occupancy Expenses for the Stores listed on Exhibit 4.1(r) on a per location and per diem basis in an amount up to the per Store per diem amount set forth therein plus for the Stores designated on Exhibit 4.1(r) hereto as "Percentage Rent Stores," on a per location basis, the amount calculated using the percentage rent for such Store set forth therein;

(s) Central Service Expenses equal to \$50,000 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;

(u) a pro-rata portion of Merchant's insurance attributable to the Merchandise and other goods located in the Stores; and

(v) seventy two percent (72%) of the aggregate cost value of the Books in Storage included in the Sale, which cost value was fixed in accordance with the reconciliation of the transactions contemplated by that certain Agency Agreement by and between 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, dated February 16, 2011, provided that, the cost value shall not exceed \$3,800,000 and the Books in Storage shall be counted as such goods leave the storage facility.

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, loss prevention reporting (including XBR Research), 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 the Sale Commencement Date:

(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) To determine the aggregate Cost Value of the Merchandise located in the Stores, commencing on the Sale Commencement Date, Merchant and Agent shall cause to be taken a SKU level and Retail Price level physical inventory of the Merchandise located in the Stores, which Inventory Taking, subject to the availability of the Inventory Taking Service, shall

be completed in each of the Stores no later than twenty-one (21) days after the Sale Commencement Date (the "Inventory Completion Date", and the date of the Inventory Taking at each Store being the "Inventory Date" for each such Store). Merchant and Agent shall jointly employ RGIS and/or another mutually acceptable independent inventory taking service (the "Inventory Taking Service") in consultation with GECC to conduct the Inventory Taking. The Inventory Taking shall be conducted in accordance with the procedures and instructions set forth in Exhibit 5.1(a) (the "Inventory Taking Instructions"). 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. Merchant and Agent agree to cooperate with each other to conduct the Inventory Taking commencing at a time that would minimize the number of hours that such locations would be closed for business.

(b) With respect to Distribution Center Inventory and Return to Vendor Inventory that is allocated to be sent to the Stores in accordance with the Pre-Sale Allocation, such Distribution Center Inventory and Return to Vendor Inventory shall be counted as such inventory leaves the Distribution Centers in accordance with the procedures to be mutually agreed to by Merchant and Agent, which procedures shall determine the aggregate Cost Value of such inventory.

(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) In the event that the Sale commences at any 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 wherever located as of the Sale Commencement Date,

including (A) Defective Merchandise; (B) Display Merchandise, (C) Distribution Center Inventory to the extent received by the DC Receipt Deadline, (D) Merchandise subject to Gross Rings, (E) Return to Vendor Inventory to the extent received by the DC Shipment Deadline; (F) On-Order Goods to the extent received by the On-Order Receipt Deadline; (G) Schuler Goods to the extent received by the On-Order Receipt Deadline; and (H) Calendar Inventory.

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 (collectively, "FF&E"); provided that, Agent shall sell Agent Sale FF&E as set forth in Section 15.9; (4) Excluded Defective Merchandise; (5) Merchant Consignment Goods which includes News Stand Inventory and Café/Candy Inventory; (6) Books in Storage; and (7) DC Damaged Goods.

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

"Books in Storage" means those items of merchandise located on the Sale Commencement Date at a storage facility in North Carolina not to exceed \$3,800,000 at cost, which goods shall not be deemed Merchant Consignment Goods or Additional Agent Merchandise.

"Café/Candy Inventory" means items of inventory designated by Merchant, in the ordinary course of business, as "café and candy".

"Calendar Inventory" means any 2012 calendar inventory located in the Stores and Distribution Centers up to an aggregate Cost Value of \$200,000.

"DC Damaged Goods" means those items of merchandise designated as "Saleable, Damaged and Refused Returns" located at each of the Distribution Centers as identified on Exhibit 5.2(i).

"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 Inventory" means those items of merchandise located on the Sale Commencement Date at each of the Distribution Centers as identified on Exhibit 5.2(ii)

attached hereto other than 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 Inventory. To the extent that Stripped Books are received in Stores, and have not already been excluded from the inventory at the Distribution Centers, the aggregate Cost Value of the Distribution Center Inventory shall be adjusted to exclude the Stripped Books provided that Agent provides Merchant with at least five (5) business days notice of receipt of any Stripped Books at the Stores.

"Excluded Defective Merchandise" means (i) 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, (ii) DC Damaged Goods, and (iii) Out-Dated Goods.

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

"On-Order Goods" mean items of inventory that were ordered by Merchant in the ordinary course of business as identified on Exhibit 5.2(iii) annexed hereto, which inventory was not received in the Stores or Distribution Centers as of the Sale Commencement Date, but which may be received in the Stores by the On-Order Receipt Deadline, provided that, the aggregate Cost Value of the On-Order Goods shall not exceed \$17,000,000.

"Out-Dated Goods" means inventory that is near or out-of-date, including 2011 calendars and previous year almanacs.

"Return to Vendor Inventory" means those items of inventory designated "Return to Vendor" by Merchant in the ordinary course of its business as reflected on Exhibit 5.2(iv) to the extent located in the Distribution Centers as of the Sale Commencement Date. For the avoidance of doubt, Merchandise located in the Stores as of the Sale Commencement Date bearing the same SKU as Return to Vendor Inventory shall not constitute Return to Vendor Inventory.

"Schuler Goods" means items of inventory as identified on Exhibit 5.2(v) that may be returned by Merchant's customer, Schuler, provided that, the aggregate Cost Value of the Schuler Goods shall not exceed \$1,700,000.

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. 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, 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 the Merchandise in the Stores and any On-Order Goods and one and one half of one percent (1.5%) of the aggregate Cost Value of the Distribution Center Inventory, Return to Vendor Inventory and Schuler Goods (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 other than discounts for the following e-readers, CDs, DVDs and Blue Ray; (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. To the extent that Excluded Defective Merchandise is sent from the Distribution Centers to the Stores, it shall be identified once received and thereafter segregated.

(d) Items of Distribution Center Inventory and Return to Vendor Inventory received in the Stores on or prior to the date that is thirty (30) days after the Sale Commencement Date (excluding the Sale Commencement Date for purposes of such calculation) (the "DC Interim Receipt Deadline"), will be included in Merchandise at the applicable Cost Value for each such item. Items of Distribution Center Inventory and Return to Vendor Inventory received at the Stores after the DC Interim Receipt Deadline but prior to a date that is forty five (45) days after the Sale Commencement Date (excluding the Sale Commencement Date for purposes of such calculation) (the "DC Receipt Deadline") shall be included in Merchandise at the applicable Cost Value for each such item multiplied by the inverse of the prevailing discount on similar items of Merchandise as of the date of receipt in the Stores. Items of Distribution Center Inventory and Return to Vendor Inventory received in the Stores after the DC Receipt Deadline shall not constitute Merchandise, shall be given no Cost Value, and shall be excluded from Merchandise, and shall be sold by Agent as Merchant Consignment Goods pursuant to Section 5.4 hereof.

(e) Items of On-Order Goods and Schuler Goods received in the Stores on or prior to the date that is fourteen (14) days after the Sale Commencement Date (excluding the Sale Commencement Date for purposes of such calculation) (the "On-Order Interim Receipt Deadline"), will be included in Merchandise at the applicable Cost Value for each such item. Items of On-Order Goods and Schuler Goods received at the Stores after the On-Order Interim Receipt Deadline but prior to a date that is thirty (30) days after the Sale Commencement Date (excluding the Sale Commencement Date for purposes of such calculation) (the "On-Order

Receipt Deadline") shall be included in Merchandise at the applicable Cost Value for each such item multiplied by the inverse of the prevailing discount on similar items of Merchandise as of the date of receipt in the Stores. Items of On-Order Goods and Schuler Goods received in the Stores after the On-Order Receipt Deadline shall not constitute Merchandise, shall be given no Cost Value, and shall be excluded from Merchandise, and shall be sold by Agent as Merchant Consignment Goods pursuant to Section 5.4 hereof.

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, Café/Candy Inventory, DC Damaged Goods, calendar inventory located in the Stores and Distribution Centers with a Cost Value exceeding \$200,000, those items referenced by SKU on Exhibit 5.4 or items otherwise identified herein 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. Agent shall be responsible for allocating and designating the shipment of the Distribution Center Inventory and Return to Vendor Inventory 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 Inventory and Return to Vendor Inventory 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); provided further, no Distribution Center Inventory or Return to Vendor Inventory shall be shipped to the Stores prior to the Inventory Date for any applicable Store unless Merchant and Agent can mutually agree on a method to account for such inventory. On or prior to July 14, 2011, Merchant and Agent shall cooperate with each other and shall mutually agree upon a schedule and allocation of the Distribution Center Inventory and Return to Vendor Inventory to the Stores (the "Pre-Sale Allocation").

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 no event later than July 29, 2011; provided, however, that the Sale shall commence by no later than July 22, 2011 at each Store with a real property lease subject to an assumption/rejection deadline on or prior to September 30, 2011,

5:00 p.m., New York City time or subject to imposition of "holiday protection" payments if not vacated on or prior to September 30, 2011, 5:00 p.m., New York City time (the "Sale Commencement Date"). Subject to the prior expiration of the term of any Store Lease or expiration of the deadline for the Merchant to assume or reject any Store Lease pursuant to section 365(d)(4) of the Bankruptcy Code or, if earlier, the date by which the Merchant must vacate a Store to avoid triggering a "holiday protection" payment (as reflected on Exhibit 6.1), the Agent shall complete the Sale at each Store and vacate such Store in broom-clean condition by no later than November 13, 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, Café/Candy Inventory and News Stand Inventory 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, Cafe/Candy Inventory, News Stand Inventory, 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; (b) the total amount (in dollars) of all sales of Books in Storage made under this Agreement, exclusive of Sales Taxes; and (c) all proceeds of Merchant's insurance for loss or damage to Merchandise or Books in Storage 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, Agent Sale FF&E, News Stand Inventory and Café/Candy Inventory (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, sales of News Stand Inventory and Café/Candy Inventory 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 down-load 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, sales of News Stand Inventory and Café/Candy Inventory 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.

Section 8. Conduct of the Sale. Subject to the entry of the Approval Order, the Agent shall be permitted to conduct the Sale in accordance with the Approval Order. 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 Approval Order, the Agent shall be permitted to conduct the Sale as a "going out of business," "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 annexed 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), websites (including social media sites), 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 "going out of business," "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;

(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; provided, further, that Agent shall provide Merchant with prior written notice of all such transfers; and

(f) to supplement the Merchandise at the Stores with Additional Agent Merchandise in accordance with Section 8.9 hereof and with the Books in Storage.

8.2 Terms of Sales to Customers.

(a) All sales will be "final sales" and "as is," and all advertisements and sales receipts will reflect the same. Agent shall not warrant any inventory 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 items sold at the Stores during the Sale Term, so as to distinguish such items 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 and Merchandise credits issued by Merchant prior to the Sale Commencement Date 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, Books in Storage, Additional Agent Merchandise, sales of News Stand Inventory and Café/Candy Inventory and Agent Sale FF&E, 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 such items 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 Inventory, if any, 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.

8.9 Additional Merchandise.

(a) Agent shall be entitled, at its expense, to include in the Sale at the Stores additional non-book merchandise procured by Agent which is of like kind, and no lesser quality to the Merchandise located in the Stores ("Additional Agent Merchandise").

(b) At all times and for all purposes, the Additional Agent Merchandise and its proceeds shall be the exclusive property of Agent. The transactions relating to the Additional Agent Merchandise are, and shall be construed as, a true consignment from Agent to Merchant. The Additional Agent Merchandise shall be at all times subject to the control of Agent.

(c) In order to distinguish the Additional Agent Merchandise from the Merchandise located in the Stores, Agent shall mark the Additional Agent Merchandise using either a "dummy" SKU or department number or in such other manner so as to distinguish the sale of Additional Agent Merchandise from the sale of Merchandise.

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 July 21, 2011.

(c) Except as set forth on Exhibit 6.1, the time to assume or reject each Store Lease, pursuant to section 365(d)(4) of the Bankruptcy Code, does not expire prior to the Sale Termination Date for such Store.

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 (such Owned FF&E being identified in Exhibit 11.1(c)) 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)(i), 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)(i)). 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.

(g) Since June 19, 2011, Merchant has not, and through the completion of the Inventory Taking, Merchant shall not purchase for or transfer to or from the Stores any Merchandise or Excluded Defective Merchandise outside the ordinary course except for the transfer of Distribution Center Inventory, provided that, since June 19, 2011, Merchant has not, and through the completion of the Inventory Taking, Merchant shall not transfer to or from the Stores any Return to Vendor Inventory unless Agent has agreed to such transfers. 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 July 19, 2011, 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 and subject to Agent complying with its obligations to reimburse Merchant, 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 June 19, 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 Sections 5.1 and 5.3) (the "Cost Factor") shall not be greater than 51.1% (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 June 19, 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) Since June 19, 2011, Merchant has not, and through the completion of the Inventory Taking, Merchant shall not transfer any Distribution Center Inventory or any other merchandise to the Stores without Agent's consent other than ordinary course replenishment, provided that, Merchant has not, and through the completion of the Inventory Taking, Merchant shall not transfer to or from the Stores any Return to Vendor Inventory unless Agent has agreed to such transfers.

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) 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.

(f) To the best of Agent's knowledge, all Additional Agent Merchandise is in compliance with all applicable federal, state or local product safety laws, rules and standards. All Additional Agent Merchandise shall be non-book merchandise of like kind and no lesser quality to the Merchandise located in 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 in connection with the performance of the terms

of this Agreement 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 engagement; (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) as set forth in Section 8.3 hereof and (v) 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 and 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

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

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
dkane@tigergroupllc.com

GORDON BROTHERS RETAIL
PARTNERS, LLC
101 Huntington Avenue, 10th Fl.
Boston, MA 02199
Attn: Michael Chartock
Tel: (617) 523-7002
Fax: (617) 523-3007
Email: MChartock@gordonbrothers.com

GREAT AMERICAN GROUP, LLC
Nine Parkway North, Suite 300
Deerfield, IL 60015
Attn.: Mark P. Naughton

Tel: (847) 444-1400
Fax: (847) 444-1401
Email: mnaughton@greatamerican.com

With a copy to:

WEIL GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, NY 10153
Attn: Joseph Smolinsky
Tel: (212) 310-8000
Fax: (212) 310-8007
Email: Joseph.Smolinsky@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: Andrew K. Glenn, Esq.
Barry Rutcofsky, Esq.
Daniel A. Fliman, Esq.
Tel: (212) 506-1700
Fax: (212) 506-1800
Email: aglenn@kasowitz.com
brutcofsky@kasowitz.com <mailto: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

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

If to GA:

GA Capital
One Post Office Square
Suite 3765
Boston, MA 02109
Attention: David Storer, Director
Tel: 617 692-8303
Email: dstorer@greatamerican.com

With a copy to:

Kevin J. Simard
Choate, Hall & Stewart LLP
Two International Place
Boston, MA 02110
Tel: 617 248-4086
Fax: 617 502-4086
Email: ksimard@choate.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. 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. With respect to furniture, fixtures and equipment owned by Merchant and located at the Stores (collectively, the "Agent Sale FF&E"), Agent shall sell the Agent Sale FF&E and shall retain all proceeds therefrom. In consideration thereof, Agent shall: (i) pay Merchant on the Payment Date ten million three hundred thousand dollars \$10,300,000 (the "Agent Sale FF&E Guarantee"); and (ii) pay the selling and marketing expenses determined by Agent to be reasonably necessary to sell the Agent Sale FF&E (which for purposes of the avoidance of doubt shall not include any occupancy or occupancy-related expenses associated with the Distribution Center and/or Merchant's home office, which occupancy and occupancy-related expenses shall be paid by Merchant). As of the Sale Termination Date, Agent may abandon in place any unsold Agent Sale FF&E at the Stores in the manner set forth in Section 6.2 hereof.

Agent shall sell FF&E owned by Merchant located at the Distribution Centers (excluding the Carlisle, PA Distribution Center) and Merchant's corporate office (the "Corporate FF&E"). Agent shall be entitled to receive a commission equal to 20% of the net proceeds from the sale of Corporate FF&E (net of Sales Taxes and the expenses of disposing of the Corporate FF&E); provided however that Merchant shall be responsible for payment of expenses incurred in connection with the disposition of the Corporate 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). As of the Sale Termination Date, Agent may abandon in place any FF&E located at the Distribution Centers and any FF&E located in the Merchant's corporate office in a neat and orderly manner. All proceeds from the disposition of the Corporate FF&E shall be deposited in a segregated account designated solely for the deposit of the proceeds from the Corporate 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 (including proceeds from the sale of News Stand and Café/Candy Inventory) 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 composed of Hilco Merchant Resources, LLC, SB Capital Group, LLC, Gordon Brothers Retail Partners, LLC, Tiger Capital Group, LLC and Great American Group, LLC.

Section 16. Security Interest. In consideration of Agent’s payment of the Guaranteed Amount Deposit, Expenses, Agent Sale FF&E Guarantee 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 (i) the Merchandise, (ii) Books in Storage, (iii) Additional Agent Merchandise and the proceeds thereof, (iv) Agent Sale FF&E and the proceeds realized from the disposition of the Agent Sale FF&E, (v) proceeds realized from the disposition of the Corporate FF&E up to the amount of the Agent’s disposition commission related to Corporate FF&E as provided for in Section 15.9 and (vi) 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, Agent Sale FF&E Guarantee 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 the entry of the Approval Order and upon payment of the Guaranteed Amount Deposit and Agent Sale FF&E Guarantee 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.

Section 17. Lenders Rights. Any rights or remedies accorded to GECC or GA herein shall exist only so long as the DIP Facility has not been indefeasibly paid in full in cash.

[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: Holly Felder Etlin

Its: Senior Vice President – Restructuring

[Signature Page to Agency Agreement]

**HILCO MERCHANT RESOURCES, LLC,
GORDON BROTHERS RETAIL PARTNERS, LLC,
SB CAPITAL GROUP, LLC,
TIGER CAPITAL GROUP, LLC AND
GREAT AMERICAN GROUP, LLC**

By: **HILCO MERCHANT RESOURCES, LLC**

Its: Authorized Signatory

By: 

Name: Joseph A. Malfitano

Title: Vice President and Deputy General Counsel

[Signature Page to Agency Agreement]

CONSENTED AND AGREED TO
AS IT RELATES TO SECTIONS 3.3(e), 3.4, 16 AND 17 HEREOF, BY:

GENERAL ELECTRIC CAPITAL CORPORATION

By: _____
Name
Title

[Signature Page to Agency Agreement]

CONSENTED AND AGREED TO
AS IT RELATES TO SECTIONS 16 AND 17 HEREOF, BY:

GA CAPITAL LLC, as Term Agent

By: _____
Name
Title

Exhibit A

LIST OF AFFILIATED COMPANIES

Borders, Inc.

Borders Group, Inc
Exhibit 1

Store List

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
Stores							
1	BSS	Ann Arbor Downtown	612 East Liberty	Ann Arbor	MI	48104	39,876
14	BSS	The Corners	31150 Southfield Road	Birmingham	MI	48025	14,494
16	BSS	Castleton Corner	5612 Castleton Corner Lane	Indianapolis	IN	46250	26,734
19	BSS	Novi Town Center	43075 Crescent Boulevard	Novi	MI	48375	36,416
20	BSS	Oak Brook Court	1500 16Th Street	Oakbrook	IL	60521	29,725
22	BSS	Jay Scutti Plaza	Hyland Drive	Henrietta	NY	14623	29,772
28	BSS	La Place Fashion Centre	2101 Richmond Road	Beachwood	OH	44122	19,883
30	BSS	Rosemont Shopping Center	1149 Lancaster Avenue	Bryn Mawr	PA	19010	24,610
39	BSS	Garden City Shopping Center	81 Hillside Road	Cranston	RI	02920	27,000
40	BSS	Sunrise Highway	5151 Sunrise Highway	Bohemia	NY	11716	19,809
41	BSS	Park City Center	940 Plaza Boulevard	Lancaster	PA	17601	17,000
43	BSS	Lutherville Station Shopping Ce	170 W. Ridgely Road	Timonium	MD	21093	21,491
44	BSS	Airport Plaza Shopping Center	231 Airport Plaza	Farmingdale	NY	11735	25,000
45	BSS	Crossroads Center	5871 Leesburg Pike	Bailey's Crossroads	VA	22041	33,000
46	BSS	Springfield Square	1011 Baltimore Pike	Springfield	PA	19064	22,986
47	BSS	South Dixie Highway	9205 South Dixie Highway	Miami	FL	33156	17,850
55	BSS	West Farms Shopping Center	1600 South East Road	Farmington	CT	06032	34,180
61	BSS	Woodfield Village Green	1540 Golf Road	Schaumburg	IL	60173	30,000
62	BSS	Promenade Of Crocker Park	30121 Detroit Road	Westlake	OH	44145	25,000
64	BSS	ABQ Uptown	2240 Q Street Ne	Albuquerque	NM	87110	22,750
66	BSS	Century Square Building	1501 Fourth Avenue	Seattle	WA	98101	25,355
72	BSS	Mission Viejo Freeway Center	25222 El Paseo	Mission Viejo	CA	92691	30,000
73	BSS	Westridge Court Shopping Cen	336 South Route 59	Naperville	IL	60540	25,650
74	BSS	Northway Mall	1051 Northway Mail	Pittsburgh	PA	15237	30,036
76	BSS	Meyerland Plaza	570 Meyerland Plaza	Houston	TX	77096	28,508
78	BSS	Old Town Shopping Center	5500 Greenville Ave.	Dallas	TX	75206	40,061
79	BSS	Nesconset Highway	2130 Nesconset Highway	Stony Brook	NY	11790	24,955
80	BSS	Geoffrey Drive	101 Geoffrey Drive	Wilmington	DE	19713	38,729
85	BSS	Pentagon City	1201 Hayes Street	Pentagon City	VA	22202	25,038
86	BSS	Torrance Boulevard	3700 Torrance Blvd.	Torrance	CA	90503	35,978
89	BSS	Columbia Crossing	6151 Columbia Crossing Circle	Columbia	MD	21045	28,000
94	BSS	Commons Way	290 Commons Way	Bridgewater	NJ	08807	23,430
96	BSS	Ward Center	200 Ala Moana Blvd.	Honolulu	HI	96814	30,226
98	BSS	Varsity Theatre	456 University Avenue	Palo Alto	CA	94301	22,908
100	BSS	Cheektowaga, NY	2015 Walden Ave.	Buffalo	NY	14225	26,500
107	BSS	Boise Towne Square	350 N Milwaukee Street, Suite 1406	Boise	ID	83704	22,450
108	BSS	Norman Center Court	300 Norman Center Court	Norman	OK	73072	25,000
110	BSS	The Plaza At Sunset Hills	10990 Sunset Hills Plaza	St. Louis	MO	63127	30,109
112	BSS	Kamp Washington S/C	11054 Lee Highway	Fairfax	VA	22030	30,000
113	BSS	Olive Boulevard	11745 Olive Blvd.	Creve Coeur	MO	63141	27,500
114	BSS	Kirby Woods Shopping Center	6685 Poplar Ave.	Germantown	TN	38138	30,000
119	BSS	Brea Plaza	429 South Associated Road	Brea	CA	92821	27,450
120	BSS	School Street (Downtown Cros	10-24 School Street	Boston	MA	02108	40,218
123	BSS	Birch Street	13105 Birch Street	Omaha	NE	68164	30,000
125	BSS	Bangor Mall	116 Bangor Mall Blvd.	Bangor	ME	04401	25,881
126	BSS	Westfield Southcenter	633 Southcenter	Seattle	WA	98188	25,374
130	BSS	Rocky Ridge Town Center	2030 Douglas Blvd.	Roseville	CA	95661	28,300
133	BSS	Maine Mall	430 Gorham Rd.	South Portland	ME	04106	30,000
136	BSS	The Strip	6751 Strip Ave., NW	N. Canton	OH	44720	30,000
137	BSS	Concord Square	4221 Concord Pike	Wilmington	DE	19803	28,800
138	BSS	Oak Point Plaza	4030 Commonwealth Avenue	Eau Claire	WI	54701	23,960
145	BSS	Huebner Oaks Center	11745 I H-10 West	San Antonio	TX	78230	27,596
147	BSS	Crossroads At Sunset	1445 W. Sunset Road	Henderson	NV	89014	25,750
152	BSS	Beaverton Mall North	2605 S. W. Cedar Hills Blvd.	Beaverton	OR	97005	29,716
155	BSS	Westfield Meriden	470 Lewis Avenue	Meriden	CT	06451	20,617
162	BSS	Quaker Crossing	3480 Amelia Drive	Orchard Park	NY	14127	22,411
163	BSS	Park Meadows Mall	8401 Park Meadows Center Drive	Littleton	CO	80124	29,982
164	BSS	Two Ledgeood Square	17200 Royalton Road	Strongsville	OH	44136	27,300

Borders Group, Inc
Exhibit 1

Store List

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
166	BSS	Dodge Street	7201 Dodge Street	Omaha	NE	68114	25,000
167	BSS	Bridgeport Village Shopping Ce	SE Bridgeport Rd & SW 72Nd Avenue	Tualatin	OR	97224	25,436
168	BSS	Grand Traverse Crossing	2612 Crossings Circle	Traverse City	MI	49684	20,000
169	BSS	Ravinia Plaza	15260 S. La Grange Road	Orland Park	IL	60462	27,370
170	BSS	Arrowhead Shopping Center	7320 West Bell	Glendale	AZ	85308	25,200
173	BSS	Rice Lake Square	101 Rice Lake Square	Wheaton	IL	60187	27,383
176	BSS	Highland Grove Shopping Centi	10135 Indianapolis Blvd.	Highland	IN	46322	24,000
177	BSS	Meadowbrook Village	3000 Whiteford Road	York	PA	17402	25,000
178	BSS	Miller Road	4135 Miller Rd.	Flint	MI	48532	20,048
180	BSS	Woodward Avenue	34300 Woodward	Birmingham	MI	48009	32,487
182	BSS	Town Center Shopping Center	802 West Town Center Blvd.	Champaign	IL	61821	24,641
183	BSS	Best In The West	2190 N. Rainbow Blvd.	Las Vegas	NV	89108	25,000
184	BSS	Fair Oaks Boulevard	2339 Fair Oaks Boulevard	Sacramento	CA	95825	27,500
185	BSS	Edgewater Shopping Center	2080 California Avenue	Sand City	CA	93955	25,000
186	BSS	Alamo Quarry Market	255 E. Basse Rd., Suite 350	San Antonio	TX	78209	30,000
188	BSS	Village East Center	2235 Lancaster Dr. N.E.	Salem	OR	97305	25,125
190	BSS	Laguna Crossroads	7415 Laguna Blvd.	Elk Grove	CA	95758	22,000
191	BSS	Redmond Town Center	16549 N.E. 74Th Street	Redmond	WA	98052	25,535
193	BSS	Wrangleboro Road	2200 Wrangleboro Rd	Mays Landing	NJ	08330	20,000
194	BSS	Winchester Center	1122 S. Rochester Road	Rochester Hills	MI	48307	25,508
197	BSS	Randall Road	1660 S. Randall Road	Geneva	IL	60134	24,000
199	BSS	The Center At Deane Hill	202 Morrell Rd., Suite 100	Knoxville	TN	37919	25,000
201	BSS	Carl D. Silver Parkway	1220 Carl D. Silver Parkway	Fredericksburg	VA	22401	27,500
202	BSS	South Washington Street	1212 S. Washington Street	North Attleboro	MA	02760	24,297
208	BSS	Presidential Market Center	1929 Scenic Hwy.	Snellville	GA	30078	22,296
210	BSS	East Town Plaza Shopping Cent	2173 Zeier Road	Madison	WI	53704	27,685
211	BSS	Davis Commons	500 First Street #1	Davis	CA	95616	20,000
212	BSS	The Shops At River Park	110 El Camino	Fresno	CA	93720	25,000
215	BSS	Chapel Hills Mall	1710 Briargate Blvd. #209	Colorado Springs	CO	80920	25,317
217	BSS	Brentwood Square	1519 S. Brentwood Blvd.	Brentwood	MO	63144	32,266
218	BSS	Crain Highway	3304-A Crain Highway	Waldorf	MD	20602	25,000
219	BSS	Main Street	162 E. Main St.	Mt. Kisco	NY	10549	22,586
220	BSS	Airport Square	801 Bethlehem Pike	N. Wales	PA	19454	27,500
225	BSS	Mission Valley West Mall	1072 Camino Del Rio North	San Diego	CA	92180	25,000
226	BSS	Howe Avenue	335 Howe Ave.	Cuyahoga Falls	OH	44221	22,000
229	BSS	Springfield Commons	6701 Frontier Drive	Springfield	VA	22150	27,500
230	BSS	Windward Mall	45-056 Kamehameha Highway	Kaneohe	HI	96744	22,000
231	BSS	Village Of Merrick Park	Village Of Merrick Park	Coral Gables	FL	33146	24,667
232	BSS	Grand Central Mall	850 Grand Central Mall	Parkersburg	WV	26105	22,314
236	BSS	Canton Township	43435 Ford Road	Canton	MI	48187	24,011
237	BSS	The Shops At Valley Square	1565 Main St.	Warrington	PA	18976	23,000
246	BSS	Watters Creek	300 Watters Road	Allen	TX	75013	26,576
249	BSS	Arlington Highlands	4000 Arlington Highlands Blvd.	Arlington	TX	76018	23,058
250	BSS	The Shops At Riverwoods	4801 N. University Avenue	Provo	UT	84606	24,000
252	BSS	Tamarack Bay	8472 Tamarack Bay	Woodbury	MN	55125	24,560
253	BSS	Riverview Plaza	5533 Urbana Pike	Frederick	MD	21704	25,000
257	BSS	North Illinois	6601 N. Illinois	Fairview Heights	IL	62208	24,840
258	BSS	Stonestown Galleria	233 Winston Drive	San Francisco	CA	94132	32,448
262	BSS	Smoketown Stations	2904 Prince William Pkwy.	Woodbridge	VA	22192	24,510
270	BSS	Jericho Turnpike	425 Jericho Turnpike	Syosset	NY	11791	26,650
271	BSS	Deane Drive	199 Deane Drive	Rockford	IL	61108	24,560
276	BSS	Church Street	29 Church Street	Burlington	VT	05401	22,910
277	BSS	Eastgate Mall Crossing	4530/432 Eastgate Blvd.	Cincinnati	OH	45245	24,314
281	BSS	Wynnewood Shopping Center	80 E. Wynnewood Ave.	Wynnewood	PA	19096	27,500
286	BSS	Uptown Solon Shopping Center	6025 Kruse Dr. Suite 159	Solon	OH	44139	25,000
287	BSS	Oakway Center	5 Oakway Center	Eugene	OR	97401	25,000
289	BSS	Parkridge Center	11270 Bulloch Drive	Manassas	VA	20109	25,000
290	BSS	The Avenue East Cobb	4475 Roswell Rd	Marietta	GA	30062	24,882
291	BSS	Tyrone Square	6901 22Nd Avenue, North	St. Petersburg	FL	33710	25,200
292	BSS	Northridge Shopping Center	4000 East 53Rd Street	Davenport	IA	52807	25,000

Borders Group, Inc
Exhibit 1

Store List

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
293	BSS	Six Forks Road	8825 N. Six Forks Rd.	Raleigh	NC	27615	27,000
294	BSS	Northridge Fashion Center	9301 Tampa Avenue	Northridge	CA	91324	25,000
295	BSS	Tampa Avenue	9301 Tampa Avenue	Augusta	GA	30909	20,405
296	BSS	Redfield Promenade Shopping	4995 S. Virginia Street	Reno	NV	89502	25,000
299	BSS	Warner Marketplace	6510 Canoga Avenue	Canoga Park	CA	91303	25,137
300	BSS	Winter Park Center	600 N. Orlando Avenue	Winter Park	FL	32789	25,000
327	BSS	Merrymeeting Plaza	147 Old Bath Road	Brunswick	ME	04011	22,204
334	BSS	Edwardsville Crossing	6601 Edwardsville Crossing Drive	Edwardsville	IL	62025	21,996
335	BSS	Sequoia Mall	3405 South Mooney Blvd.	Visalia	CA	93291	22,464
337	BSS	Great Lakes Crossing	3924 Baldwin Road	Auburn Hills	MI	48326	25,000
338	BSS	Thruway Shopping Center	252 S Stratford Rd.	Winston-Salem	NC	27103	25,146
340	BSS	Fort Eddy Plaza	76 Fort Eddy Road	Concord	NH	03301	31,889
344	BSS	Appalachee Parkway	1302 Appalachee Parkway	Tallahassee	FL	32301	25,065
346	BSS	Santa Rosa Town Center	2825 Santa Rosa Avenue	Santa Rosa	CA	95407	25,000
348	BSS	Oakland Mall	460 W. 14 Mile Road	Troy	MI	48083	20,539
349	BSS	Borders Plaza	21031 Triple Seven Road	Sterling	VA	20165	25,475
356	BSS	Roosevelt Ave.	525 F.D. Roosevelt Ave.	Hato Rey	PR	00918	34,101
361	BSS	Marketplace At Northglenn	241 W. 104Th Street	Northglenn	CO	80234	25,091
364	BSS	Square Drive	30 Square Drive	Victor	NY	14564	22,910
368	BSS	Howland Commons	3102 Niles-Courtland Rd. Se	Niles	OH	44484	24,286
369	BSS	Haines Avenue	2130 N. Haines Ave.	Rapid City	SD	57701	20,000
370	BSS	Huntington Mall	120 Mall Road	Barboursville	WV	25504	19,782
371	BSS	Southport Plaza	7565 US 31 S, Suite A07	Greenwood	IN	46227	24,965
372	BSS	Center At Hagerstown Shoppin	17636 Garland Groh Blvd.	Hagerstown	MD	21740	23,000
373	BSS	Northridge Plaza	15350 W. 119Th Street	Olathe	KS	66062	24,555
376	BSS	Arbor Place Mall	6594 Douglas Blvd.	Douglasville	GA	30135	25,814
380	BSS	Paxton Town Centre	5125 Jamestown Road	Harrisburg	PA	17109	24,538
381	BSS	The Centre At River Oaks	3025 Kirby	Houston	TX	77098	31,447
382	BSS	Providence Place Mall	142 Providence Place	Providence	RI	02903	26,585
383	BSS	Midtown Place	650 Ponce De Leon	Atlanta	GA	30308	23,043
384	BSS	Milestone Commercial Center	20926 Frederick Road	Germantown	MD	20874	25,000
388	BSS	South Coast Plaza	3333 Bear Street	Costa Mesa	CA	92626	26,065
390	BSS	Lake Street	1144 Lake Street	Oak Park	IL	60301	25,142
391	BSS	Brentwood Place	330 Franklin Road	Brentwood	TN	37027	24,287
392	BSS	Park Place	5870 E. Broadway Blvd.	Tucson	AZ	85711	26,878
394	BSS	Valley Square Center	396 Plainfield Road	West Lebanon	NH	03784	22,015
397	BSS	Gurnee Town Center	6971 West Grand Avenue	Gurnee	IL	60031	24,878
401	BSS	Broadstone Plaza	2765 E. Bidwell Street	Folsom	CA	95630	24,977
405	BSS	North State Street Block 36	150 North State Street	Chicago	IL	60601	29,175
414	BSS	Chapel Hill	4601 West Freeway	Fort Worth	TX	76107	25,000
415	BSS	Flatiron Crossing Mall	1 West Flatiron Circle Village	Broomfield	CO	80021	25,772
417	BSS	Willows Shopping Center	3829 South Meridian	Puyallup	WA	98374	25,716
421	BSS	Waters Place	Water's Place Shopping Center	Pittsfield Township	MI	48108	28,500
434	BSS	Sandusky Mall	4314 Milan Road	Sandusky	OH	44870	22,013
436	BSS	Gresham Station	687 NW 12Th Street	Gresham	OR	97030	25,000
439	BSS	Cambridge Galleria	100 Cambridgeside Place	Cambridge	MA	02141	23,083
440	BSS	Marketplace At Hilltop	1744 Laskin Road	Virginia Beach	VA	23451	25,453
441	BSS	St. Vrain Retail Centre	1101 South Hover Street	Longmont	CO	80501	24,906
442	BSS	Viewmont Mall	100 Viewmont Mall	Scranton	PA	18508	22,960
444	BSS	Southland Mall	23000 Eureka Road	Taylor	MI	48180	22,574
445	BSS	Independence Mall	101 Independence Mall Way	Kingston	MA	02364	22,625
446	BSS	The Shoppes At Brinton Lake	965 Baltimore Pike	Concord Twp	PA	19342	24,038
448	BSS	The Loop	90 Pleasant Valley Street	Methuen	MA	01844	25,750
449	BSS	Galleria Mall	5061 Westheimer Road	Houston	TX	77056	26,334
451	BSS	Westfield Shoppingtown Annap	1115 Annapolis Mall	Annapolis	MD	21401	30,487
452	BSS	Downtown Silver Spring	8518 Fenton Street	Silver Spring	MD	20910	25,072
453	BSS	Cannery Mall	777 NW 9Th	Corvallis	OR	97330	22,077
454	BSS	Colonial Promenade Beechwo	196 Alps Rd	Athens	GA	30606	20,908
461	BSS	The Village At Cambridge Cross	4010 Dearborn Circle	Mount Laurel	NJ	08054	25,316
463	BSS	The River At Rancho Mirage	71800 Highway 111	Rancho Mirage	CA	92270	25,000

Borders Group, Inc
Exhibit 1

Store List

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
464	BSS	Summit Woods Crossing	1664 N.W. Chipman Road	Lee's Summit	MO	64081	25,623
466	BSS	Riverdale Crossing Shopping Ce	Riverdale Crossing	Riverdale	NJ	07457	22,000
471	BSS	Crossgates Mall	1 Crossgates Mall Road	Albany	NY	12203	24,000
472	BSS	Dogwood Festival Market	100 Dogwood Blvd.	Flowood	MS	39232	23,116
473	BSS	El Camino Real	316 W. El Camino Real	Sunnyvale	CA	94087	26,022
476	BSS	Forum At Olympia Parkway	8340 Agora Pkwy	San Antonio	TX	78154	22,000
479	BSS	Interstate Shopping Center	235 Interstate Shopping Center	Ramsey	NJ	07446	24,300
484	BSS	Dolphin Mall	11401 N.W. 12Th Street	Miami	FL	33172	20,790
486	BSS	New Market Square	2441 North Maize Road, Suite 401	West Wichita	KS	67205	23,127
489	BSS	Monmouth Plaza	135 Highway 35	Eatontown	NJ	07724	24,455
495	BSS	Lagrange Crossing	1 North La Grange Road	Lagrange	IL	60525	21,000
496	BSS	The Mail At Stonecrest	8000 Mall Parkway, Suite 2460	Lithonia	GA	30038	19,921
500	BSS	Broadmoor Towne Center	2120 Southgate Road	Colorado Springs	CO	80906	24,990
513	BSS	Valley Mall Plaza	1700 East Washington Avenue	Union Gap	WA	98903	19,500
514	BSS	Champlain Centre North	60 Smithfield Blvd.	Plattsburgh	NY	12901	17,000
515	BSS	Salmon Run	21182 Salmon Run Loop West	Watertown	NY	13601	16,835
521	BSS	Plaza El Paseo	22372 El Paseo	Rancho Santa Margari	CA	92688	15,000
522	BSS	Colorado Mills	14500 West Colfax Avenue	Lakewood	CO	80401	21,163
524	BSS	Waterford Commons	915 Hartford Road Turnpike	Waterford	CT	06385	22,824
531	BSS	Riverdale Village	3577 River Rapids Drive NW	Coon Rapids	MN	55448	21,641
532	BSS	Northpointe Plaza	9980 Newport Road	Spokane	WA	99218	22,631
534	BSS	Canyon Pointe At Summerlin C	10950 W. Charleston Blvd.	Las Vegas	NV	89135	22,095
537	BSS	Madonna Plaza	243 Madonna Road	San Luis Obispo	CA	93405	17,660
539	BSS	Governor's Square Mall	2801 Wilma Rudolph Blvd	Clarksville	TN	37040	19,978
544	BSS	Plaza Santa Fe	3513 Zafarano Drive	Santa Fe	NM	87507	15,407
547	BSS	Shoppes At Grand Prairie	5201 West War Memorial Drive, Suite 100	Peoria	IL	61615	21,000
551	BSS	Monte Vista Crossings	2831 Countryside Drive	Turlock	CA	95380	15,000
555	BSS	Coeur D'Alene	450 West Wilbur Avenue	Coeur D'Alene	ID	83815	15,086
557	BSS	Brighton Towne Square	8101 Movie Drive	Brighton	MI	48116	23,106
558	BSS	Stonecrest At Piper Glen	7836 Rea Road	Charlotte	NC	28277	20,960
560	BSS	Market Place West	2833 King Avenue West	Billings	MT	59102	20,000
567	BSS	Bayshore Mall	3300 Broadway	Eureka	CA	95501	21,322
568	BSS	Rockaway Townsquare Outpar	Block 11001, Lot 7	Rockaway Township	NJ	07866	27,459
570	BSS	Mountain View Plaza	2395 North Highway 93	Kalispell	MT	59901	20,100
572	BSS	Cedarwood	1200 South Duff Avenue	Ames	IA	50010	20,000
573	BSS	Flemington Mall	325 Highway 202	Flemington	NJ	08822	23,384
580	BSS	Market Street	9595 Six Pines Drive	The Woodlands	TX	77380	25,853
581	BSS	Carson Valley Plaza	911 Topsy Lane	Carson City	NV	89705	17,016
582	BSS	Two Penn Plaza (Penn Station)	Two Penn Plaza	New York	NY	10019	23,761
583	BSS	Southside Plaza	3 Southside Drive	Clifton Park	NY	12065	15,127
585	BSS	North Towne Plaza	5901 Wyoming Blvd. NE	Albuquerque	NM	87109	22,514
586	BSS	Westfield Shoppingtown Santa	400 S. Baldwin Avenue	Arcadia	CA	91007	24,000
589	BSS	El Paseo Simi	2910 Tapo Canyon Road	Simi Valley	CA	93063	20,027
590	BSS	Shops At The Pond	739 Donald J. Lynch Blvd.	Marlborough	MA	01752	21,063
591	BSS	Monadnock Marketplace	30 Ash Brook Road	Keene	NH	03431	17,400
592	BSS	Columbus Circle	10 Columbus Circle	New York	NY	10019	26,000
594	BSS	Riverhead Centre	1500 Old Country Road	Riverhead	NY	11901	21,498
597	BSS	The Shoppes At Atlas Park	80-16 Cooper Avenue, Suite 3-101	Glendale	NY	11385	23,406
598	BSS	The Pinnacle At Turkey Creek	11235 Parkside Drive	Knoxville	TN	37934	21,950
599	BSS	Plaza El Segundo	710 South Sepulveda Blvd	El Segundo	CA	90245	22,000
603	BSS	Town Square	6521 Las Vegas Blvd South	Las Vegas	NV	89119	22,130
606	BSS	Rosedale Center	866 Rosedale Center	Roseville	MN	55113	31,004
615	BSS	Louisville	3050 Bardstown Road	Louisville	KY	40205	10,000
616	BSS	Shelbyville Road Plaza	4600 Shelbyville Road	St. Matthews	KY	40207	26,302
620	BSS	South County - St. Louis	25 S. County Centerway	St. Louis	MO	63129	17,250
622	BSR	Plymouth Meeting Mall	1256 Plymouth Meeting Mall	Plymouth Meeting	PA	19462	4,614
623	BSR	Del Monte Shopping Center	222 Del Monte Center	Monterey	CA	93940	8,615
625	BSS	Kennedy Mall	555 John F. Kennedy Road	Dubuque	IA	52002	19,299
629	BSS	Mill Plain Plaza	811 S.E. 160th Avenue	Vancouver	WA	98683	18,240
631	BSS	Algonquin Commons	Randall Road & North County Line Road	Algonquin	IL	60102	19,200

Borders Group, Inc
Exhibit 1

Store List

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
640	BSR	Montgomery Mall	7107 Democracy Blvd	Bethesda	MD	20817	3,718
645	BSS	Victoria Gardens	12370 South Mainstreet	Rancho Cucamonga	CA	91739	21,097
647	BSS	Galleria At Crystal Run	1 North Galleria Drive	Middletown	NY	10941	19,121
649	BSR	Beaver Valley Mall	233 Beaver Valley Mall	Monaca	PA	15061	4,600
653	BSS	Shoppingtown At Franklin Park	5001 Monroe Street	Toledo	OH	43623	21,883
654	BSS	Galleria At Pittsburgh Mills	133 Pittsburgh Mills Circle	Frazier Township	PA	15084	21,909
656	BSS	Riverside Plaza	3615 Riverside Plaza	Riverside	CA	92506	20,023
657	BSS	Crestview Hills Town Center	Dixie Hwy & I-275	Crestview Hills	KY	41017	20,000
661	BSS	Pearlridge Center	98-1025 Moanalua Road	Oahu	HI	96701	22,603
662	BSS	Warrenton Center	251 West Lee Highway	Warrenton	VA	20186	19,750
667	BSS	Northlake Mall	6801 Northlake Mall Drive	Charlotte	NC	28216	20,001
676	BSS	Superstition Springs Center	6555 East Southern Avenue	Mesa	AZ	85206	20,000
683	BSS	Everett Mall	Everett Mall Way	Everett	WA	98208	22,200
686	BSS	Baybrook Passage	19419 Gulf Freeway	Webster	TX	77598	22,103
688	BSR	Stonewood Mall	354 Stonewood Street	Downey	CA	90241	3,624
689	BSR	Chautauqua Mall S/C	360 Chautauqua Mall S/C	Lakewood	NY	14750	2,200
692	BSS	Nut Tree Village	1641 East Monte Vista Avenue	Vacaville	CA	95688	20,000
694	BSS	Lycoming Mall	300 Lycoming Mall Circle	Pennsedale	PA	17756	22,800
695	BSS	The Promenade At Westfield C	2415 4th Ave. West	Olympia	WA	98502	21,210
698	BSR	Woodbridge Center	298 Woodbridge Center	Woodbridge	NJ	07095	3,600
699	BSR	Memorial Mall	3347 Kohler Memorial Dr.	Sheboygan	WI	53081	2,720
719	BSR	The Empire	4001 W 41St Street	Sioux Falls	SD	57106	3,375
720	BSR	Swansea Mall	262 Swansea Mall Drive	Swansea	MA	02777	4,340
721	BSR	Lima Mall	2400 Elida Rd	Lima	OH	45805	3,000
723	BSR	Northlake Mall	1000 Northlake Mall	Atlanta	GA	30345	7,434
724	BSR	Cross County Mall	700 East Broadway	Mattoon	IL	61938	2,670
725	BSR	Trumbull Shopping Park	Main Street	Trumbull	CT	06611	5,433
726	BSR	Westwood Mall	1796 W. Michigan Ave	Jackson	MI	49202	3,366
728	BSR	Forest Mall	835 W. Johnson Street	Fond Du Lac	WI	54935	3,500
729	BSR	Oxford Valley Mall	253 Oxford Valley Mall	Langhorne	PA	19047	4,843
730	BSR	Staten Island Mall	130 Staten Island Mall	Staten Island	NY	10314	6,122
731	BSR	Janesville S/C	2500 Milton Avenue	Janesville	WI	53545	2,837
732	BSR	South Park Mall	John Deere Expressway & 16Th St	Moline	IL	61265	4,798
733	BSR	Lakewood Center Mall	5221 Hazelbrook Avenue	Lakewood	CA	90712	3,750
734	BSR	Shenango Valley Mall	North Hermitage Rd	Hermitage	PA	16148	4,000
735	BSR	Peru Mall	3940 Route 251	Peru	IL	61354	3,388
737	BSR	Lebanon Valley Mall	22Nd & Cumberland Street	Lebanon	PA	17042	2,000
738	BSR	Westmoreland Mall	5256 Route 30	Greensburg	PA	15601	6,295
739	BSR	Royal Hawaiian Shopping Center	Royal Hawaiian Shopping Center	Honolulu	HI	96815	4,276
740	BSR	Lakeside Mall	14600 Lakeside Mall	Sterling Heights	MI	48078	5,420
741	BSR	Jefferson Mall	4801 Outerloop Road	Louisville	KY	40219	4,589
742	BSR	Ohio Valley Mall	Unit #310	St. Clairsville	OH	43950	3,341
743	BSR	Temple Mall	3129 South 31St St.	Temple	TX	76502	3,174
750	Airport	Washington National Airport	Terminal B, Room 50A	Washington	DC	20001	2,516
751	Airport	Dulles Airport (Concourse B)	Midfield Terminal	Chantilly	VA	20151	2,270
752	Airport	Dulles Airport (Concourse C/D)	Commissary Building	Chantilly	VA	20151	1,187
753	Airport	Orlando International Airport	9331-D Airport Boulevard	Orlando	FL	32827	3,461
755	Airport	Houston International Airport	3950 South Terminal Road	Houston	TX	77032	2,506
756	Airport	Sea-Tac International Airport	SeaTac Airport, Main Terminal	Seattle	WA	98158	3,417
757	Airport	Indianapolis International Airport	7800 Col. H. Weir Cook Memorial Drive	Indianapolis	IN	46241	818
758	Airport	Logan Int'l Airport - Term E	Logan International Airport	Boston	MA	02128	1,404
759	Airport	Philadelphia Int'l Airport B/C Connector	B/C Connector	Philadelphia	PA	19153	1,044
760	Airport	Cincinnati International Airport	Concourse B Lod #B-014	Covington	KY	41048	1,423
761	Airport	Dulles Airport (Concourse C)	Commissary Building	Chantilly	VA	20151	625
762	Airport	Boston-Logan International Airport	Boston Logan Int'l Airport	East Boston	MA	02128	1,149
763	Airport	Baltimore/Washington Int'l Airport	808 Barkwood Ct. Suites Q-W	Baltimore	MD	21090	1,050
764	Airport	Baltimore/Washington Int'l Airport	808 Barkwood Ct. Suites Q-W	Baltimore	MD	21090	1,042
765	Airport	Miami International Airport	Central Terminal	Miami	FL	33166	1,689
766	Airport	Phoenix Sky Harbor International Airport	3800 Sky Harbor Blvd.	Phoenix	AZ	85034	1,429
767	Airport	Philadelphia Int'l Airport D/E Connector	D/E Connector	Philadelphia	PA	19153	909

Borders Group, Inc
Exhibit 1

Store List

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
768	Airport	LaGuardia Airport	Central Terminal Building	New York	NY	11371	2,864
770	Airport	Detroit International Airport	Detroit Metropolitan Airport	Romulus	MI	48242	767
771	Airport	Detroit International Airport	Detroit Metropolitan Airport	Romulus	MI	48242	710
772	Airport	T.F. Green State Airport	2000 Post Rd	Providence	RI	02886	890
773	Airport	Dallas Fort Worth Int'l A/P	Terminal A	Dallas	TX	75261	911
774	Airport	Detroit Metro Airport	North Terminal	Romulus	MI	48197	710
775	Airport	Detroit Metro Airport	North Terminal	Romulus	MI	48197	1,431
776	Airport	JFK International A/P	Terminal 5	New York	NY	11430	1,815
777	Airport	Raleigh - Durham A/P	Terminal 2	Raleigh	NC	27623	1,225
790	BSR	Hickory Point Mall	U.S. Route 51 North	Decatur	IL	62526	7,770
791	BSR	Quincy Mall	3382 Quincy Mall	Quincy	IL	62301	2,440
792	BSR	Central Mall	3Rd Street & C Avenue	Lawton	OK	73501	2,352
793	BSR	The Shops At Mission Viejo	680 The Shops At Mission Viejo	Mission Viejo	CA	92691	4,450
794	BSR	Roseburg Valley Mall	1414 N.W. Garden Valley Blvd.	Roseburg	OR	97470	2,187
797	BSR	Country Club Mall	1262 Vocke Road	La Valle	MD	21502	3,524
798	BSR	Settler's Crossing	1500 White Mountain Highway	North Conway	NH	03860	3,925
801	BSS	Shoppes At Stroud	Stroud Mall	Stroud Township	PA	18360	22,314
802	BSS	Mansfield Crossing	280 School Street	Mansfield	MA	02048	22,129
804	BSS	Shadow Lake Towne Center	7775 Olson Drive	Papillion	NE	68046	21,830
806	BSR	North Hanover Mall	1155 Carlisle Street	Hanover	PA	17331	3,365
826	BSR	Dulles Town Center	21100 Dulles Town Ctr. Circle	Dulles	VA	20166	5,000
828	BSR	Pine Ridge Mall	4155 Yellowstone Hwy	Chubbuck	ID	83202	2,809
830	BSS	The Mall Of Louisiana	6401 Bluebonnet Boulevard	Baton Rouge	LA	70836	24,908
831	BSS	Westfield Plaza Bonita	303 Plaza West Bonita Road	National City	CA	91950	23,300
832	BSS	Pier Park	Us 98 & Powell Adams Road	Panama City Beach	FL	32413	23,276
834	BSS	Legacy Place	430 Legacy Place	Dedham	MA	02026	24,479
835	BSS	Hamilton Town Center	13901 Town Center Road	Noblesville	IN	46060	23,200
841	BSR	White Marsh Mall	8200 Perry Hall Blvd	Baltimore	MD	21236	3,791
842	BSR	Susquehanna Valley Mall	A-12 Susquehanna Valley Mall	Selinsgrove	PA	17870	4,528
843	BSR	Colony Square Mall	3575 North Maple	Zanesville	OH	43701	2,396
844	BSR	Clearview Mall	101 Clearview Circle	Butler	PA	16001	2,760
845	BSR	Du Bois Mall	Rt 255 & Shaffer Rd	Du Bois	PA	15801	3,000
846	BSR	Durango Mall	800 South Camino Del Rio	Durango	CO	81301	2,000
847	BSR	The Mall At Columbia	10300 Little Patuxent Pkwy	Columbia	MD	21044	2,974
849	BSR	Eastridge Mall	601 Wyoming Blvd.	Casper	WY	82609	3,274
858	BSR	Dover Mall	1365 North Dupont Highway	Dover	DE	19901	3,317
870	BSR	Rio West	1300 West I-40 Frontage	Gallup	NM	87301	6,770
888	BSR	Valle Vista Mall	2000 South Expressway 83	Harlingen	TX	78550	2,355
889	BSR	Southside Mall	Rd #2/Rt 23 Nys	Oneonta	NY	13820	2,625
891	BSR	Blue Ridge Mall	1800 Four Seasons Blvd.	Hendersonville	NC	28739	2,366
892	BSR	Green Acres Mall	1117 Green Acres Mall	Valley Stream	NY	11580	6,487
894	BSR	Green Tree Mall	717 East State Road	Clarksville	IN	47129	3,000
897	BSR	Charleston Town Center	2107 Charleston Town Center	Charleston	WV	25389	5,483
898	BSR	Oxmoor Center	7900 Shelbyville Road	Louisville	KY	40222	5,565
904	BSR	Washington Park Mall	3900 Price Road	Bartlesville	OK	74003	3,090
906	BSR	Crystal Mall	850 Hartford Turnpike	Waterford	CT	06385	6,213
907	BSR	Westland Shopping Center	3500 West Warren	Westland	MI	48185	2,907
908	BSR	Wasilla Shopping Center	595 E Parks Hwy	Wasilla	AK	99654	3,202
911	BSR	Coddington Center	538 Coddington Reg. Ctr.	Santa Rosa	CA	95401	4,030
912	BSR	Auburn Mall	550 Center Street	Auburn	ME	04210	5,851
913	BSR	Gratiot Avenue	31946 Gratiot Avenue	Roseville	MI	48066	4,000
914	BSR	Town Center At Cobb	400 Ernest Barrett Pkwy-Ste263	Kennesaw	GA	30144	6,636
915	BSR	Western Village Shopping Cent	6139 Glenway Avenue	Cincinnati	OH	45211	4,950
917	BSR	Ka'ahumanu Center	275 Ka'ahumanu Center	Kahului, Maui	HI	96732	9,390
918	BSR	Jefferson Square	3870 S. 6Th Street	Klamath Falls	OR	97603	4,200
919	BSR	Town Mall Of Westminster	400 North Center Street	Westminster	MD	21157	3,185
921	BSR	Central Mall	2259 South 9Th Street	Salina	KS	67402	3,387
922	BSR	Three Rivers Mall	1205 Three Rivers Drive	Kelso	WA	98626	2,800
923	BSR	1316 Washington St.- Hanover	1316 Washington Street	Hanover	MA	02339	4,000
924	BSR	Sunrise Mall	2370 N. Expressway	Brownsville	TX	78526	3,180

Borders Group, Inc
Exhibit 1

Store List

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
925	BSR	River Valley Mall	1635 River Valley Circle South	Lancaster	OH	43130	2,483
926	BSR	Manhattan Town Center	100 Manhattan Town Center	Manhattan	KS	66502	5,066
927	BSR	Pinecrest Plaza	US 15-501 Hwy Dr & Morganton Rd	Southern Pines	NC	28387	2,600
928	BSR	Southgate Center	13667 Eureka Road	Southgate	MI	48192	8,000
931	BSR	The Mall of Monroe fka French	2121 N. Monroe Street	Monroe	MI	48161	2,291
932	BSR	Town Center Of Mililani	1249 Meheula Parkway	Milalani	HI	96789	2,752
933	BSR	Chicago Ridge Mall	Ridgeland & 95Th Street	Chicago	IL	60415	3,274
934	BSR	University Mall	155 Dorset Street	South Burlington	VT	05403	5,995
935	BSR	Westbrooke Village (Wb & Mo	7311 Quivera Road	Shawnee	KS	66216	8,000
937	BSR	Fountain Square S/C (Wb& Mo	302 E Bell Rd	Phoenix	AZ	85022	7,400
938	BSR	Shawnee Mall	4901 N. Kickapoo St.	Shawnee	OK	74801	3,003
939	BSR	Exton Square	208 Exton Square	Exton	PA	19341	4,800
944	BSR	Cascade Mall	345 Cascade Mall Drive	Burlington	WA	98233	2,808
945	BSR	Roosevelt Boulevard	2212 N. Roosevelt Blvd.	Key West	FL	33040	7,200
947	BSR	Fair Oaks Mall	2306 25Th Street	Columbus	IN	47201	2,813
949	BSR	Tuttle Crossing Mall	5043 Tuttle Crossing Blvd #270	Columbus	OH	43017	5,769
954	BSR	Charleston Place	120 Market Street	Charleston	SC	29401	3,135
955	BSR	Twelve Oaks Mall	27500 Novi Road	Novi	MI	48377	5,114
956	BSR	Citrus Park Town Center	8021 Citrus Park Town Center	Tampa	FL	33625	5,417
957	BSR	Great Lakes Crossing	4230 Baldwin Road	Auburn Hills	MI	48326	5,051
958	BSR	Westfarms Mall	433 Westfarms Mall	West Hartford	CT	06032	4,583
959	BSR	Citicorp Center	500 West Madison	Chicago	IL	60661	3,704
960	BSR	Capitola Mall	1855 41St Avenue	Capitola	CA	95010	3,678
961	BSR	Honey Creek Square	3401 So. Us Hwy 41	Terre Haute	IN	47802	8,082
962	BSR	Silver City Galleria	2 Galleria Mall Drive	Taunton	MA	02780	4,316
963	BSR	Eastbrook Mall	Route 195	Willimantic	CT	06226	2,425
964	BSR	The Mall At Rockingham Park	99 Rockingham Park	Salem	NH	03079	4,144
966	BSR	St. Lawrence Center	St. Lawrence Centre	Massena	NY	13662	3,630
968	BSR	Tower City Center	230 W. Huron Road	Cleveland	OH	44113	3,224
970	BSR	Swampscott Mall	970 Paradise Road	Swampscott	MA	01907	4,400
971	BSR	The Mall At Wellington Green	Mall At Wellington Green	Wellington	FL	33414	3,200
972	BSR	Hanford Mall	1675 West Lacey Boulevard	Hanford	CA	93230	2,500
973	BSR	Laurel Park Place/Coopersmith	37560 West Six Mile Road	Livonia	MI	48152	4,337
974	BSR	Fair Oaks Mall	11713 Fair Oaks Mall	Fairfax	VA	22030	7,096
975	BSR	Salem Centre	480 Center St.	Salem	OR	97301	3,373
977	BSR	Springfield Mall	1200 Baltimore Pike @Sproul Rd	Springfield	PA	19064	6,684
981	BSR	Meadowood Mall	5178 Meadowood Mall Circle	Reno	NV	89502	7,885
983	BSR	Gulfview Square Mall	9409 Us Highway 19	Port Richey	FL	33568	3,207
984	BSR	New Towne Mall	400 Mill Ave., Se / Sp 723	New Philadelphia	OH	44663	2,585
986	BSR	Ashland Town Center	500 Winchester Ave.	Ashland	KY	41101	2,809
987	BSR	Rye Ridge S/C	106 South Ridge Street	Portchester	NY	10573	3,100
399							Average Sq Ft 17,110

EXHIBIT 2(b)

FORM OF APPROVAL ORDER

(TO BE MUTUALLY AGREED UPON)

Borders Group, Inc
Exhibit 3.1(c)

Merchandise Threshold Schedule

Cost Value	Adjustment Points	Adjusted Guaranty
415,000,000	0.14%	70.68%
413,000,000	0.14%	70.82%
411,000,000	0.14%	70.96%
409,000,000	0.14%	71.10%
407,000,000	0.14%	71.24%
405,000,000	0.14%	71.38%
403,000,000	0.12%	71.52%
401,000,000	0.12%	71.64%
399,000,000	0.12%	71.76%
397,000,000	0.12%	71.88%
395,000,000		72.00%
350,000,000		72.00%
348,000,000	0.14%	71.86%
346,000,000	0.14%	71.72%
344,000,000	0.14%	71.58%
342,000,000	0.14%	71.44%
340,000,000	0.14%	71.30%
338,000,000	0.17%	71.13%
336,000,000	0.17%	70.96%
334,000,000	0.17%	70.79%
332,000,000	0.17%	70.62%
330,000,000	0.17%	70.45%
328,000,000	0.20%	70.25%
326,000,000	0.20%	70.05%
324,000,000	0.20%	69.85%
322,000,000	0.20%	69.65%
320,000,000	0.20%	69.45%
318,000,000	0.23%	69.22%
316,000,000	0.23%	68.99%
314,000,000	0.23%	68.76%

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 \$415,000,000, each \$2,000,000 (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 \$314,000,000, each \$2,000,000 (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.

Exhibit 3.4

FORM OF AGENT LETTER OF CREDIT

[NAME OF ISSUING BANK]

[ADDRESS]

Date: _____, 2011

Irrevocable Standby Letter of Credit Number: _____

BENEFICIARIES:

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

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 ELECTRIC CAPITAL
CORPORATION

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: _____

4.1 (r) Occupancy Per Diem

Block #	Base Rent (% Rent/16 edit)	Common Area Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint	Occupancy Other	Security	Utilities	Supplies	Equip. Lease	Equip. Maint	Other Taxes	Dues & Subscrip.	SBC License Fee	% Occupancy Component Above Base Per Diem	% Occupancy Comments	Total
1	2,853	88	622	24	84	100	24	590	-	-	91	57	-	-	-	4,493	1,428
14	605	88	97	6	18	96	59	180	-	-	19	10	-	-	-	2,214	-
16	1,247	171	212	9	48	64	20	241	-	-	38	64	-	-	-	2,678	-
19	1,734	238	255	44	56	86	30	359	-	-	58	62	-	-	-	3,313	-
20	2,447	167	203	20	47	83	28	237	-	-	51	2	-	-	-	2,428	-
22	1,860	82	169	30	33	119	25	355	-	-	24	1	-	-	-	1,322	-
28	785	-	-	11	42	65	13	347	-	-	56	2	-	-	-	3,290	-
30	2,197	176	259	13	27	84	21	459	-	-	9	53	-	-	-	3,210	-
38	1,850	222	365	15	27	88	20	344	-	-	22	48	-	-	-	2,517	-
40	1,428	19	303	13	40	98	30	546	-	-	39	1	-	-	-	1,812	-
41	850	129	338	8	23	68	15	308	-	-	56	95	-	-	-	2,158	-
43	1,241	115	135	20	43	83	23	368	-	-	42	2	-	-	-	2,068	-
44	1,350	159	553	14	39	159	34	468	-	-	6	98	-	-	-	3,972	-
45	2,723	53	296	35	105	95	27	413	-	-	43	33	-	-	-	2,609	-
46	1,542	220	266	48	60	100	19	297	-	-	45	30	-	-	-	3,372	-
47	2,558	-	378	10	37	83	20	211	-	-	35	38	-	-	-	2,753	-
55	1,255	161	307	28	62	97	25	688	-	-	15	5	-	-	-	2,840	-
61	1,503	120	761	27	32	87	29	310	-	-	55	2	-	-	-	2,238	-
62	1,180	223	205	14	67	78	33	381	-	-	23	52	-	-	-	2,386	-
64	1,342	283	152	35	66	78	113	263	-	-	33	47	-	-	-	2,150	-
68	1,207	308	229	14	69	78	13	189	-	-	61	50	-	-	-	3,093	-
72	2,696	135	360	17	110	95	28	437	-	-	1	39	1	-	-	1,706	-
73	895	135	127	14	32	81	21	274	-	-	42	50	-	-	-	2,644	-
74	1,727	184	159	17	48	86	22	322	-	-	5	68	-	-	-	2,453	-
76	1,178	180	368	16	34	101	19	270	-	-	2	59	-	-	-	3,228	-
78	1,458	241	618	13	41	107	26	300	-	-	39	1	-	-	-	1,467	-
79	% Rent	77	485	14	60	99	42	453	-	-	52	1	-	-	-	3,071	-
80	2,147	0	154	17	97	122	28	620	-	-	55	105	-	-	-	4,054	-
85	2,870	211	237	37	55	125	25	330	-	-	47	90	-	-	-	5,036	-
89	3,423	-	556	20	104	194	21	606	-	-	10	68	-	-	-	2,614	-
89	1,428	164	256	16	63	119	35	376	-	-	54	9	-	-	-	2,844	-
94	1,559	90	214	13	83	97	35	428	-	-	36	-	-	-	-	702	-
95	% Rent	-	-	18	41	118	24	467	-	-	13	41	-	-	-	3,482	-
98	2,302	-	318	13	47	320	30	287	-	-	39	1	-	-	-	2,817	-
100	1,814	-	225	15	60	201	37	428	-	-	41	39	-	-	-	1,716	-
107	631	348	-	12	25	84	27	230	-	-	48	52	-	-	-	1,632	-
108	654	-	105	14	49	84	33	274	-	-	5	22	-	-	-	2,218	-
110	1,260	158	237	17	43	87	14	319	-	-	50	104	-	-	-	3,758	-
112	2,455	223	565	49	96	131	21	252	-	-	43	56	-	-	-	2,615	-
113	1,695	0	420	15	43	61	16	355	-	-	35	67	-	-	-	2,584	-
114	1,471	285	208	39	38	65	16	335	-	-	52	57	-	-	-	2,728	-
119	1,740	81	122	15	59	83	35	458	-	-	512	13	-	-	-	6,132	-
120	3,530	117	793	56	109	227	33	783	-	-	27	11	-	-	-	1,921	-
123	1,305	-	217	17	22	119	17	202	-	-	40	37	-	-	-	2,278	-
125	1,319	-	210	14	97	184	43	588	-	-	107	34	-	-	-	2,814	-
126	1,595	398	217	17	62	116	20	267	-	-	42	34	-	-	-	2,887	-
130	1,763	319	115	53	44	123	28	348	-	-	48	32	-	-	-	1,683	-
133	982	43	247	17	46	170	31	316	-	-	41	2	-	-	-	2,477	-
138	1,637	218	128	38	43	79	20	271	-	-	40	1	-	-	-	1,853	-
137	1,150	75	84	23	45	67	22	328	-	-	31	18	-	-	-	1,538	-
148	622	52	243	13	40	66	24	227	-	-	62	202	-	-	-	2,517	-
145	1,024	169	687	15	38	80	21	277	-	-	60	37	-	-	-	2,532	-
147	1,630	181	127	14	59	81	27	315	-	-	51	35	-	-	-	2,282	-
152	1,548	42	147	39	42	83	23	248	-	-	40	38	-	-	-	2,010	-
155	1,004	323	-	11	50	74	18	451	-	-	23	-	-	-	-	1,549	-
162	949	72	99	12	39	74	35	284	-	-	109	48	-	-	-	3,559	-
163	2,861	-	-	15	48	67	20	351	-	-	4	29	2	-	-	2,404	-
164	1,475	175	229	15	37	73	18	348	-	-	52	28	-	-	-	2,400	-
166	1,586	-	320	15	41	113	18	233	-	-	100	48	-	-	-	2,780	-
167	1,580	284	314	14	40	78	23	262	-	-	54	23	-	-	-	2,980	-
168	1,131	208	243	11	55	64	19	271	-	-	48	9	-	-	-	2,598	-
169	1,231	141	677	15	80	85	23	255	-	-	48	3	-	-	-	2,598	-

Borders Group, Inc

4.1(r) Occupancy - Per Diem

Store #	Base Rent (% Rent is adst)	Common Area Maintenance	Rent Eases Taxes	Insurance	Building Repair & Maint	Occupancy Other	Security	Utilities	Supplies	Equip. Leases	Equip. Rent	Other Taxes	Due & Subscrip.	SBC License Fees	Total	% Occupancy Component above Base Per Diem	% Occupancy Comments
170	650	71	169	17	63	65	19	395	-	-	-	48	20	-	1,752	-	
173	1,346	148	330	38	47	66	16	373	-	-	72	1	-	-	2,453	-	
176	1,127	148	305	13	53	66	22	281	-	-	-	47	34	-	2,096	-	
177	1,064	328	-	14	38	84	27	322	-	-	65	42	-	-	1,956	-	
178	1,151	100	268	11	56	53	21	278	-	-	69	27	-	-	2,044	-	
180	2,246	-	699	18	98	184	26	407	-	-	69	73	-	-	3,800	-	
182	1,001	14	363	14	52	104	19	386	-	-	30	1	-	-	2,034	-	
183	1,194	116	98	20	41	86	22	307	-	-	55	39	-	-	1,878	-	
184	2,088	211	204	15	52	102	26	82	-	12	47	43	-	-	2,864	-	
185	1,272	98	146	14	70	131	25	388	-	11	57	68	-	-	2,226	-	
186	1,741	244	384	20	68	91	26	233	-	-	73	265	-	-	3,198	-	
188	1,022	132	108	24	47	82	21	233	-	-	42	35	-	-	1,747	-	
190	659	103	177	23	43	62	26	693	-	-	41	48	-	-	1,705	-	
191	1,368	344	49	14	80	132	19	294	-	5	77	50	-	-	2,405	-	
193	1,185	162	215	28	66	71	33	415	-	-	82	8	-	-	2,273	-	
194	1,250	122	184	22	26	62	17	254	-	-	55	24	-	-	2,054	-	
197	1,134	-	456	14	28	67	24	243	-	-	44	1	-	-	2,038	-	
199	1,265	55	130	28	29	63	14	288	-	-	37	81	-	-	1,940	-	
201	1,398	14	144	14	105	90	34	239	-	-	53	110	-	-	2,193	-	
202	1,696	228	169	13	36	70	28	378	-	-	49	130	-	-	2,599	-	
209	252	4	84	12	85	97	49	253	-	-	9	41	-	-	1,012	-	
210	1,219	90	219	19	27	67	14	327	-	-	54	68	-	-	2,098	-	
211	1,518	312	112	29	45	69	18	434	-	-	50	81	-	-	2,654	-	
212	1,544	284	91	21	58	106	46	448	-	-	50	81	-	-	2,741	-	
215	885	228	109	14	58	65	26	243	-	-	7	37	-	-	1,718	-	
217	2,242	121	237	45	42	73	17	378	-	-	45	72	-	-	3,272	-	
218	908	66	174	14	50	78	30	408	-	14	100	58	-	-	1,801	-	
219	1,548	-	197	55	50	97	23	436	-	-	31	1	-	-	2,507	-	
220	1,882	83	221	19	54	79	18	401	-	-	51	21	-	-	2,650	-	
228	1,500	179	197	65	50	67	23	438	-	-	31	1	-	-	2,658	-	
228	1,501	53	177	12	46	83	19	254	-	-	46	2	-	-	1,870	-	
229	2,084	66	324	55	60	67	23	436	-	-	31	1	-	-	3,116	-	
230	1,108	227	145	12	49	88	28	453	-	-	51	1	-	-	2,162	-	
231	% Rent	-	-	-	31	101	19	325	-	-	55	16	-	-	1,950	-	6% of sales for gross occupancy plus utilities and sales tax
232	791	91	82	12	49	68	23	264	-	-	26	113	-	-	1,466	-	
238	1,188	60	130	13	98	66	26	368	-	5	41	40	-	-	2,065	-	
237	1,129	240	92	13	56	63	16	379	-	-	40	1	-	-	2,090	-	
246	1,119	171	172	13	34	88	25	325	-	-	100	143	-	-	2,211	-	
249	873	156	604	13	50	54	24	287	-	-	41	215	-	-	2,515	-	
250	1,071	107	161	13	23	55	12	192	-	-	46	10	-	-	1,899	-	
252	1,466	-	459	14	78	125	16	325	-	-	33	2	-	-	2,487	-	
253	1,126	50	117	14	49	73	23	268	-	-	29	7	-	-	1,785	-	
267	1,320	120	148	40	60	67	23	438	-	-	31	1	-	-	2,240	-	
290	2,352	968	562	18	52	225	25	488	-	-	72	181	-	-	4,480	-	
282	1,108	138	281	14	42	73	21	272	-	-	49	84	-	-	2,078	-	
270	1,543	118	767	38	31	88	27	745	-	-	64	2	-	-	3,600	-	
271	1,432	-	322	14	65	131	16	227	-	-	37	-	-	-	2,248	-	
276	1,280	163	184	15	41	67	22	469	-	-	38	29	-	-	2,310	-	
277	864	52	114	14	24	62	13	314	-	-	36	1	-	-	1,525	-	
281	1,661	111	184	14	88	105	20	374	-	-	42	21	-	-	2,636	-	
286	1,188	38	244	14	39	67	16	375	-	-	66	2	-	-	2,035	-	
287	1,243	119	195	14	45	72	23	162	-	-	60	39	-	-	1,941	-	
289	1,300	0	177	14	62	60	19	281	-	60	52	48	-	-	1,904	-	
290	1,360	265	290	14	70	91	25	311	-	-	55	123	-	-	3,028	-	
291	1,368	48	338	14	41	108	28	360	-	-	41	90	-	-	2,466	-	
292	1,418	0	373	14	83	153	28	240	-	-	34	2	-	-	2,342	-	
293	1,368	40	405	25	53	81	20	248	-	-	44	83	-	-	1,984	-	
294	1,021	238	313	14	83	97	19	347	-	-	48	23	-	-	2,462	-	
295	1,027	52	99	11	23	62	20	275	-	-	36	42	-	-	1,590	-	
296	1,448	111	153	14	24	53	21	281	-	7	42	62	-	-	2,433	-	
298	1,701	153	379	14	59	73	15	365	-	-	43	62	-	-	2,883	-	
300	1,588	183	182	14	38	85	24	459	-	-	1	54	24	-	2,372	-	

Borders Group, Inc
4.1 (i) Occupancy - Per Claim

Shore #	Base Rent (% Rent is add'l)	Common Area Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint.	Occupancy Other	Security	Utilities	Supplies	Equip. Leases	Equip. Maint.	Other Taxes	Data & Salary	SBC Lease Fee	Total		% Occupancy Component Per Claim	% Occupancy Comments
															Total	SBC		
327	981	132	100	12	98	61	19	269	-	-	28	38	-	-	1,742	-	-	-
334	788	118	370	12	31	67	23	438	-	-	31	1	-	-	1,874	-	-	-
335	568	197	183	20	28	72	21	588	-	14	27	53	-	-	1,872	-	-	-
337	1,652	18	345	14	55	143	22	325	-	2	42	30	-	-	2,650	-	-	-
338	1,314	210	181	24	53	72	26	265	-	-	41	34	-	-	2,242	-	-	-
340	1,438	64	208	17	48	95	61	351	-	-	58	1	-	-	2,537	-	-	-
344	1,806	-	160	14	67	93	39	484	-	-	64	34	-	-	2,783	-	-	-
346	1,205	113	184	37	47	82	25	387	-	-	61	33	-	-	2,182	-	-	-
348	1,009	359	-	12	39	64	32	188	-	-	18	28	-	-	1,747	-	-	-
349	1,171	166	284	14	82	70	24	226	-	5	85	60	-	-	2,658	-	-	-
368	2,327	827	-	-	95	220	30	1,138	-	27	70	1,786	-	-	6,868	-	-	-
361	1,078	111	227	14	24	52	19	533	-	-	38	54	-	-	1,841	-	-	-
364	1,485	118	149	47	31	80	29	337	-	5	46	0	-	-	2,307	-	-	-
368	1,176	155	93	37	40	93	14	310	-	15	50	1	-	-	1,988	-	-	-
369	1,387	-	208	11	68	88	12	201	-	5	41	1	-	-	2,017	-	-	-
370	1,262	171	65	27	52	60	25	202	-	-	55	33	-	-	2,328	-	-	-
371	1,556	107	171	28	32	80	21	208	-	-	39	28	-	-	2,047	-	-	-
372	1,050	88	118	18	31	68	25	181	-	6	71	59	-	-	1,776	-	-	-
373	1,214	84	985	14	34	68	18	287	-	-	50	19	-	-	2,370	-	-	-
378	1,241	118	32	14	38	79	27	238	-	-	38	102	-	-	1,827	-	-	-
380	1,767	84	131	14	28	70	31	381	-	-	31	0	-	-	2,918	-	-	-
381	2,189	244	532	39	67	96	27	239	-	-	43	287	-	-	3,652	-	-	-
382	2,718	-	-	15	60	100	28	463	-	-	64	3	-	-	3,625	-	-	-
383	1,423	140	200	13	41	83	18	315	-	-	64	209	-	-	2,465	-	-	-
384	1,346	78	220	14	69	79	24	539	-	8	39	35	-	-	2,229	-	-	-
388	2,096	1,138	202	15	68	110	17	512	-	-	109	82	-	-	4,338	-	-	-
390	1,042	224	335	14	33	71	21	129	-	-	37	1	-	-	1,917	-	-	-
391	1,280	79	80	27	47	62	14	279	-	-	38	51	-	-	1,857	-	-	-
392	1,735	225	285	15	48	113	23	811	-	-	40	45	-	-	3,051	-	-	-
394	1,145	81	268	12	34	84	40	360	-	-	60	1	-	-	2,108	-	-	-
397	1,433	151	207	14	26	70	21	293	-	-	68	6	-	-	2,458	-	-	-
401	1,262	85	158	43	48	89	32	364	-	8	53	38	-	-	2,165	-	-	-
405	2,852	230	659	69	60	145	33	285	-	-	119	4	-	-	4,479	-	-	-
414	1,344	121	432	40	43	62	23	532	-	-	43	188	-	-	2,845	-	-	-
415	1,333	188	186	14	44	66	24	300	-	-	32	34	-	-	2,236	-	-	-
417	1,110	115	159	31	82	117	23	232	-	-	35	19	-	-	1,593	-	-	-
421	1,560	215	258	16	56	77	23	423	-	-	38	52	-	-	2,746	-	-	-
434	684	259	5	15	35	71	15	328	-	-	33	1	-	-	1,460	-	-	-
436	778	107	9	37	28	100	20	191	-	-	48	31	-	-	1,438	-	-	-
439	1,450	145	188	13	45	121	14	408	-	-	38	5	-	-	2,428	-	-	-
440	1,571	103	139	14	34	71	21	230	-	5	52	84	-	-	2,323	-	-	-
441	1,143	43	156	21	16	56	25	162	-	-	27	34	-	-	1,714	-	-	-
442	1,222	4	133	13	63	148	29	433	-	-	43	36	-	-	2,121	-	-	-
444	982	105	426	13	46	85	21	215	-	-	68	48	-	-	2,029	-	-	-
445	1,177	362	69	13	25	69	28	436	-	-	31	1	-	-	2,231	-	-	-
446	949	171	228	39	46	64	18	586	-	-	50	1	-	-	1,923	-	-	-
448	1,007	250	307	15	38	87	16	306	-	-	51	1	-	-	2,189	-	-	-
449	1,553	538	15	98	63	28	336	-	-	-	53	231	-	-	2,888	-	-	-
451	2,074	559	-	15	62	150	38	992	-	-	113	45	-	-	3,628	-	-	-
452	1,428	439	153	35	80	109	17	445	-	6	47	81	-	-	2,978	-	-	-
453	1,024	105	119	13	21	59	13	177	-	-	6	27	30	-	1,581	-	-	-
454	830	71	101	14	15	71	19	265	-	-	46	53	-	-	1,602	-	-	-
461	1,008	195	288	14	38	71	28	446	-	-	63	8	-	-	2,161	-	-	-
463	1,042	201	426	14	42	68	19	519	-	5	45	43	-	-	2,144	-	-	-
464	1,050	107	183	14	20	60	18	302	-	-	38	30	-	-	1,833	-	-	-
468	1,179	82	177	12	33	76	34	516	-	-	45	6	-	-	2,183	-	-	-
471	1,200	300	74	13	35	56	28	446	-	-	118	1	-	-	2,339	-	-	-
472	1,093	52	84	13	29	76	22	265	-	-	41	132	-	-	1,820	-	-	-
473	2,045	277	685	15	25	133	20	368	-	8	75	83	-	-	3,448	-	-	-
476	925	118	314	12	24	66	28	278	-	-	51	184	-	-	2,013	-	-	-
479	1,388	99	370	14	37	81	37	478	-	-	35	8	-	-	3,155	-	-	-
484	1,207	202	516	12	78	61	37	260	-	-	57	34	-	-	2,483	-	-	-

4.1 (t) Occupancy Fee Plan

Store #	Base Rent (% Rent is add'l)	Common Area Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint.	Occupancy Other	Security	Utilities	Supplies	Equip. Leases	Equip. Maint.	Other Taxes	Dues & Subscrip.	85C License Fee	% Occupancy Component Net Base Per Diem	% Occupancy Comments	Total
488	866	112	340	25	30	62	15	245	-	-	-	47	18	-	-	-	1,749
489	1,376	294	260	14	31	73	28	423	-	-	-	48	9	-	-	-	2,468
490	1,172	171	627	12	48	71	3	258	-	-	-	59	1	-	-	-	2,419
496	763	145	66	11	64	55	19	223	-	-	13	46	133	-	-	-	1,820
500	1,234	132	237	14	30	90	23	188	-	-	-	31	1	-	-	-	1,936
513	609	103	111	11	24	66	13	191	-	-	-	37	14	-	-	-	1,181
514	764	178	107	18	26	67	19	281	-	-	-	54	0	-	-	-	1,506
515	877	164	87	9	71	69	30	295	-	-	-	57	0	-	-	-	1,850
521	768	62	133	16	24	57	32	247	-	-	-	20	24	-	-	-	1,376
522	1,291	172	316	14	28	92	26	227	-	1	88	69	-	-	-	-	2,311
524	1,291	126	136	13	30	89	24	426	-	-	38	30	-	-	-	-	2,201
531	666	172	345	16	24	90	14	237	-	-	31	2	-	-	-	-	1,757
532	566	67	109	13	40	84	21	161	-	-	24	16	-	-	-	-	1,123
534	982	125	143	12	30	82	20	301	-	6	34	27	-	-	-	-	1,762
537	846	107	70	10	31	75	24	291	-	-	52	43	-	-	-	-	1,548
539	881	122	57	28	80	80	17	246	-	1	47	47	-	-	-	-	1,686
544	746	95	42	9	27	62	17	208	-	-	45	13	-	-	-	-	1,224
547	601	139	275	12	32	63	13	227	-	-	35	1	-	-	-	-	1,160
551	632	49	86	8	36	54	16	247	-	6	38	36	-	-	-	-	983
555	858	42	65	6	18	54	21	163	-	-	51	22	-	-	-	-	1,000
557	1,065	103	169	12	44	67	22	342	-	-	38	38	-	-	-	-	1,800
559	827	65	120	13	28	56	17	191	-	-	35	38	-	-	-	-	1,416
560	652	89	167	11	24	63	13	172	-	11	35	28	-	-	-	-	1,652
567	1,079	201	12	12	31	103	16	274	-	9	53	69	-	-	-	-	1,846
568	1,981	181	412	15	38	78	23	466	-	-	51	8	-	-	-	-	3,231
570	714	114	11	24	66	19	178	-	-	-	41	26	-	-	-	-	1,310
572	884	-	312	11	33	108	12	196	-	4	62	1	-	-	-	-	1,724
573	1,336	130	246	13	26	84	30	438	-	-	68	9	-	-	-	-	2,390
580	1,271	363	311	13	55	77	22	267	-	-	51	20	-	-	-	-	2,630
581	713	101	69	9	33	96	16	328	-	-	45	15	-	-	-	-	1,422
582	4,500	-	95	13	164	411	48	610	-	6	182	216	-	-	-	-	6,172
583	837	104	123	8	23	65	15	197	-	-	47	0	-	-	-	-	1,410
585	556	129	93	13	30	77	27	241	-	-	48	34	-	-	-	-	1,048
586	1,643	331	662	13	70	103	26	473	-	0	66	44	-	-	-	-	3,343
589	1,071	148	177	11	57	80	17	388	-	8	44	44	-	-	-	-	2,045
590	1,313	135	255	12	30	60	15	237	-	-	65	5	-	-	-	-	2,128
591	869	101	311	10	32	55	20	307	-	5	40	1	-	-	-	-	1,651
592	3,830	1,084	1,042	14	64	304	52	1,282	-	-	25	302	-	-	-	-	8,033
594	1,280	172	268	12	43	69	34	483	-	-	31	1	-	-	-	-	2,424
597	2,238	429	103	13	38	104	22	520	-	5	43	2	-	-	-	-	3,576
598	586	98	148	12	23	64	25	335	-	-	47	64	-	-	-	-	1,613
599	2,251	207	254	12	75	71	26	360	-	-	53	45	-	-	-	-	3,406
603	1,186	168	95	12	18	66	24	366	-	0	49	74	-	-	-	-	2,094
606	1,630	218	216	17	60	112	30	327	-	-	44	2	-	-	-	-	2,717
615	313	34	12	30	49	10	56	-	-	8	16	34	-	-	-	-	664
616	1,644	180	92	15	25	65	21	203	-	14	26	57	-	-	-	-	2,543
620	875	292	228	10	38	53	32	271	-	-	29	45	-	-	-	-	1,974
622	% Rent	-	-	-	-	11	25	2	105	-	-	7	0	-	-	-	149
623	367	-	-	-	13	12	2	104	-	-	19	18	-	-	-	-	525
625	590	183	108	35	27	61	18	368	-	-	31	1	-	-	-	-	1,338
628	688	142	344	10	31	65	17	224	-	-	40	25	-	-	-	-	1,754
631	683	100	234	10	33	61	36	188	-	-	26	1	-	-	-	-	1,383
640	52	167	100	-	10	23	-	133	-	-	7	11	-	-	-	-	594
645	1,005	420	-	13	93	82	24	442	-	5	55	69	-	-	-	-	2,208
647	850	266	56	11	32	83	31	414	-	-	55	4	-	-	-	-	1,890
649	% Rent	-	-	-	6	26	-	58	-	-	10	4	-	-	-	-	103
653	1,042	366	-	12	67	76	18	349	-	-	71	2	-	-	-	-	1,964
654	751	49	186	11	47	67	17	194	-	-	47	1	-	-	-	-	1,222
656	523	417	74	25	52	70	55	410	-	-	65	43	-	-	-	-	1,858
657	1,226	-	71	14	25	46	20	330	-	-	40	81	-	-	-	-	1,858
681	2,328	-	153	13	37	95	31	160	-	-	20	-	-	-	-	-	2,856
682	846	124	83	12	49	71	13	223	-	8	99	106	-	-	-	-	1,605

5 of 7

4.1 (f) Occupancy - Per Diem

Store #	Base Rent (% Rent le edit)	Common Area Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint	Occupancy Other	Security	Utilities	Supplies	Equip. Leases	Equip. Maint	Other Taxes	Data & Internet	88C License Fee	Total	% Occupancy Component Above Base Per Diem	% Occupancy Comments
776	2,213	31	-	-	-	30	3	32	36	-	-	5	-	-	2,360	-	TRUE
777	607	-	-	-	-	8	3	15	19	37	-	5	4	-	686	-	TRUE
778	342	-	-	-	-	8	3	-	65	-	-	4	-	-	422	-	TRUE
779	238	-	-	-	-	11	11	20	44	-	-	6	-	-	330	-	TRUE
780	179	35	3	2	6	15	3	45	-	-	-	6	12	-	311	-	TRUE
781	% Rent	-	-	-	-	5	14	5	87	-	-	7	10	-	131	-	TRUE
782	% Rent	-	-	-	-	7	5	-	32	-	-	8	-	-	158	-	TRUE
783	% Rent	-	-	-	-	6	38	-	81	-	-	12	2	-	542	-	TRUE
784	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
785	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
786	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
787	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
788	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
789	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
790	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
791	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
792	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
793	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
794	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
795	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
796	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
797	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
798	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
799	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
800	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
801	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
802	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
803	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
804	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
805	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
806	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
807	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
808	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
809	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
810	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
811	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
812	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
813	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
814	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
815	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
816	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
817	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
818	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
819	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
820	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
821	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
822	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
823	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
824	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
825	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
826	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
827	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
828	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
829	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
830	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
831	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
832	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
833	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
834	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
835	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
836	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
837	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
838	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
839	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
840	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
841	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
842	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
843	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
844	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
845	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
846	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
847	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
848	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
849	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
850	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
851	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
852	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
853	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
854	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
855	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
856	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
857	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
858	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
859	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
860	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
861	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
862	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
863	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
864	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
865	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
866	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
867	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
868	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
869	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
870	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
871	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
872	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
873	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
874	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
875	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
876	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
877	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
878	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
879	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
880	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
881	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
882	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
883	% Rent	-	-	-	-	3	23	1	69	-	-	6	-	-	387	-	TRUE
884	% Rent																

Borders Group, Inc
4.110 Occupancy - Per Diem

Store #	Base Rent (% Rent is add'l)	Common Area Maintenance	Real Estate Taxes	Insurance	Building Repair & Maint	Occupancy Other	Security	Utilities	Supplies	Equip. Leases	Equip. Maint	Other Taxes	Data & Subscrip.	SBC License Fees	Total	% Occupancy Component above Base Per Diem	% Occupancy Comments
937	616	24	349	-	11	28	11	103	-	-	-	8	-	-	1,348	TRUE	8% of sales for gross occupancy plus consumables
938	% Rent	-	-	-	1	4	32	95	-	-	7	14	-	-	143	TRUE	10% of sales for gross occupancy plus utilities
939	% Rent	-	-	-	12	10	-	92	-	-	-	-	-	-	135	TRUE	8% of sales for gross occupancy plus utilities
940	% Rent	-	-	-	7	10	1	44	-	-	-	11	-	-	423	TRUE	6% of sales for gross occupancy with \$117,500 floor plus utilities
941	% Rent	-	-	-	12	50	4	145	-	-	-	8	-	-	625	TRUE	10% of sales for gross occupancy plus utilities
942	% Rent	-	-	-	6	31	-	43	-	-	-	8	-	-	92	TRUE	10% of sales for gross occupancy plus utilities
943	% Rent	-	-	-	10	17	1	175	-	-	-	9	-	-	213	TRUE	Base rent plus 7% of sales over breakpoint of \$1,300,000
944	% Rent	-	-	-	11	60	2	53	-	-	-	10	-	-	779	TRUE	10% of sales for gross occupancy with \$100,000 floor plus utilities
945	% Rent	-	-	-	15	15	-	118	-	-	-	8	-	-	457	TRUE	10% of sales for gross occupancy with \$101,307 floor plus utilities
946	% Rent	-	-	-	10	30	0	63	-	-	-	13	-	-	418	TRUE	12% of sales for gross occupancy plus utilities
947	% Rent	-	-	-	6	16	11	81	-	-	-	9	-	-	139	TRUE	10% of sales for gross occupancy with \$100,000 floor plus utilities
948	% Rent	-	-	-	18	13	3	172	-	-	-	6	-	-	915	TRUE	Base rent plus 6% of sales over breakpoint of \$2,466,333
949	% Rent	-	-	-	12	20	-	40	-	-	-	6	-	-	395	TRUE	7% of sales for gross occupancy with \$97,500 floor plus utilities
950	% Rent	-	-	-	13	19	-	90	-	-	-	9	-	-	467	TRUE	10% of sales for gross occupancy with \$125,000 floor plus utilities
951	% Rent	-	-	-	17	7	-	84	-	-	-	12	-	-	173	TRUE	8% of sales for gross occupancy plus utilities
952	% Rent	-	-	-	4	23	1	135	-	-	-	9	-	-	97	TRUE	10% of sales for gross occupancy plus consumables
953	% Rent	-	-	-	5	12	0	65	-	-	-	11	-	-	130	TRUE	10% of sales for gross occupancy plus utilities
954	% Rent	-	-	-	7	19	-	84	-	-	-	10	-	-	65	TRUE	6% of sales for gross occupancy plus utilities
955	% Rent	-	-	-	1	6	-	46	-	-	-	12	-	-	607	TRUE	Base rent plus 6% of sales over breakpoint of \$2,403,000
956	% Rent	-	-	-	2	8	1	65	-	-	-	9	-	-	647	TRUE	Base rent plus 7% of sales over breakpoint of \$1,061,428
957	% Rent	-	-	-	14	18	6	67	-	-	-	8	-	-	661	TRUE	10% of sales for gross occupancy with \$70,000 floor plus utilities
958	% Rent	-	-	-	12	41	-	84	-	-	-	19	-	-	290	TRUE	10% of sales for gross occupancy with \$60,000 floor plus utilities
959	% Rent	-	-	-	8	15	-	47	-	-	-	6	-	-	332	TRUE	10% of sales for gross occupancy with \$165,000 floor plus utilities
960	% Rent	-	-	-	10	14	0	90	-	-	-	7	-	-	694	TRUE	8% of sales for gross occupancy plus utilities
961	% Rent	-	-	-	14	25	-	128	-	-	-	12	-	-	851	TRUE	6% of sales for gross occupancy plus utilities
962	% Rent	-	-	-	5	15	-	51	-	-	-	8	-	-	144	TRUE	6% of sales for gross occupancy plus utilities
963	% Rent	-	-	-	16	29	1	81	-	-	-	9	-	-	124	TRUE	6% of sales for gross occupancy plus utilities
964	% Rent	-	-	-	3	33	24	63	-	-	-	6	-	-	102	TRUE	4% of sales for gross occupancy plus utilities and sales tax
965	% Rent	-	-	-	15	13	-	63	-	-	-	9	-	-	221	TRUE	6% of sales for gross occupancy with \$50,000 floor plus utilities
966	% Rent	-	-	-	10	15	-	40	-	-	-	8	-	-	221	TRUE	6% of sales for gross occupancy with \$50,000 floor plus utilities
967	% Rent	-	-	-	5	14	-	46	-	-	-	6	-	-	159	TRUE	6% of sales for gross occupancy plus utilities
968	% Rent	-	-	-	3	19	0	116	-	-	-	9	-	-	159	TRUE	6% of sales for gross occupancy plus utilities
969	% Rent	-	-	-	13,677	25,723	7,003	95,547	-	-	-	14,268	-	-	662,268	121	

Borders Group, Inc.

Exhibit 4.1 (s)

E-mail Distribution Charges

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

\$2,500 For segmentation work

\$0.00185 per email sent and successfully received

EXHIBIT 5.1(a)

INVENTORY TAKING PROCEDURES

(TO BE MUTUALLY AGREED UPON)

EXHIBIT 5.2

5.2(i) – Schedule of DC Damaged Goods

5.2(ii) – Schedule of DC Inventory

5.2(iii) – Schedule of On Order Goods

5.2(iv) – Schedule of Return to Vendor Inventory

5.2(v) – Schedule of Schuler Goods

(ALL TO BE MUTUALLY AGREED UPON)

Exhibit 5.4 Excluded Goods

SKU	Description
3260218	DISPLAY / FIXTURE
3244166	DISPLAY / FIXTURE
9925358	DISPLAY / FIXTURE
3195901	Warranty Card
3195902	Warranty Card
8435023	DOWNLOAD Service
9176659	SHUTTERFLY GIFT CARD
9961557	Smart Box Gift Card
9961558	Smart Box Gift Card
9961831	Smart Box Gift Card
9852985	LOYALTY CARD
9852986	LOYALTY CARD

Exhibit 6.1

Store	Center Name	City	State	Holiday Protections	Extension Date	Store Format
1	Ann Arbor Downtown	Ann Arbor	MI		1/12/2012	Superstore
14	The Corners Center	Beverly Hills	MI		1/12/2012	Superstore
16	Castleton Square	Indianapolis	IN	10/31/2011	1/12/2012	Superstore
19	Novi Town Center	Novi	MI	9/30/2011	1/12/2012	Superstore
20	Oak Brook Court	Oak Brook	IL		1/12/2012	Superstore
22	Jay Scutti Plaza	Henrietta/ Rochester	NY		1/12/2012	Superstore
28	La Place Fashion Centre	Beachwood	OH		1/12/2012	Superstore
30	Rosemont SC	Bryn Mawr	PA		1/12/2012	Superstore
39	Garden City Center	Cranston	RI		1/12/2012	Superstore
40	Sunrise Highway	Bohemia	NY		1/12/2012	Superstore
41	Park City Mall	Lancaster	PA	9/30/2011	1/12/2012	Superstore
43	Lutherville Station SC	Timonium	MD	9/30/2011	1/12/2012	Superstore
44	Airport Plaza SC	Farmingdale	NY	10/31/2011	1/12/2012	Superstore
45	Crossroads Center	Bailey's Crossroads	VA	9/30/2011	1/12/2012	Superstore
46	Springfield Square	Springfield	PA		1/12/2012	Superstore
47	South Dixie Highway	Pincrest	FL		1/12/2012	Superstore
55	West Farms SC	Farmington	CT	10/31/2011	1/12/2012	Superstore
61	Woodfield Village Green	Schaumburg	IL	10/31/2011	1/12/2012	Superstore
62	Promenade of Crocker Park	Westlake	OH		9/21/2011	Superstore
64	ABQ Uptown	Albuquerque	NM		1/12/2012	Superstore
66	Century Square	Seattle	WA	9/30/2011	1/12/2012	Superstore
72	Mission Viejo Freeway Center	Mission Viejo	CA		1/12/2012	Superstore
73	Westridge Court SC	Naperville	IL	9/30/2011	1/12/2012	Superstore
74	Northway Mall	Pittsburgh /Ross Township	PA		1/12/2012	Superstore
76	Meyerland Plaza Shopping Ctr	Houston	TX		1/12/2012	Superstore
78	Old Town SC	Dallas	TX		9/14/2011	Superstore
79	Neconset Highway	Stony Brook	NY		1/12/2012	Superstore
80	Geoffrey Drive	Wilmington	DE	10/31/2011	1/12/2012	Superstore
85	Pentagon City	Pentagon City	VA	10/31/2011	1/12/2012	Superstore
86	Torrance Boulevard	Torrance	CA		1/12/2012	Superstore
89	Columbia Crossing	Columbia	MD		1/12/2012	Superstore
94	Commons Way	Bridgewater	NJ		1/12/2012	Superstore
96	Ward Center	Honolulu	HI		1/12/2012	Superstore
98	Varsity Theatre	Palo Alto	CA		1/12/2012	Superstore
100	Cheektowaga, NY	Buffalo	NY	10/31/2011	1/12/2012	Superstore
107	Boise Towne Square	Boise	ID	9/30/2011	1/12/2012	Superstore
108	Norman Center Court	Norman	OK		1/12/2012	Superstore
110	The Plaza at Sunset Hills	St. Louis	MO	10/31/2011	1/12/2012	Superstore
112	Kamp Washington S/C	Fairfax	VA		1/12/2012	Superstore
113	Olive Blvd.	Creve Coeur	MO		1/12/2012	Superstore
114	Kirby Woods SC	Germantown	TN		1/12/2012	Superstore
119	Brea Plaza	Brea	CA		1/12/2012	Superstore
120	School Street (Downtown Crossing)	Boston	MA		1/12/2012	Superstore
123	Birch Street	Omaha	NE		1/12/2012	Superstore
125	Bangor Mall	Bangor	ME	10/31/2011	1/12/2012	Superstore
126	Park Place SC	Tukwila	WA		1/12/2012	Superstore
130	Rocky Ridge TC	Roseville	CA		1/12/2012	Superstore
133	Maine Mall	South Portland	ME	10/31/2011	1/12/2012	Superstore
136	The Strip	Canton	OH		9/21/2011	Superstore
137	Concord Square	Wilmington	DE		1/12/2012	Superstore

Store	Center Name	City	State	Holiday Protections	Extension Date	Store Format
138	Oak Point Plaza	Eau Claire	WI		1/12/2012	Superstore
145	Huebner Oaks Center	San Antonio	TX		1/12/2012	Superstore
147	Crossroads at Sunset	Henderson	NV		1/12/2012	Superstore
152	Beaverton Mall North	Beaverton	OR		1/12/2012	Superstore
155	Meriden Square	Meriden	CT		1/12/2012	Superstore
162	Quaker Crossing	Orchard Park	NY		1/12/2012	Superstore
163	Park Meadows	Littleton	CO	9/30/2011	1/12/2012	Superstore
164	Two Ledgewood Square	Strongsville	OH		10/14/2011	Superstore
166	Dodge Street	Omaha	NE		1/12/2012	Superstore
167	Bridgeport Village SC	Tualatin	OR		1/12/2012	Superstore
168	Grand Traverse Crossing	Traverse City	MI	9/30/2011	1/12/2012	Superstore
169	Ravinia Plaza	Orland Park	IL		1/12/2012	Superstore
170	Arrowhead Shopping Center	Glendale	AZ		1/12/2012	Superstore
173	Rice Lake Square	Wheaton	IL		1/12/2012	Superstore
176	Highland Grove Shopping Center	Highland	IN		1/12/2012	Superstore
177	Meadowbrook Village	York	PA		1/12/2012	Superstore
178	Miller Road	Flint	MI		1/12/2012	Superstore
180	Woodward Avenue	Birmingham	MI		9/14/2011	Superstore
182	Town Center Shopping Center	Champaign	IL		1/12/2012	Superstore
183	Best in the West Shopping Center	Las Vegas	NV	10/31/2011	10/31/2011	Superstore
184	Fair Oaks Blvd	Sacramento	CA		1/12/2012	Superstore
185	Edgewater SC	Sand City	CA		1/12/2012	Superstore
186	Alamo Quarry Market	San Antonio	TX		1/12/2012	Superstore
188	Village East Center	Salem	OR		1/12/2012	Superstore
190	Laguna Crossroads	Elk Grove	CA		9/14/2011	Superstore
191	Redmond Town Center	Redmond	WA	9/30/2011	1/12/2012	Superstore
193	Wrangleboro Road	Mays Landong	NJ	10/31/2011	1/12/2012	Superstore
194	Winchester Center	Rochester Hills	MI		1/12/2012	Superstore
197	Randall Road	Geneva	IL		1/12/2012	Superstore
199	Centre @ Deane Hill	Knoxville	TN		1/12/2012	Superstore
201	Carl D. Silver Parkway	Fredericksburg	VA		1/12/2012	Superstore
202	South Washington Street	North Attleboro	MA		1/12/2012	Superstore
208	Presidential Market Center	Snellville	GA		9/14/2011	Superstore
210	East Town Plaza Shopping Center	Madison	WI		1/12/2012	Superstore
211	Davis Commons	Davis	CA		1/12/2012	Superstore
212	The Shops at River Park	Fresno	CA		1/12/2012	Superstore
215	Chapel Hills Mall	Colorado Springs	CO	9/30/2011	1/12/2012	Superstore
217	Brentwood Square	Brentwood	MO		1/12/2012	Superstore
218	Crain Highway	Waldorf	MD		1/12/2012	Superstore
219	Main Street	Mt. Kisco	NY		9/14/2011	Superstore
220	Airport Square	N. Wales	PA		1/12/2012	Superstore
225	Mission Valley Center	San Diego	CA		1/12/2012	Superstore
226	Howe Avenue	Cuyahoga Falls	OH		1/12/2012	Superstore
229	Springfield Commons	Springfield	VA	9/30/2011	1/12/2012	Superstore
230	Winward Mall	Kaneohe	HI	10/31/2011	1/12/2012	Superstore
231	Village of Merrick Park	Coral Gables	FL	9/30/2011	1/12/2012	Superstore
232	Grand Central Mall	Vienna	VA	10/31/2011	1/12/2012	Superstore
236	Canton Township	Canton	MI	10/31/2011	1/12/2012	Superstore
237	The Shops at Valley Square	Warrington	PA		1/12/2012	Superstore
246	Allen	Allen	TX	9/30/2011	1/12/2012	Superstore
249	Arlington Highlands	Arlington	TX		9/14/2011	Superstore
250	The Shops at Riverwoods	Provo	UT		1/12/2012	Superstore
252	Tamarack Bay	Woodbury	MN		1/12/2012	Superstore

Store	Center Name	City	State	Holiday Protections	Extension Date	Store Format
253	Riverview Plaza	Frederick	MD		10/31/2011	Superstore
257	North Illinois	Fairview Heights	IL		1/12/2012	Superstore
258	Stonestown Galleria	San Francisco	CA	9/30/2011	1/12/2012	Superstore
262	Smoketown Stations	Woodbridge	VA	10/31/2011	1/12/2012	Superstore
270	Jericho Turnpike	Syosset	NY		1/12/2012	Superstore
271	Deane Drive	Rockford	IL		1/12/2012	Superstore
276	Church Street	Burlington	VT		11/15/2011	Superstore
277	Eastgate Mall	Cincinnati	OH	10/31/2011	1/12/2012	Superstore
281	Wynnewood SC	Wynnewood	PA	9/30/2011	1/12/2012	Superstore
286	Uptown Solon SC	Solon	OH	10/31/2011	1/12/2012	Superstore
287	Oakway Center	Eugene	OR		1/12/2012	Superstore
289	Parkridge Center	Manassas	VA		1/12/2012	Superstore
290	The Avenue East Cobb	Marietta	GA	9/30/2011	1/12/2012	Superstore
291	Tyrone Square	St. Petersburg	FL	10/31/2011	1/12/2012	Superstore
292	Northridge Shopping Center	Davenport	IA		1/12/2012	Superstore
293	Six Forks Road	Raleigh	NC	10/31/2011	10/31/2011	Superstore
294	Northridge	Northridge	CA	9/30/2011	1/12/2012	Superstore
295	Tampa Avenue	Augusta	GA	10/31/2011	1/12/2012	Superstore
296	Redfield Promenade SC	Reno	NV	10/31/2011	1/12/2012	Superstore
299	Canoga Park	Canoga Park	CA	9/30/2011	1/12/2012	Superstore
300	Winter Park Center	Winter Park	FL		1/12/2012	Superstore
327	Merrymeeting Plaza	Brunswick	ME		1/12/2012	Superstore
334	Edwardsville Crossing	Edwardsville	IL		1/12/2012	Superstore
335	Sequoia Mall	Visalia	CA		1/12/2012	Superstore
337	Great Lakes Crossing	Auburn Hills	MI		1/12/2012	Superstore
338	Thruway Shopping Center	Salem	NC		1/12/2012	Superstore
340	Fort Eddy Plaza	Concord	NH		1/12/2012	Superstore
344	Appalachee Pkwy	Tallahassee	FL		1/12/2012	Superstore
346	Santa Rosa Town Center	Santa Rosa	CA		1/12/2012	Superstore
348	Oakland Plaza Mall	Troy	MI	9/30/2011	1/12/2012	Superstore
349	Borders Plaza	Sterling	VA		1/12/2012	Superstore
356	Plaza Las Americas	Puerto Rico	PR		1/12/2012	Superstore
361	Marketplace @ Northglenn	Northglenn	CO	10/31/2011	1/12/2012	Superstore
364	Square Drive	Victor	NY		1/12/2012	Superstore
368	Howland Commons	Niles	OH		1/12/2012	Superstore
369	Haines Avenue	Rapid City	SD		1/12/2012	Superstore
370	Huntington	Barboursville	WV		9/21/2011	Superstore
371	Southport Plaza	Greenwood (Marion County)	IN		1/12/2012	Superstore
372	Center at Hagerstown Shopping Center	Hagerstown	MD		1/12/2012	Superstore
373	Northridge Plaza	Olathe	KS		1/12/2012	Superstore
376	Arbor Place	Atlanta	GA	10/31/2011	1/12/2012	Superstore
380	Paxton Town Centre	Harrisburg	PA		1/12/2012	Superstore
381	The Centre at River Oaks	Houston	TX		1/12/2012	Superstore
382	Providence Place	Providence	RI	9/30/2011	1/12/2012	Superstore
383	Midtown Place	Atlanta	GA		9/14/2011	Superstore
384	Milestone Commercial Center	Germanstown	MD		1/12/2012	Superstore
388	South Coast Plaza	Costa Mesa	CA		1/12/2012	Superstore
390	Lake Street	Oak Park	IL		1/12/2012	Superstore
391	Brentwood Shopping Center	Brentwood	TN		10/14/2011	Superstore
392	Park Place	Tucson	AZ	9/30/2011	1/12/2012	Superstore
394	Valley Square Center	West Lebanon	NH	10/31/2011	9/14/2011	Superstore
397	Gurnee Super Crown	Gurnee	IL		1/12/2012	Superstore
401	Broadstone Plaza	Folsom	CA		1/12/2012	Superstore

Store	Center Name	City	State	Holiday Protections	Extension Date	Store Format
405	North State Street Block 36	Chicago	IL		1/12/2012	Superstore
414	Chapel Hill Shopping Center	Fort Worth	TX		1/12/2012	Superstore
415	Flatiron Crossing	Broomfield	CO	9/30/2011	1/12/2012	Superstore
417	Willows Shopping Center	Puyallup	WA		1/12/2012	Superstore
421	Water's Place Shopping Center	Pittsfield Township	MI		1/12/2012	Superstore
434	Sandusky Mall	Sandusky	OH		9/21/2011	Superstore
436	Gresham Station	Gresham	OR		1/12/2012	Superstore
439	Cambridge Galleria	Cambridge	MA		1/12/2012	Superstore
440	Marketplace @ Hilltop	Virginia Beach	VA		1/12/2012	Superstore
441	St. Vrain Retail Centre	Longmont	CO		1/12/2012	Superstore
442	Viewmont Mall	Scranton	PA		1/12/2012	Superstore
444	Southland Mall	Taylor	MI	9/30/2011	1/12/2012	Superstore
445	Independence Mall	Kingston	MA	9/30/2011	1/12/2012	Superstore
446	Shoppes @ Brinton Lake	Concord Township	PA		1/12/2012	Superstore
448	The Loop	Methuen	MA		1/12/2012	Superstore
449	Houston Galleria	Houston	TX	10/31/2011	1/12/2012	Superstore
451	Annapolis Mall	Annapolis	MD		1/12/2012	Superstore
452	Downtown Silver Spring	Silver Spring	MD		9/14/2011	Superstore
453	Cannery Mall	Corvallis	OR		1/12/2012	Superstore
454	Colonial Promenade Beechwood	Athens	GA		1/12/2012	Superstore
461	The Village @ Cambridge Crossing	Mount Laurel	NJ		1/12/2012	Superstore
463	The River at Rancho Mirage	Rancho Mirage	CA		9/14/2011	Superstore
464	Summitwoods Crossing	Lee Summit	MO		1/12/2012	Superstore
466	Riverdale Crossing Shopping Center	Riverdale	NJ	10/31/2011	1/12/2012	Superstore
471	Crossgates Mall	Albany	NY	9/30/2011	1/12/2012	Superstore
472	Dogwood Festival	Flowood	MS		9/14/2011	Superstore
473	El Camino Real	Sunnyvale	CA		1/12/2012	Superstore
476	Forum at Olympia Parkway	San Antonio	TX		1/12/2012	Superstore
479	Interstate Shopping Center	Ramsey	NJ		1/12/2012	Superstore
484	Dolphin Mall	Miami	FL		1/12/2012	Superstore
486	New Market Square	Wichita	KS		1/12/2012	Superstore
489	Monmouth Plaza	Eatontown	NJ		1/12/2012	Superstore
495	LaGrange Crossing	LaGrange	IL		1/12/2012	Superstore
496	Stonecrest Mall	Lithonia	GA		1/12/2012	Superstore
500	Broadmoor Towne Center	Colorado Springs	CO		1/12/2012	Superstore
513	Valley Mall	Union Gap	WA		1/12/2012	Superstore
514	Champlain Centre North	Plattsburgh	NY	9/30/2011	1/12/2012	Superstore
515	Salmon Run	Watertown	NY	9/30/2011	1/12/2012	Superstore
521	Plaza El Paseo	Rancho Santa Margarita	CA		9/14/2011	Superstore
522	Colorado Mills	Lakewood	CO	10/31/2011	1/12/2012	Superstore
524	Waterford Commons	Waterford	CT	9/30/2011	1/12/2012	Superstore
531	Riverdale Village	Coon Rapids	MN	10/31/2011	1/12/2012	Superstore
532	Northpointe Plaza	Spokane	WA		1/12/2012	Superstore
534	Canyon Point @ Summerlin Centre	Las Vegas	NV	10/31/2011	1/12/2012	Superstore
537	Madonna Plaza	San Luis Obispo	CA		1/12/2012	Superstore
539	Governors Square	Clarksville	TN		1/12/2012	Superstore
544	Plaza Santa Fe	Santa Fe	NM		1/12/2012	Superstore
547	Shops at Grand Prairie	Peoria	IL	9/30/2011	1/12/2012	Superstore
551	Monte Vista Crossings	Turlock	CA		9/14/2011	Superstore
555	Coeur D'Alene	Coeur D'Alene	ID		1/12/2012	Superstore
557	Brighton Towne Square	Brighton	MI		1/12/2012	Superstore
558	Stonecrest Piper Glen	Charlotte	NC	9/30/2011	1/12/2012	Superstore
560	Market Place West	Billings	MT	9/30/2011	1/12/2012	Superstore

Store	Center Name	City	State	Holiday Protections	Extension Date	Store Format
567	Bayshore Mall	Eureka	CA	9/30/2011	1/12/2012	Superstore
568	Rockaway Townsquare Outparcel	Rockaway Township	NJ	10/31/2011	1/12/2012	Superstore
570	Mountain View Plaza	Kalispell	MT		1/12/2012	Superstore
572	Cedarwood	Ames	IA		1/12/2012	Superstore
573	Flemington Mall	Flemington	NJ		1/12/2012	Superstore
580	Market Street	The Woodlands	TX	9/30/2011	1/12/2012	Superstore
581	Carson Valley Plaza	Carson City	NV		1/12/2012	Superstore
582	2 Penn Plaza	New York	NY		9/14/2011	Superstore
583	Southside Plaza	Clifton Park	NY		1/12/2012	Superstore
585	North Towne Plaza	Albuquerque	NM	10/31/2011	10/31/2011	Superstore
586	Santa Anita	Arcadia	CA		1/12/2012	Superstore
589	El Paseo Simi	Simi Valley	CA		1/12/2012	Superstore
590	Shops at the Pond	Marlborough	MA	10/31/2011	1/12/2012	Superstore
591	Monadnock Marketplace	Keene	NH		1/12/2012	Superstore
592	Columbus Circle	New York	NY		9/14/2011	Superstore
594	Riverhead Centre	Riverhead	NY		9/14/2011	Superstore
597	The Shoppes at Atlas Park	Glendale	NY	9/30/2011	1/12/2012	Superstore
598	The Pinnacle at Turkey Creek	Knoxville	TN		1/12/2012	Superstore
599	Plaza El Segundo	El Segundo	CA		9/14/2011	Superstore
603	Town Square	Las Vegas	NV	9/30/2011	1/12/2012	Superstore
606	Rosedale	Roseville	MN	10/31/2011	1/12/2012	Superstore
608	Ocean County Mall	Toms River	NJ	10/31/2011	1/12/2012	Small Format
615	Louisville	Louisville	KY	9/30/2011	1/12/2012	Superstore
616	Shelbyville Road Plaza	St. Matthews	KY		1/12/2012	Superstore
620	South County Center	St. Louis	MO	10/31/2011	1/12/2012	Superstore
622	Plymouth Meeting Mall	Plymouth Meeting	PA		1/12/2012	Small Format
623	Del Monte Shopping Center	Monterey	CA		1/12/2012	Small Format
625	Kennedy Mall	Dubuque	IA		9/21/2011	Superstore
629	Mill Plain Plaza	Vancouver	WA		1/12/2012	Superstore
631	Algonquin Commons	Algonquin	IL		1/12/2012	Superstore
640	Montgomery Mall	Bethesda	MD		1/12/2012	Small Format
645	Victoria Gardens	Rancho Cucamonga	CA		1/12/2012	Superstore
647	Galleria at Crystal Run	Middletown	NY	9/30/2011	1/12/2012	Superstore
649	Beaver Valley Mall	Monaca	PA		1/12/2012	Small Format
653	Franklin Park	Toledo	OH		1/12/2012	Superstore
654	Galleria at Pittsburgh Mills	Frazier	PA		1/12/2012	Superstore
656	Riverside Plaza	Riverside	CA	9/30/2011	1/12/2012	Superstore
657	Crestview Hills Town Center	Crestview Hills	KY		1/12/2012	Superstore
661	Pearlridge Center	Aiea	HI		9/14/2011	Superstore
662	Warrenton Center	Warrenton	VA		1/12/2012	Superstore
667	Northlake Mall	Charlotte	NC		1/12/2012	Superstore
676	Superstition Springs Center	Mesa	AZ	9/30/2011	1/12/2012	Superstore
683	Everett	Everett	WA		10/15/2011	Superstore
686	Baybrook Passage	Webster	TX		1/12/2012	Superstore
688	Stonewood Mall	Downey	CA	9/30/2011	1/12/2012	Small Format
689	Chautauqua Mall	Lakewood	NY	10/31/2011	1/12/2012	Small Format
692	Nut Tree Village	Vacaville	CA		11/13/2011	Superstore
694	Lycoming Mall	Pennsdale	PA		1/12/2012	Superstore
695	Capital Mall	Olympia	WA		1/12/2012	Superstore
698	Woodbridge Center	Woodbridge	NJ	9/30/2011	1/12/2012	Small Format
699	Memorial Mall	Sheboygan	WI		1/12/2012	Small Format
719	Empire Mall	Sioux Falls	SD	9/30/2011	1/12/2012	Small Format
720	Swansea Mall	Swansea	MA		1/12/2012	Small Format

Store	Center Name	City	State	Holiday Protections	Extension Date	Store Format
721	Lima Mall	Lima	OH	10/31/2011	1/12/2012	Small Format
723	Northlake Mall	Atlanta	GA	10/31/2011	1/12/2012	Small Format
724	Cross County Mall	Mattoon	IL		1/12/2012	Small Format
725	Westfield Shoppingtown	Trumbull	CT		1/12/2012	Small Format
726	Westwood Mall	Jackson	MI	9/30/2011	1/12/2012	Small Format
727	Carolina Mall	Concord	NC		9/14/2011	Small Format
728	Forest Mall	Fond Du Lac	WI	10/31/2011	1/12/2012	Small Format
729	Oxford Valley Mall	Langhorne	PA	10/31/2011	1/12/2012	Small Format
730	Staten Island Mall	Staten Island	NY	9/30/2011	1/12/2012	Small Format
731	Janesville Shopping Center	Janesville	WI	10/31/2011	1/12/2012	Small Format
732	South Park Mall	Moline	IL	10/31/2011	1/12/2012	Small Format
733	Lakewood Center Mall	Lakewood	CA	9/30/2011	1/12/2012	Small Format
734	Shenango Valley Mall	Hermitage	PA		1/12/2012	Small Format
735	Peru Mall	Peru	IL		1/12/2012	Small Format
737	Lebanon Valley Mall	Lebanon	PA	9/30/2011	1/12/2012	Small Format
738	Westmoreland Mall	Greensburg	PA	10/31/2011	1/12/2012	Small Format
739	Royal Hawaiian Shopping Center	Honolulu Oahu	HI		1/12/2012	Small Format
740	Lakeside Mall	Sterling Heights	MI	9/30/2011	1/12/2012	Small Format
741	Jefferson Mall	Louisville	KY	10/31/2011	1/12/2012	Small Format
742	Ohio Valley Mall	St. Clairsville	OH		9/21/2011	Small Format
743	Temple Mall	Temple	TX		1/12/2012	Small Format
750	Washington National Airport	Washington	DC		1/12/2012	Airport
751	Dulles Airport (Concourse B)	Chantilly	VA		1/12/2012	Airport
752	Dulles Airport (Concourse C/D)	Chantilly	VA		1/12/2012	Airport
753	Orlando International Airport	Orlando	FL		1/12/2012	Airport
754	McCarran International Airport	Las Vegas	NV		9/14/2011	Airport
755	Houston International Airport - Term E	Houston	TX		1/12/2012	Airport
756	Sea-Tac International Airport	Seattle	WA		1/12/2012	Airport
757	Indianapolis International Airport	Indianapolis	IN		9/14/2011	Airport
758	Logan International Airport - Term E	Boston	MA		1/12/2012	Airport
759	PHL B/C Connect	Philadelphia	PA	9/30/2011	1/12/2012	Airport
760	Cincinnati International Airport	Covington	KY		1/12/2012	Airport
761	Dulles Airport (Concourse C)	Chantilly	VA		1/12/2012	Airport
762	Boston-Logan International Airport	East Boston	MA		1/12/2012	Airport
763	BWI Airport	Baltimore	MD		1/12/2012	Airport
764	BWI Airport	Baltimore	MD		1/12/2012	Airport
765	Miami International Airport	Miami	FL		1/12/2012	Airport
766	Phoenix Sky Harbor International Airport	Phoenix	AZ		9/14/2011	Airport
767	PHL D/E Connect	Philadelphia	PA	9/30/2011	1/12/2012	Airport
768	LaGuardia Airport	New York	NY	9/30/2011	1/12/2012	Airport
770	Detroit International Airport	Romulus	MI		1/12/2012	Airport
771	Detroit International Airport	Romulus	MI		1/12/2012	Airport
772	T.F. Green State Airport	Providence	RI		1/12/2012	Airport
773	Dallas Fort Worth International A/P	Dallas	TX		9/14/2011	Airport
774	Detroit Metro Airport	Romulus	MI		1/12/2012	Airport
775	Detroit Metro Airport	Romulus	MI		1/12/2012	Airport
776	JFK International A/P, Terminal 5	New York	NY		9/14/2011	Airport
777	Raleigh - Durham A/P Terminal 2	Morrisville	NC		1/12/2012	Airport
790	Hickory Point Mall	Forsyth	IL	10/31/2011	1/12/2012	Small Format
791	Quincy Mall	Quincy	IL		1/12/2012	Small Format
792	Central Mall	Lawton	OK	10/31/2011	1/12/2012	Small Format
793	Shops At Mission Viejo	Mission Viejo	CA	10/31/2011	1/12/2012	Small Format
794	Roseburg Valley Mall	Roseburg	OR		1/12/2012	Small Format

Store	Center Name	City	State	Holiday Protections	Extension Date	Store Format
795	Sumter Mall	Sumter	SC		9/14/2011	Small Format
797	Country Club Mall	Cumberland	MD		1/12/2012	Small Format
798	Settler's Crossing	North Conway	NH	10/31/2011	1/12/2012	Small Format
801	Shoppes at Stroud	Stroud Township	PA		1/12/2012	Superstore
802	Mansfield Crossing	Mansfield	MA		1/12/2012	Superstore
804	Shadow Lake Towne Center	Papillion	NE		1/12/2012	Superstore
806	North Hanover Mall	Hanover	PA		1/12/2012	Small Format
826	Dulles Town Center	Dulles, VA	VA		1/12/2012	Small Format
828	Pine Ridge Mall	Chubbuck	ID	9/30/2011	1/12/2012	Small Format
830	Mall of Louisiana	Baton Rouge	LA	9/30/2011	1/12/2012	Superstore
831	Plaza Bonita	National City	CA		1/12/2012	Superstore
832	Panama City Beach	Panama City Beach	FL	10/31/2011	1/12/2012	Superstore
834	Legacy Place	Dedham	MA		1/12/2012	Superstore
835	Noblesville	Noblesville	IN	10/31/2011	1/12/2012	Superstore
841	White Marsh Mall	Baltimore	MD	9/30/2011	1/12/2012	Small Format
842	Susquehanna Valley Mall	Selinsgrove	PA		1/12/2012	Small Format
843	Colony Square	Zanesville	OH	9/30/2011	1/12/2012	Small Format
844	Clearview Mall	Butler	PA		1/12/2012	Small Format
845	Du Bois Mall	Du Bois, PA	PA		1/12/2012	Small Format
846	Durango Mall	Durango	CO		1/12/2012	Small Format
847	The Mall at Columbia	Columbia	MD	9/30/2011	1/12/2012	Small Format
849	Eastridge Mall	Casper	WY	9/30/2011	1/12/2012	Small Format
858	Dover Mall	Dover	DE	10/31/2011	1/12/2012	Small Format
869	Meadowbrook Mall	Bridgeport	WV		9/14/2011	Small Format
870	Rio West	Gallup	NM		1/12/2012	Small Format
888	Valle Vista Mall	Harlingen	TX	10/31/2011	1/12/2012	Small Format
889	Southside Mall	Oneonta	NY		9/14/2011	Small Format
891	Blue Ridge Mall	Hendersonville	NC		9/14/2011	Small Format
892	Greenacres Mall	Valley Stream	NY		1/12/2012	Small Format
894	Green Tree Mall	Clarksville,	IN	9/30/2011	1/12/2012	Small Format
897	Charleston Town Center	Charleston	WV		1/12/2012	Small Format
898	Oxmoor Center	Louisville	KY	9/30/2011	1/12/2012	Small Format
904	Washington Park Mall	Bartlesville	OK	9/30/2011	1/12/2012	Small Format
906	Crystal Mall	Waterford	CT	10/31/2011	1/12/2012	Small Format
907	Westland Center	Westland	MI	9/30/2011	1/12/2012	Small Format
908	Wasilla Shopping Center	Wasilla	AK		1/12/2012	Small Format
911	Coddington Regional Shopping Ctr	Santa Rosa	CA	10/31/2011	1/12/2012	Small Format
912	Auburn Mall	Auburn	ME		1/12/2012	Small Format
913	Gratiot Avenue	Roseville	MI		1/12/2012	Small Format
914	Town Center At Cobb	Kennesaw	GA	10/31/2011	1/12/2012	Small Format
915	Western Hills	Cincinnati	OH	9/30/2011	1/12/2012	Small Format
917	Kaahumanu Mall	Kahului Maui	HI		1/12/2012	Small Format
918	Jefferson Square	Klamath Falls	OR		1/12/2012	Small Format
919	Townmall Of Westminster	Westminster	MD	10/31/2011	1/12/2012	Small Format
921	Central Mall	Salina	KA		1/12/2012	Small Format
922	Three Rivers Mall	Kelso, WA	WA	9/30/2011	1/12/2012	Small Format
923	Hanover Commons	Hanover	MA		1/12/2012	Small Format
924	Sunrise Mall	Brownsville	TX	10/31/2011	1/12/2012	Small Format
925	River Valley Mall	Lancaster	OH	10/31/2011	1/12/2012	Small Format
926	Manhattan Town Center	Manhattan	KS	9/30/2011	1/12/2012	Small Format
927	Pinecrest Plaza	Southern Pines	NC	10/31/2011	10/31/2011	Small Format
928	Southgate Center	Southgate	MI		1/12/2012	Small Format
931	Mall Of Monroe	Monroe	MI		9/21/2011	Small Format

Store	Center Name	City	State	Holiday Protections	Extension Date	Store Format
932	The Town Center Of Mililani	Mililani	HI		9/14/2011	Small Format
933	Chicago Ridge Mall	Chicago Ridge	IL		1/12/2012	Small Format
934	University Mall	South Burlington	VT		1/12/2012	Small Format
935	Westbroke Village (Wb & More)	Shawnee	KS		1/12/2012	Small Format
937	Fountain Square S/C (Wb& More)	Phoenix	AZ		1/12/2012	Small Format
938	Shawnee Mall	Shawnee	OK		9/14/2011	Small Format
939	Exton Square Mall	Exton	PA		1/12/2012	Small Format
944	Cascade Mall	Burlington	WA	9/30/2011	1/12/2012	Small Format
945	Roosevelt Boulevard	Key West	FL		1/12/2012	Small Format
947	Fair Oaks Mall	Columbus	IN		1/12/2012	Small Format
949	Mall At Tuttle Crossing	Columbus	OH	10/31/2011	1/12/2012	Small Format
954	The Shops At Charleston Place	Charleston	SC		9/14/2011	Small Format
955	Twelve Oaks Mall	Novi	MI		9/14/2011	Small Format
956	Citrus Park Town Center	Tampa	FL		1/12/2012	Small Format
957	Great Lakes Crossing	Auburn Hills	MI		9/14/2011	Small Format
958	Westfarms	Farmington	CT		9/14/2011	Small Format
959	Citicorp Center	Chicago	IL		1/12/2012	Small Format
960	Capitola Mall	Capitola	CA	9/30/2011	1/12/2012	Small Format
961	Honey Creek Mall	Terre Haute	IN	9/30/2011	1/12/2012	Small Format
962	Silver City Galleria	Taunton	MA	9/30/2011	1/12/2012	Small Format
963	Eastbrook Mall	Willimantic	CT		1/12/2012	Small Format
964	Mall At Rockingham Park	Salem	NH	10/31/2011	1/12/2012	Small Format
966	St. Lawrence Centre	Massena	NY		1/12/2012	Small Format
968	Tower City Center	Cleveland	OH		1/12/2012	Small Format
970	Swampscott Mall	Swampscott	MA		1/12/2012	Small Format
971	Mall @ Wellington Green	Wellington	FL		9/14/2011	Small Format
972	Hanford Mall	Hanford	CA	9/30/2011	1/12/2012	Small Format
973	Laurel Park Place	Livonia	MI	10/31/2011	1/12/2012	Small Format
974	Fair Oaks Mall	Fairfax	VA		9/14/2011	Small Format
975	Salem Center	Salem	OR	9/30/2011	1/12/2012	Small Format
977	Springfield Mall	Springfield	PA		1/12/2012	Small Format
978	Mill Creek Mall	Erie	PA		9/14/2011	Small Format
981	Meadowood Mall	Reno	NV	10/31/2011	1/12/2012	Small Format
983	Gulfview Square Mall	Port Richey	FL	10/31/2011	1/12/2012	Small Format
984	New Towne Mall	New Philadelphia	OH	10/31/2011	1/12/2012	Small Format
986	Ashland Town Center	Ashland	KY	10/31/2011	1/12/2012	Small Format
987	Rye Ridge Shopping Center	Rye Brook	NY		1/12/2012	Small Format

EXHIBIT 8.1(a)

SALE GUIDELINES

GUIDELINES FOR CONDUCT OF THE SALE¹

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 "going out of business," "store closing" 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 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.

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

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)

SCHEDULE OF OWNED FF & E

(TO BE MUTUALLY AGREED UPON)

EXHIBIT 11.1(c)(i)

LIST OF PERMITTED LIENS

Liens granted pursuant to the DIP Facility.

EXHIBIT 11.1(f)

**SCHEDULE OF MERCHANT'S PENDING SALE ADVERTISEMENTS AND
PROMOTIONS**

(TO BE MUTUALLY AGREED UPON)

EXHIBIT 11.1(m)

**TABLE OF COST FACTOR ADJUSTMENT TO GUARANTY PERCENTAGE
(TO BE MUTUALLY AGREED UPON)**

Exhibit 12.3

TABLE OF AGENT'S INSURANCE AMOUNTS