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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.,<sup>1</sup>**

**Debtors.**

**Chapter 11**

**Case No. 11-10614 (MG)**

**(Jointly Administered)**

**NOTICE OF FILING OF MODIFIED SALE PROCEDURES  
ORDER, BID PROCEDURES AND AGENCY AGREEMENT**

**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 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"), the Debtors intend to seek approval from the Court of modified bid procedures at the hearing on July 14, 2011 at 10:00 a.m., which includes an Auction<sup>2</sup> with the Agency Agreement as the stalking horse bid,

<sup>1</sup> 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.

<sup>2</sup> Any capitalized terms not defined herein shall have the same meaning ascribed to them in the Motion.

but will not include any bid protections. The Debtors continue to solicit bids for the purchase of their assets as a GC Sale, as well as a Full Chain Liquidation and a Remaining Chain Liquidation.

**PLEASE TAKE FURTHER NOTICE** that clean and blackline copies of the Sale Procedures Order and the Bid Procedures are attached hereto as Exhibits A and B, respectively.

**PLEASE TAKE FURTHER NOTICE** that annexed to the Sale Motion, as Exhibit 2, was that certain Agency Agreement (the “June 30 Agreement”) dated as of June 30, 2011 by and between Hilco Merchant Resources, LLC, Gordon Brothers Retail Partners, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC and Great American Group, LLC (collectively, the “Liquidator Group”) and the Debtors.

**PLEASE TAKE FURTHER NOTICE** that after filing the Sale Motion, the Debtors negotiated certain modifications to the June 30 Agreement with the Liquidator Group as well as with the agents under the Debtors’ DIP Facility.

**PLEASE TAKE FURTHER NOTE** that on July 13, 2011, the Debtors and the Liquidator Group executed a new Agency Agreement, which is annexed hereto as Exhibit C, which supersedes and replaces the June 30 Agreement. Also annexed hereto, as Exhibit D, is a redlined copy of the June 13, 2011 Agency Agreement marked to show changes from the June 30 Agreement.

Dated: July 13, 2011  
New York, New York

KASOWITZ, BENSON, TORRES  
& FRIEDMAN LLP

By: /s/ Andrew K. Glenn  
David M. Friedman (DFriedman@kasowitz.com)  
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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re**

**BORDERS GROUP, INC., *et al.*,<sup>1</sup>**

**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 IN  
CONNECTION WITH THE SALE OF THE DEBTORS' ASSETS FREE  
AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS**

Upon the motion (the “Motion”)<sup>2</sup> 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

<sup>1</sup> 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.

<sup>2</sup> 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 to the relief sought in the Motion; and after due deliberation and sufficient cause therefore,

**IT IS HEREBY FOUND AND DETERMINED THAT:**<sup>3</sup>

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 in the form annexed hereto as Exhibit A (hereinafter, the “Bid Procedures”); (2) approve the form and manner of notice of the Motion, the Auction, the Sale Hearing and the assumption and assignment of the Assumed Agreements; and (3) set the date of the Auction and the Sale Hearing.

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<sup>3</sup> 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. The Bid Procedures are reasonable and appropriate, and represent the best method of maximizing the realizable value of the Debtors' business and assets.

**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 Modified Purchase Agreement (as defined in the Bid Procedures), if any; (2) the Agency Agreement (as amended), (3) the Modified Agency Agreement (as defined in the Bid Procedures), if any; (4) the Auction, if any; and (5) the sale. Notwithstanding the foregoing, if the Debtors alter the Bid Procedures, which can only be done after consultation with the Committee and the DIP Agents, the Debtors shall provide notice of such changes to: (a) the Committee; (b) the DIP Agents; (c) the Liquidating Agent; and (d) the bidders or the Qualified 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 announcing either that there was insufficient interest to conduct the Auction by July 18, 2011 or, in the event an Auction is conducted, the results of the Auction on the Court's docket and the Debtors' restructuring website ([www.bordersreorganization.com](http://www.bordersreorganization.com)) as soon as practicable on or before July 20, 2011. 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](http://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 Bid Procedures and the results of that Auction yield a Winning Bidder(s) other than the Liquidating Agent, objections as to any issues raised by such Winning Bid(s) or the identity of the Winning Bidder(s) 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. Assumed Agreements.**

8. The Debtors have served, 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,



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; provided, however, the following modifications and/or clarifications shall apply:

- a. Nothing in this Order or the Notice of Assumption and Assignment shall effect any need of the Debtors to obtain prior consent of a lessor of an unexpired lease of non-residential real property to any further extension of the Assumption Deadline under 11 U.S.C. § 365(d)(4)(B)(ii);
- b. In the event that an executory contract or unexpired lease is assumed and assigned in connection with the sale and this Order, the Debtors shall serve on the Non-Debtor Counterparty to an Assumed Agreement a notice indicating the Assumed Agreement that has been assumed, the effective date of the assumption and assignment, and the amount of the Cure Payment, if required, that has been made within three business days of such payment and/or assumption and assignment;
- c. The Debtors will serve the Notice of Non-Assumption to the Non-Debtor Counterparty to a particular executory contract or unexpired lease within ten business days after the Winning Bidder notifies the Debtors that it will not require the Debtors to assume and assign such executory contract or unexpired lease; and
- d. Copies of any notices sent in connection with the assumption and assignment or non-assumption of the Debtors' executory contracts and unexpired leases as set forth herein shall be served on counsel to the Non-Debtor Counterparties that have specifically requested or, in the future request, such service in connection with the Motion.

9. 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, such objection 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](http://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(s) other than the Liquidating Agent, objections as to any issues raised by such Winning Bid(s) or the identity of the Winning Bidder(s) may be filed and served in accordance with the above requirements no later than the Supplemental Objection Deadline.

10. 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.

**D. Additional Provisions.**

11. 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.

12. 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.

13. 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

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UNITED STATES BANKRUPTCY JUDGE

David M. Friedman (DFriedman@kasowitz.com)  
Andrew K. Glenn (AGlenn@kasowitz.com)  
Jeffrey R. Gleit (JGleit@kasowitz.com)  
KASOWITZ, BENSON, TORRES & FRIEDMAN LLP  
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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re**

**BORDERS GROUP, INC., *et al.*,<sup>1</sup>**

**Debtors.**

**Chapter 11**

**Case No. 11-10614 (MG)**

**(Jointly Administered)**

**BID PROCEDURES FOR SALE OF ALL  
OR SUBSTANTIALLY 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

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<sup>1</sup> 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 Bid 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 and as set forth herein.

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, executory contracts and substantially all other assets (a "Full Chain Liquidation"), excluding intellectual property, leases and other assets of the Debtors not included in the Agency Agreement (as amended). A Bidder may submit one or more of the foregoing types of bids, or if applicable, a combination of the foregoing.<sup>2</sup>

In the event there is no GC Sale, the Debtors will be filing a motion to conduct a separate sale process(es) for all assets that are excluded from the Agency Agreement, including, but not limited to, intellectual property, leases, notes and receivables.

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<sup>2</sup> 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.

The sale shall be pursuant to the terms and conditions of that certain Agency Agreement dated June 30, 2011 (as amended on July 13, 2011), and/or that certain Asset Purchase Agreement dated June 30, 2011, as applicable, each as may be modified pursuant to these Bid Procedures, 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 these Bid Procedures.

## **II. BID PROCEDURES**

### **A. Notice of Sale.**

The Debtors will provide notice of the proposed sale to the Liquidating Agent,<sup>3</sup> and 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.

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<sup>3</sup> 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.

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 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 on or before the Bid Deadline, together with the items set forth in Section G:

- (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 consideration provided in the Agency Agreement by at least \$1 million and include at least \$215.1 million in cash. Bids for portions of the Debtors’ assets will be considered, but, when added to the value that the Debtors’ estates will otherwise receive for its assets, must exceed the consideration in the Agency Agreement by at least \$1 million and must include at least \$215.1 million in cash. 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, 7<sup>th</sup> 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’s 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.

**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”)<sup>4</sup> and a representation that the Bidder, if deemed a 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 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 for the Debtors is a GC Sale, Full Chain Liquidation or Remainder Chain Liquidation. 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

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<sup>4</sup> The amount and character of any such changes will be a significant consideration in Debtors’ selection of the Winning Bid from among the Bids.

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.

(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”)<sup>5</sup> and a representation that the Bidder, if deemed a 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 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 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 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 Bidder knows of no reason why it cannot close such Full Chain Liquidation or Remainder Chain Liquidation on or before such date.

## **H. 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

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<sup>5</sup> The amount and character of any such changes will be a significant consideration in Debtors’ selection of the Winning Bid from among the Bids.

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 (i) such Bid is rejected or (ii) if deemed a Qualified Bid, the Debtors select a higher or otherwise better Qualified Bid and such Qualified Bidder is not selected as the Back-Up Bidder.

**I. Joint Bids.**

The Debtors will be authorized to approve joint Bids in the Debtors' discretion, after consultation with the Committee and the DIP Agents, 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 discretion, after consultation with the Committee and the DIP Agents. The Debtors, in their discretion, after consultation with the Committee and the DIP Agents, 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' discretion after consultation with the Committee and the DIP Agents, 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 Liquidating Agent is a Qualified Bidder and the Agency Agreement 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 DIP Agents and the Committee.

**K. Auction.**

If, after the examination of all Qualified Bids, the Debtors, after consultation with the Committee and the DIP Agents, will 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 Agency Agreement, 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 Committee, 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 Bid 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 Committee and the DIP Agents, 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 Committee and the DIP Agents. 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, after consultation with the Committee and the DIP Agents, 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, after consultation with the Committee and the DIP Agents, 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 as proposed 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, provided, in any event, that the transaction(s) pursuant to which a

GC Sale (with or without a Remaining Chain Liquidation) or a Full Chain Liquidation will be consummated, shall close no later than July 29, 2011. 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. 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.

**M. Reservation of Rights.**

Notwithstanding anything herein to the contrary, the Debtors reserve the right, in consultation with the Committee and the DIP Agents to modify these Bid Procedures at any time, with notice to the Qualified Bidders, the Committee and the DIP Agents, 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 Bid Procedures at any time to pursue an alternative restricting strategy that maximizes value for the Debtors' estates.



**N. Consultation.**

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

**O. 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 Bid 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.

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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.,<sup>1</sup>**

**Debtors.**

**Chapter 11**

**Case No. 11-10614 (MG)**

**(Jointly Administered)**

**BIDBIDDING PROCEDURES FOR SALE OF ALL  
OR SUBSTANTIALLY 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

<sup>1</sup> 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 ~~Bid~~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 and as set forth herein.~~(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"), excluding intellectual property, leases and other assets of the Debtors not included in the Agency Agreement (as amended)."~~).~~ A ~~Bidder~~bidder may submit one or more of the foregoing types of bids, or if applicable, a combination of the foregoing.<sup>2</sup>

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<sup>2</sup> 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.

In the event there is no GC ~~The Sale~~, the Debtors will be filing a motion to conduct a separate sale process(es) for all assets that are excluded from the Agency Agreement, including, but not limited to, intellectual property, leases, notes and receivables.

The sale shall be pursuant to the terms and conditions of that certain Agency Agreement dated June 30, 2011 (as amended on July 13, 2011), and/or that certain Asset Purchase Agreement dated June 30, 2011, as applicable, each as may be modified pursuant to these Bid Procedures (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 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~~Sale to the Liquidating Agent,<sup>3</sup> ~~and Stalking Horse Bidder~~,<sup>4</sup> 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

<sup>3</sup> 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.

<sup>4</sup> 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.

~~Bidders~~~~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~~~~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~~~~bidder~~ does not provide a reasonable showing that it has the ability to consummate a sale.

By submitting a Bid, each ~~Bidder~~~~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 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~~~~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 GI:

- (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 ~~Bidbid~~ and sufficient evidence regarding the ~~Bidder'sbidder's~~ ability to obtain financing for the proposed transaction; and

(iv) A complete ~~Bidbid~~ fulfilling all the requirements set forth in these Bid Procedures including the requisite deposit as defined herein.

The Debtors will notify each ~~Bidderbidder~~ 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 consideration provided in the Agency Agreement by at least \$1 million and include at least \$215.1 million in cash. Bids for portions of the Debtors' assets will be considered, but, when added to the value that the Debtors' estates will otherwise receive for its assets, must exceed the consideration in the Agency Agreement by at least \$1 million and must include at least \$215.1 million in cash.~~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.

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**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, 7<sup>th</sup> Floor  
New York, NY 10022  
Attn: Richard Klein, Sr. Vice President (rklein@jefferies.com)

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**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~~ 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~~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's bidder~~ or ~~Bidders' 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~~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")<sup>5</sup> and a representation that the ~~Bidder, if deemed a~~ Qualified Bidder<sub>2</sub> 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

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



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.

(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")<sup>6</sup> and a representation that the ~~Bidder, if deemed a~~ 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;

<sup>6</sup> The amount and character of any such changes will be a significant consideration in Debtors' selection of the Winning Bid from ~~amongamengst~~ the Bids.

(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 ~~on~~ 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 ~~sale~~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 (i) such Bid is rejected or (ii) if deemed a Qualified Bid, the Debtors select a higher or otherwise better Qualified Bid and such Qualified 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, after consultation with the Committee and the DIP Agents, 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, after consultation with the Committee and the DIP Agents.<sup>-</sup> The Debtors, in their ~~sole and absolute~~ discretion, after consultation with the Committee and the DIP Agents, 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~~~~bidder~~ to obtain any necessary further information, documentation, deposit or other modification of such ~~Bidder's~~~~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 after consultation with the Committee and the DIP Agents, a ~~Bidder~~~~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 ~~Liquidating Agent Stalking Horse Bidder~~ is a Qualified Bidder and the ~~Agency Agreement 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 DIP Agents and the Committee~~Stalking Horse Bidder~~.

**K. Auction.**

If, after the examination of all Qualified Bids, the Debtors, after consultation with the Committee and the DIP Agents, will 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 Agency Agreement~~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 Bid Procedures~~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 Committee and the DIP Agents~~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 Committee and the DIP Agents~~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, after consultation with the Committee and the DIP Agents, 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, after consultation with the Committee and the DIP Agents, 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~~ 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 as proposed 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, provided, in any event, that the transaction(s) pursuant to which a GC Sale (with or without a Remaining Chain Liquidation) or a Full Chain Liquidation will be consummated, shall close no later than July 29, 2011. 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~~Sale with the Winning Bidder, at which time the deposit must be refunded.

**~~L.~~ 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(e)(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.L.~~ M.L. 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.M.~~ N.M. 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 ~~Committee and the DIP Agents~~Stalking Horse Bidder, to modify these Bid Procedures at any time, with notice to the Qualified Bidders, the Committee and the DIP Agents, 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 ~~Bid~~Bidding Procedures at any time to pursue an alternative restricting strategy that maximizes value for the Debtors' estates.

**Q.N. Consultation.**

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

**P.O. 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 ~~Bid~~**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.



## EXECUTION VERSION

### **AGENCY AGREEMENT**

This Agency Agreement (this “Agreement”) is made as of July 13, 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”);

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”); and

WHEREAS, Merchant has entered into an Asset Purchase Agreement, dated as of June 30, 2011 (the “APA”), by and among Borders Group, Inc., Borders, Inc. and BB Brands, LLC (the “Proposed Buyer”); and

WHEREAS, notwithstanding Merchant's entry into the APA, this Agreement is intended to be effective in the event the Proposed Buyer fails to close the transaction contemplated under the APA on or prior to July 29, 2011 (a “GC Failure”);

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) and shall provide that on the Payment Date the Debtors shall repay or cause to be repaid the DIP Facility in full in cash indefeasibly.

(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) Subject to Section 6.1 hereof, 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 On-Order Goods, 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 Sale Commencement Date or the next business day if the Sale Commencement Date is on a non-business day (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. Subject to Section 6.1 hereof, 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 as reviewed, verified and reconciled by Merchant and Agent, then Merchant agrees to promptly reimburse such undisputed overpayment amounts (the “Over Payment Amount”) to Agent.

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 latest possible 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)     With respect to On-Order Goods and Schuler Goods, such On-Order Goods and Schuler Goods shall be counted as such inventory is received in accordance with the procedures to be mutually agreed to by Merchant and Agent.

(d)     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.

(e)     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 2011 calendars, previous year almanacs, batteries and other dated materials that are out of date.

“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 and shall do so pursuant to the Pre-Sale Allocation. 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 19, 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, (a) if the Approval Order does not approve the APA, then the Sale shall commence at all Stores by not later than July 22, 2011 or (b) if the Approval Order approves the APA, then in the event of a GC Failure on or prior to July 29, 2011, the Sale shall commence at all Stores on the earlier of (i) one day following notice of a GC Failure and (ii) August 1, 2011 (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. 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, whether received during or after the Sale Term. Merchant shall cooperate with Agent to instruct its credit card processors to change the daily deposit of credit card proceeds to an account controlled by Agent.

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"); provided, however, that the aggregate Cost Value of the Additional Agent Merchandise shall not exceed 2% of the aggregate Cost Value of the 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, provided that, if the Sale Commencement Date is not July 22, 2011, the Merchant shall continue to replenish such Stores up until the Sale Commencement Date for such Stores in the ordinary course and consistent with historical practices.

(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@tigergruopluc.com](mailto:sgoldberger@tigergruopluc.com)  
[dkane@tigergruopluc.com](mailto:dkane@tigergruopluc.com)

GORDON BROTHERS RETAIL  
PARTNERS, LLC  
101 Huntington Avenue, 10<sup>th</sup> Fl.  
Boston, MA 02199  
Attn: Michael Chartock  
Tel: (617) 210-7116  
Fax: (617) 523-3007  
Email: [MChartock@gordonbrothers.com](mailto: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](mailto: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](mailto: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](mailto: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  
dfliman@kasowitz.com

If to GECC:

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

With a copy to:

GENERAL ELECTRIC CAPITAL  
CORPORATION  
201 Merritt 7  
PO Box 5201  
Norwalk, CT 06851  
Attn: Borders/John Pistocchi  
Fax: (203) 956-4002

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 (x) 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 and (y) to secure Merchant's obligations pursuant to Section 3.3(e) to repay any Over Payment Amount to the Agent, a superpriority administrative expense claim payable from, and a valid and perfected first priority security interests in and lien upon, each of the following, as defined in the APA: (i) Intellectual Property, (ii) the Kobo Interest, (iii) proceeds of Real Property Leases, (iv) Corporate FF&E (as defined herein), (v) Merchant's Additional Goods Recovery Amount (as defined herein), (vi) Merchant's

portion of proceeds related to Merchant Consignment Goods (as defined herein) and (vii) proceeds related to any the foregoing (the “Over Payment Collateral”); provided, however, that the security interest and administrative expense claims 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 interests granted to the Agent hereunder shall be deemed properly perfected without the necessity of filing financing statements or other documentation. Upon the earlier occurrence of (a) date of the Final Inventory Report as reviewed, verified and reconciled by Merchant and Agent and payment of any Over Payment Amount, if any, (b) Agent’s express written waiver of its rights to the Over Payment Amount or (c) entry by the Court of an Order finding that the Merchant satisfied its obligations to the Agent pursuant to Section 3.3(e) hereof, (the “Over Payment Collateral Release Date”), the Agent’s liens on the Over Payment Collateral shall be deemed automatically released and the Agent will immediately disburse all amounts held in the Over Payment Escrow (as defined below) to the Merchant. Notwithstanding any provision in this Agreement to the contrary, during the period commencing on the Sale Commencement Date and after payment of the Guaranteed Amount Deposit and Agent Sale FF&E Guarantee and ending on the Over Payment Collateral Release Date (a) the Merchant shall not sell, assign or otherwise dispose of any item of Over Payment Collateral without Agent’s consent, which consent will not be unreasonably withheld, (b) the proceeds of the sale of any Over Payment Collateral shall be placed in a segregated account with Agent (the “Over Payment Escrow”) and Agent’s liens shall attach to such proceeds in the same priority, validity and extent they encumbered such collateral, and (c) the Agent is authorized to hold all proceeds due to the Merchant with respect to the Recovery Amount, Merchant’s Additional Goods Recovery Amount and Merchant's portion of proceeds related to Merchant Consignment Goods in the Over Payment Escrow.

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: 

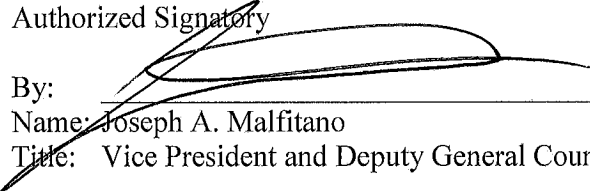
Name: Holly Felder Etlin

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**

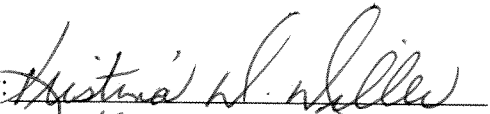
By: **HILCO MERCHANT RESOURCES, LLC**  
Its: Authorized Signatory

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 3.4, 16 AND 17 HEREOF, BY:

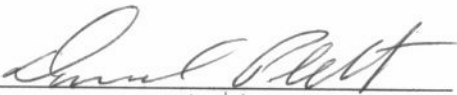
GENERAL ELECTRIC CAPITAL CORPORATION

By:   
Name KRISTINA M. MILLER  
Title DULY AUTHORIZED SIGNATORY

[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 Daniel Platt  
Title President and Portfolio Manager

**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
<b>Stores</b>							
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 Center	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 Center	336 South Route 59	Naperville	IL	60540	25,650
74	BSS	Northway Mall	1051 Northway Mall	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 Crossing)	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



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

**Store List**

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
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 Ledgewood Square	17200 Royalton Road	Strongsville	OH	44136	27,300
166	BSS	Dodge Street	7201 Dodge Street	Omaha	NE	68114	25,000
167	BSS	Bridgeport Village Shopping Center	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 Center	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 Center	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

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

**Store List**

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
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
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 Center	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 Shopping Center	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

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

**Store List**

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
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 Annapolis	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 Beechwood	196 Alps Rd	Athens	GA	30606	20,908
461	BSS	The Village At Cambridge Crossing	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
464	BSS	Summit Woods Crossing	1664 N.W. Chipman Road	Lee's Summit	MO	64081	25,623
466	BSS	Riverdale Crossing Shopping Center	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 Mall 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 Centre	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

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

**Store List**

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
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 Outparcel	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 Anita	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
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	Pennsdale	PA	17756	22,800
695	BSS	The Promenade At Westfield Capital	2415 4th Ave. West	Olympia	WA	98502	21,210
698	BSR	Woodbridge Center	298 Woodbridge Center	Woodbridge	NJ	07095	3,600

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

**Store List**

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
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 - Term	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 Connec	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 A/E	808 Barkwood Ct. Suites Q-W	Baltimore	MD	21090	1,050
764	Airport	Baltimore/Washington Int'l Airport A/E	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 Air	3800 Sky Harbor Blvd.	Phoenix	AZ	85034	1,429
767	Airport	Philadelphia Int'l Airport D/E Connec	D/E Connector	Philadelphia	PA	19153	909
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

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

**Store List**

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
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 Center	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 Com	1316 Washington Street	Hanover	MA	02339	4,000
924	BSR	Sunrise Mall	2370 N. Expressway	Brownsville	TX	78526	3,180
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

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

**Store List**

Store #	Location Type	Name	Address	City	State	Zip	Selling Sq Ft
931	BSR	The Mall of Monroe fka Frenchtown	2121 N. Monroe Street	Monroe	MI	48161	2,291
932	BSR	Town Center Of Mililani	1249 Meheula Parkway	Mililani	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 & More)	7311 Quivera Road	Shawnee	KS	66216	8,000
937	BSR	Fountain Square S/C (Wb& More)	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/Coopersmiths	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
<b>399</b>							<b>Average Sq Ft 17,110</b>

**EXHIBIT 2(b)**

FORM OF APPROVAL ORDER

(TO BE MUTUALLY AGREED UPON)



**Borders Group, Inc**  
**Exhibit 3.1(c)**

<b>Merchandise Threshold Schedule</b>
---------------------------------------

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)**

(TO BE PROVIDED)

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

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

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

Ladies and Gentlemen:

- (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:

2205986v5  
2/15/2011 1:02 PM

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

BORDERS GROUP, INC.

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

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

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

GENERAL  
CORPORATION

ELECTRIC

CAPITAL

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

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

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

**EXHIBIT B**

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

Re: Reduction of Face Amount

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

GENERAL ELECTRIC CAPITAL CORPORATION  
[ ]  
[ ]

Ladies and Gentlemen:

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

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

BORDERS GROUP, INC.

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

GENERAL ELECTRIC CAPITAL CORPORATION

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

Borders Group, Inc

4.1 (r) Occupancy - Per Diem

Total - Per Diem																		
	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.	SBC Licensee Fees			% Occupancy Component above Base Per Diem	% Occupancy Comments
Store #															Total			
1	2,853	-	622	24	94	100	24	590	-	-	91	57	-	-	4,453			
14	905	86	97	8	18	66	59	160	-	-	19	10	-	-	1,428			
16	1,347	171	212	9	49	64	20	241	-	-	38	64	-	-	2,214			
19	1,734	236	299	44	56	89	30	369	-	-	58	62	-	-	2,976			
20	2,447	187	203	20	47	93	26	237	-	-	51	2	-	-	3,313			
22	1,560	82	199	30	33	119	25	356	-	-	24	1	-	-	2,428			
28	786	-	-	11	42	65	13	347	-	-	56	2	-	-	1,322			
30	2,197	176	259	19	27	84	21	409	-	9	53	36	-	-	3,290			
39	1,960	222	395	15	27	68	20	344	-	22	48	89	-	-	3,210			
40	1,426	19	305	13	40	98	30	546	-	-	39	1	-	-	2,517			
41	860	129	338	8	23	86	15	308	-	-	44	0	-	-	1,812			
43	1,241	115	135	20	43	63	23	368	-	-	56	95	-	-	2,158			
44	1,350	198	563	14	39	158	34	466	-	-	42	2	-	-	2,866			
45	2,723	53	296	35	105	95	27	413	-	6	99	120	-	-	3,972			
46	1,542	220	256	49	50	100	19	297	-	-	43	33	-	-	2,609			
47	2,558	-	378	10	37	83	20	211	-	-	45	30	-	-	3,372			
55	1,265	161	307	26	82	97	26	698	-	15	38	38	-	-	2,753			
61	1,503	120	781	27	32	87	29	310	-	-	45	5	-	-	2,940			
62	1,190	223	205	14	57	76	33	381	-	-	56	2	-	-	2,238			
64	1,342	283	152	35	56	76	113	263	-	-	23	52	-	-	2,395			
66	1,207	306	229	14	59	76	13	166	-	-	33	47	-	-	2,150			
72	2,656	125	320	17	110	95	29	437	-	1	51	50	-	-	3,893			
73	985	135	127	14	32	81	21	274	-	-	38	1	-	-	1,708			
74	1,727	194	158	17	48	85	22	322	-	-	42	30	-	-	2,644			
76	1,179	180	356	16	34	101	19	270	-	5	69	185	-	-	2,413			
78	1,498	241	618	33	41	107	26	360	-	2	59	243	-	-	3,229			
79	% Rent	77	486	14	60	99	42	649	-	-	39	1	-	-	1,467	TRUE	8% of sales for net rent	
80	2,147	0	154	17	91	122	29	453	-	6	52	1	-	-	3,071			
85	2,870	211	237	37	55	125	29	330	-	-	55	105	-	-	4,054			
86	3,423	-	559	20	104	194	24	606	-	10	66	61	-	-	5,068			
89	1,428	154	296	16	63	119	25	375	-	-	47	90	-	-	2,614			
94	1,959	50	214	13	83	97	35	429	-	-	64	9	-	-	2,954			
96	% Rent	-	-	16	41	118	24	467	-	-	36	-	-	-	702	TRUE	8% of sales for gross occupancy plus sales tax	
98	2,362	-	318	13	47	325	30	297	-	13	41	38	-	-	3,482			
100	1,814	-	225	15	60	201	37	426	-	-	39	1	-	-	2,817			
107	931	346	-	12	25	64	27	230	-	-	41	39	-	-	1,716			
108	954	-	105	14	49	64	33	274	-	-	48	92	-	-	1,632			
110	1,290	158	237	17	43	67	14	319	-	5	22	46	-	-	2,218			
112	2,455	223	355	49	96	131	24	252	-	-	50	104	-	-	3,739			
113	1,606	0	420	15	43	61	16	355	-	-	43	56	-	-	2,615			
114	1,471	285	208	39	36	65	19	339	-	-	35	67	-	-	2,564			
119	1,740	91	122	15	59	93	38	458	-	-	52	57	-	-	2,726			
120	3,530	117	752	56	109	227	33	783	-	-	512	13	-	-	6,132			
123	1,325	-	217	17	22	113	17	202	-	-	27	11	-	-	1,951			
125	1,319	-	210	14	97	194	43	326	-	-	40	37	-	-	2,279			
126	1,586	368	217	17	82	116	20	267	-	-	107	34	-	-	2,814			
130	1,763	319	115	53	44	123	28	346	-	-	42	34	-	-	2,867			
133	982	43	247	17	49	170	31	316	-	-	48	32	-	-	1,933			
136	1,637	218	128	38	43	79	20	271	-	-	41	2	-	-	2,477			
137	1,190	75	84	23	45	87	22	328	-	-	40	1	-	-	1,893			
138	822	52	243	13	40	66	24	227	-	-	31	18	-	-	1,536			
145	1,024	199	697	15	38	80	21	277	-	-	62	202	-	-	2,617			
147	1,630	181	127	14	59	81	27	315	-	-	60	37	-	-	2,532			
152	1,548	42	147	39	42	83	23	249	-	-	51	36	-	-	2,262			
155	1,004	323	-	11	50	74	19	451	-	-	40	38	-	-	2,010			
162	949	72	59	12	39	74	35	284	-	-	23	-	-	-	1,549			



Borders Group, Inc

4.1 (r) Occupancy - Per Diem

Total - Per Diem																	% Occupancy Component above Base Per Diem		% Occupancy Comments
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.	SBC Licensee Fees	Total				
163	2,861	-	-	15	48	67	20	391	-	-	109	48	-	-	3,559				
164	1,475	175	229	15	37	73	16	348	-	4	29	2	-	-	2,404				
166	1,586	-	320	15	41	113	18	233	-	-	52	28	-	-	2,406				
167	1,590	294	314	14	40	78	23	292	-	-	100	48	-	-	2,793				
168	1,131	208	243	11	55	64	19	271	-	-	54	23	-	-	2,080				
169	1,231	141	677	15	80	85	23	295	-	-	48	3	-	-	2,598				
170	890	71	199	17	63	60	19	365	-	-	48	20	-	-	1,752				
173	1,346	198	330	36	47	65	16	373	-	-	72	1	-	-	2,483				
176	1,127	148	305	13	53	66	22	281	-	-	47	34	-	-	2,096				
177	1,064	329	-	14	39	84	27	322	-	-	65	42	-	-	1,988				
178	1,151	100	269	11	86	53	21	278	-	-	69	27	-	-	2,064				
180	2,246	-	699	18	98	184	29	407	-	-	65	73	-	-	3,820				
182	1,051	14	363	14	52	104	19	386	-	-	30	1	-	-	2,034				
183	1,194	116	98	20	41	86	22	307	-	-	56	38	-	-	1,978				
184	2,068	211	204	15	52	102	29	82	-	12	47	43	-	-	2,864				
185	1,272	58	146	14	76	131	26	368	-	11	57	66	-	-	2,225				
186	1,741	244	384	20	88	91	26	233	-	-	73	256	-	-	3,156				
188	1,022	132	108	24	47	82	21	233	-	-	42	35	-	-	1,747				
190	589	103	177	23	43	62	26	593	-	-	41	48	-	-	1,705				
191	1,368	344	45	14	80	132	18	294	-	5	77	50	-	-	2,426				
193	1,195	162	215	26	65	71	33	415	-	-	82	8	-	-	2,273				
194	1,290	122	194	22	29	62	17	234	-	-	59	24	-	-	2,054				
197	1,134	-	466	14	28	87	24	243	-	-	41	1	-	-	2,038				
199	1,265	56	130	28	29	63	14	258	-	-	37	61	-	-	1,940				
201	1,358	14	144	14	105	90	34	238	-	-	53	110	-	-	2,160				
202	1,636	226	159	13	36	70	28	379	-	-	40	2	-	-	2,589				
208	252	4	84	12	85	97	49	253	-	-	49	126	-	-	1,012				
210	1,219	90	219	15	27	87	14	327	-	5	41	41	-	-	2,086				
211	1,518	312	112	29	45	69	16	434	-	-	54	66	-	-	2,654				
212	1,544	294	91	21	58	105	49	448	-	-	50	81	-	-	2,741				
215	895	228	109	14	56	65	25	243	-	7	37	40	-	-	1,719				
217	2,242	121	237	45	42	73	17	378	-	-	45	72	-	-	3,272				
218	908	68	174	14	50	78	30	408	-	14	100	58	-	-	1,901				
219	1,648	-	197	55	50	67	23	436	-	-	31	1	-	-	2,507				
220	1,682	93	221	15	54	79	18	401	-	-	51	21	-	-	2,635				
225	1,900	179	197	55	50	67	23	436	-	-	31	1	-	-	2,938				
226	1,201	53	177	12	45	63	19	254	-	-	45	2	-	-	1,870				
229	2,064	66	324	55	50	67	23	436	-	-	31	1	-	-	3,116				
230	1,108	227	145	12	49	89	28	453	-	-	51	-	-	-	2,162				
231	% Rent	-	-	-	31	101	18	329	-	-	55	16	-	-	550	TRUE	6% of sales for gross occupancy plus utilities and sales tax		
232	731	91	82	12	49	68	23	264	-	-	26	113	-	-	1,458				
236	1,198	80	120	13	98	66	25	369	-	5	41	40	-	-	2,055				
237	1,129	240	92	13	56	63	16	379	-	-	40	1	-	-	2,030				
246	1,119	171	172	13	34	89	25	325	-	-	120	143	-	-	2,211				
249	873	156	804	13	50	54	24	287	-	-	41	215	-	-	2,515				
250	1,071	107	161	13	23	56	12	192	-	-	45	10	-	-	1,690				
252	1,486	-	409	14	78	125	16	325	-	-	33	2	-	-	2,487				
253	1,126	50	117	14	49	73	23	268	-	-	29	7	-	-	1,755				
257	1,320	126	146	40	50	67	23	436	-	-	31	1	-	-	2,240				
258	2,252	586	592	18	52	225	25	488	-	-	72	181	-	-	4,490				
262	1,106	138	281	14	42	73	21	272	-	-	49	84	-	-	2,078				
270	1,943	116	767	38	31	88	27	745	-	-	64	2	-	-	3,820				
271	1,432	-	322	14	66	131	16	227	-	-	37	-	-	-	2,245				
276	1,280	163	184	15	41	67	22	469	-	-	39	29	-	-	2,310				
277	894	52	114	14	24	62	13	314	-	-	36	1	-	-	1,525				
281	1,661	111	194	14	89	106	20	377	-	-	42	21	-	-	2,636				

Borders Group, Inc

4.1 (r) Occupancy - Per Diem

Total - Per Diem																		
	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.	SBC Licensee Fees	Total	% Occupancy Component above Base Per Diem	% Occupancy Comments	
286	1,185	36	244	14	39	67	16	375	-	-	56	2	-	-	2,035			
287	1,243	119	135	14	45	72	23	192	-	-	60	39	-	-	1,941			
289	1,130	0	177	14	62	60	19	281	-	60	52	49	-	-	1,904			
290	1,780	265	290	14	70	91	25	311	-	-	58	123	-	-	3,028			
291	1,396	48	338	14	41	109	28	390	-	-	41	50	-	-	2,455			
292	1,418	0	373	14	83	153	26	240	-	-	34	2	-	-	2,342			
293	1,368	40	105	25	53	61	20	246	-	-	44	23	-	-	1,984			
294	1,621	238	313	14	83	97	19	347	-	-	48	82	-	-	2,862			
295	1,027	92	99	11	23	62	20	275	-	-	39	42	-	-	1,690			
296	1,446	111	153	14	24	93	21	251	-	7	42	40	-	-	2,203			
299	1,701	153	379	14	59	73	15	365	-	-	43	62	-	-	2,863			
300	1,368	153	162	14	38	85	24	450	-	1	54	24	-	-	2,372			
327	991	132	106	12	56	61	19	299	-	-	28	38	-	-	1,742			
334	786	118	370	12	31	67	23	436	-	-	31	1	-	-	1,874			
335	969	187	193	20	26	72	21	389	-	14	27	53	-	-	1,972			
337	1,692	18	346	14	56	143	22	325	-	2	42	30	-	-	2,690			
338	1,314	210	181	24	53	72	26	286	-	-	41	34	-	-	2,242			
340	1,436	64	206	17	46	95	61	351	-	-	58	1	-	-	2,337			
344	1,806	-	160	14	67	93	39	484	-	-	54	34	-	-	2,750			
346	1,205	113	194	37	47	82	25	387	-	-	61	33	-	-	2,182			
348	1,009	359	-	12	39	54	32	198	-	-	16	28	-	-	1,747			
349	1,711	166	294	14	52	70	24	226	-	5	65	60	-	-	2,686			
356	2,827	827	-	-	65	220	30	1,135	-	27	70	1,786	-	-	6,988			
361	1,078	111	257	14	24	52	19	193	-	-	38	54	-	-	1,841			
364	1,485	118	149	47	31	60	29	337	-	5	46	0	-	-	2,307			
368	1,176	155	93	37	40	93	14	310	-	15	50	1	-	-	1,985			
369	1,387	-	206	11	66	88	12	201	-	5	41	1	-	-	2,017			
370	1,292	171	65	27	52	60	25	202	-	-	55	388	-	-	2,338			
371	1,356	107	171	26	32	60	21	206	-	-	39	28	-	-	2,047			
372	1,050	68	198	18	31	69	25	181	-	6	71	59	-	-	1,776			
373	1,214	84	585	14	34	66	18	287	-	-	50	19	-	-	2,370			
376	1,241	116	32	14	38	79	27	238	-	-	35	108	-	-	1,927			
380	1,767	84	131	14	28	70	31	361	-	-	31	0	-	-	2,518			
381	2,199	244	532	88	67	96	27	239	-	-	43	287	-	-	3,822			
382	2,718	-	-	15	80	169	29	453	-	-	58	3	-	-	3,525			
383	1,423	140	200	13	41	83	18	315	-	-	54	209	-	-	2,495			
384	1,346	78	220	14	59	79	24	329	-	6	39	35	-	-	2,229			
388	2,056	1,139	202	15	86	110	17	512	-	-	108	62	-	-	4,308			
390	1,042	234	336	14	33	71	21	129	-	-	37	1	-	-	1,917			
391	1,280	79	80	27	47	62	14	279	-	-	38	51	-	-	1,957			
392	1,735	225	298	15	46	113	23	511	-	-	40	45	-	-	3,051			
394	1,185	61	269	12	34	84	40	360	-	-	60	1	-	-	2,106			
397	1,433	151	207	14	25	70	21	263	-	-	68	6	-	-	2,259			
401	1,282	85	159	43	48	83	32	364	-	8	53	38	-	-	2,195			
405	2,852	230	669	69	60	145	33	298	-	-	119	4	-	-	4,479			
414	1,344	121	432	40	43	62	23	332	-	-	43	198	-	-	2,640			
415	1,333	189	196	14	44	66	24	303	-	-	32	34	-	-	2,236			
417	1,110	115	159	31	82	117	23	232	-	-	35	19	-	-	1,923			
421	1,590	215	258	16	56	77	23	423	-	-	38	52	-	-	2,749			
434	694	250	5	15	36	71	15	328	-	-	33	1	-	-	1,450			
436	778	107	96	37	29	100	20	191	-	-	48	31	-	-	1,438			
439	1,450	145	189	13	45	121	14	409	-	-	39	5	-	-	2,429			
440	1,571	103	139	14	34	71	21	230	-	5	52	84	-	-	2,323			
441	1,143	43	156	21	16	56	25	192	-	-	27	34	-	-	1,714			
442	1,222	4	133	13	63	149	25	433	-	-	43	36	-	-	2,121			
444	992	106	425	13	56	85	21	215	-	-	68	48	-	-	2,029			

Borders Group, Inc

4.1 (r) Occupancy - Per Diem

Total - 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	Dues & Subscrip.	SBC Licensee Fees	Total	% Occupancy Component above Base Per Diem	% Occupancy Comments
445	1,177	352	99	13	25	69	28	436	-	-	31	1	-	-	2,231		
446	949	171	229	39	46	64	19	356	-	-	50	1	-	-	1,923		
448	1,607	230	307	15	39	87	16	306	-	-	51	1	-	-	2,659		
449	1,563	-	539	15	59	63	29	335	-	-	53	231	-	-	2,886		
451	2,074	539	-	15	62	150	36	592	-	-	113	45	-	-	3,626		
452	1,426	439	193	36	80	109	117	445	-	5	47	81	-	-	2,978		
453	1,024	105	119	13	21	58	13	177	-	5	27	30	-	-	1,591		
454	930	71	101	14	15	71	19	285	-	-	45	53	-	-	1,602		
461	1,066	156	299	14	39	71	28	446	-	-	63	8	-	-	2,191		
463	1,042	201	426	14	42	58	19	519	-	5	45	43	-	-	2,414		
464	1,050	107	193	14	20	60	19	302	-	-	38	30	-	-	1,833		
466	1,179	82	177	12	33	76	34	518	-	-	45	8	-	-	2,163		
471	1,250	320	74	13	35	56	28	446	-	-	116	1	-	-	2,339		
472	1,062	92	94	13	29	76	22	265	-	-	41	132	-	-	1,826		
473	2,045	277	585	15	29	133	20	398	-	6	75	63	-	-	3,645		
476	929	118	314	12	24	68	26	276	-	-	51	194	-	-	2,013		
479	1,989	99	370	14	37	81	42	478	-	-	38	8	-	-	3,156		
484	1,207	202	516	12	78	61	37	280	-	-	57	34	-	-	2,483		
486	856	112	340	25	30	62	15	245	-	-	47	16	-	-	1,749		
489	1,376	204	260	14	31	73	29	423	-	-	48	9	-	-	2,466		
495	1,172	171	627	12	48	71	3	256	-	-	59	1	-	-	2,419		
496	763	145	65	11	54	58	19	223	-	13	46	123	-	-	1,520		
500	1,284	132	237	14	30	50	23	198	-	-	31	1	-	-	1,998		
513	609	103	111	11	24	66	13	191	-	-	37	14	-	-	1,181		
514	784	178	107	9	26	67	19	261	-	-	54	0	-	-	1,506		
515	877	154	87	9	71	69	30	295	-	-	57	0	-	-	1,650		
521	766	62	133	15	24	57	32	247	-	-	20	24	-	-	1,379		
522	1,291	172	315	14	25	92	26	237	-	1	68	68	-	-	2,311		
524	1,291	126	136	13	30	88	24	425	-	-	39	30	-	-	2,201		
531	866	172	345	16	24	50	14	237	-	-	31	2	-	-	1,757		
532	586	67	109	13	40	84	21	161	-	-	24	19	-	-	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	67	29	80	60	17	245	-	1	47	47	-	-	1,596		
544	745	56	42	9	27	62	17	208	-	-	45	13	-	-	1,224		
547	601	139	275	12	32	63	13	227	-	-	35	1	-	-	1,397		
551	602	46	86	8	36	54	16	247	-	8	39	38	-	-	1,180		
555	558	42	55	8	18	54	21	163	-	-	51	22	-	-	993		
557	1,065	103	169	12	44	67	22	342	-	-	38	38	-	-	1,900		
558	827	95	120	13	25	56	17	191	-	-	35	38	-	-	1,416		
560	952	85	167	11	24	63	13	172	-	11	36	28	-	-	1,562		
567	1,079	201	101	12	31	103	18	274	-	9	53	69	-	-	1,948		
568	1,961	181	412	15	39	76	23	466	-	-	51	8	-	-	3,231		
570	714	114	119	11	24	66	19	176	-	-	41	26	-	-	1,310		
572	994	-	312	11	33	108	12	196	-	4	52	1	-	-	1,724		
573	1,336	130	246	13	26	84	30	438	-	-	68	9	-	-	2,380		
580	1,271	363	311	13	55	77	22	267	-	-	51	201	-	-	2,630		
581	713	101	69	9	33	95	15	326	-	-	45	15	-	-	1,422		
582	4,500	-	55	13	154	411	45	610	-	6	162	216	-	-	6,172		
583	837	104	123	8	23	55	15	197	-	-	47	0	-	-	1,410		
585	956	129	93	13	30	77	27	241	-	-	46	34	-	-	1,646		
586	1,643	331	562	13	70	103	26	473	-	8	69	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	-	-	2,126		
591	999	101	311	10	32	65	20	307	-	5	40	1	-	-	1,891		
592	3,830	1,084	1,042	14	64	334	52	1,282	-	-	29	302	-	-	8,033		

## Borders Group, Inc.

## 4.1 (r) Occupancy - Per Diem

Total - Per Diem																Total	% Occupancy	
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.	SBC Licensee Fees			Per Diem	% Occupancy Comments
594	1,280	172	268	12	43	69	34	493	-	-	31	1	-	-	-	2,404		
597	2,238	426	103	13	39	104	22	520	-	5	43	2	-	-	-	3,515		
598	996	98	148	12	23	64	25	335	-	-	47	64	-	-	-	1,813		
599	2,291	207	264	12	75	71	28	360	-	-	53	45	-	-	-	3,406		
603	1,186	108	95	12	56	66	24	366	-	0	46	74	-	-	-	2,034		
606	1,630	278	216	17	60	112	30	327	-	-	44	2	-	-	-	2,717		
615	313	34	54	12	30	49	10	96	-	8	15	34	-	-	-	654		
616	1,644	180	92	15	25	65	21	203	-	14	28	57	-	-	-	2,343		
620	975	292	228	10	38	53	32	271	-	-	29	45	-	-	-	1,974		
622	% Rent	-	-	-	11	25	2	105	-	-	7	0	-	-	-	149	TRUE	10% of sales for gross occupancy plus utilities
623	357	-	-	-	13	12	2	104	-	-	19	19	-	-	-	525	TRUE	10% of sales for gross occupancy with \$120,000 floor plus utilities
625	560	109	106	36	27	61	19	388	-	-	31	1	-	-	-	1,338		
629	896	142	304	10	31	65	17	224	-	-	40	25	-	-	-	1,754		
631	683	100	234	10	33	61	36	199	-	-	26	1	-	-	-	1,383		
640	52	167	100	-	10	23	-	133	-	-	7	11	-	-	-	504	TRUE	Base rent plus 10% of sales for net rent over breakpoint of \$1,113,973
645	1,005	420	-	13	93	82	24	442	-	5	55	69	-	-	-	2,208		
647	950	255	56	11	32	83	31	414	-	-	55	4	-	-	-	1,890		
649	% Rent	-	-	-	5	26	-	58	-	-	10	4	-	-	-	103	TRUE	10% of sales for gross occupancy plus utilities
653	1,042	356	-	12	57	76	18	349	-	-	71	2	-	-	-	1,984		
654	751	49	196	11	47	67	17	104	-	-	47	1	-	-	-	1,292		
656	923	147	74	25	52	70	55	410	-	-	65	43	-	-	-	1,863		
657	1,226	-	71	14	25	49	20	330	-	-	41	61	-	-	-	1,838		
661	2,328	-	153	13	37	95	31	160	-	-	20	-	-	-	-	2,836		
662	846	124	93	12	49	71	13	223	-	8	59	106	-	-	-	1,605		
667	952	345	-	11	49	96	14	239	-	7	39	46	-	-	-	1,800		
676	742	174	311	11	52	44	16	216	-	5	73	26	-	-	-	1,669		
683	990	191	99	12	59	66	18	223	-	-	68	42	-	-	-	1,767		
686	1,390	143	175	55	40	69	16	270	-	-	62	235	-	-	-	2,454		
688	352	-	-	-	4	9	-	79	-	-	8	7	-	-	-	460	TRUE	7% of sales for gross occupancy with \$118,400 floor plus utilities
689	% Rent	-	-	-	10	17	-	59	-	9	8	-	-	-	-	101	TRUE	10% of sales for gross occupancy plus consumables
692	786	151	290	11	45	90	30	452	-	-	26	47	-	-	-	1,928		
694	1,063	35	64	13	17	72	32	339	-	-	54	-	-	-	-	1,687		
695	838	280	-	11	55	89	15	228	-	-	41	44	-	-	-	1,600		
698	% Rent	-	-	-	9	12	-	62	-	-	6	1	-	-	-	90	TRUE	8% of sales for gross occupancy plus utilities
699	178	75	15	5	4	26	-	51	-	-	7	1	-	-	-	362		
719	216	-	-	-	11	17	2	17	-	-	6	-	-	-	-	270	TRUE	7% of sales for gross occupancy with \$72,600 floor plus utilities
720	% Rent	-	-	-	5	26	1	96	-	-	13	0	-	-	-	141	TRUE	6% of sales for gross occupancy plus utilities
721	% Rent	-	-	-	4	10	1	36	-	-	6	-	-	-	-	57	TRUE	10% of sales for gross occupancy plus consumables
723	% Rent	-	-	-	2	53	1	123	-	-	6	27	-	-	-	212	TRUE	10% of sales for gross occupancy plus utilities
724	127	16	6	-	4	11	-	46	-	-	6	-	-	-	-	217	TRUE	Base rent plus 6% of sales over breakpoint of \$712,000
725	153	216	135	-	19	60	-	97	-	-	8	5	-	-	-	694	TRUE	Base rent plus 10% of sales over breakpoint of \$1,470,652
726	% Rent	-	-	-	8	13	1	54	-	-	8	3	-	-	-	87	TRUE	8% of sales for gross occupancy plus consumables
728	% Rent	-	-	-	3	9	-	64	-	-	5	1	-	-	-	82	TRUE	10% of sales for gross occupancy plus consumables
729	% Rent	-	-	-	2	15	10	118	-	-	10	13	-	-	-	168	TRUE	10% of sales for gross occupancy plus utilities
730	% Rent	-	-	-	21	16	1	135	-	-	6	-	-	-	-	179	TRUE	6% of sales for gross occupancy plus utilities
731	298	-	-	-	7	12	-	21	-	1	9	2	-	-	-	351	TRUE	10% of sales for gross occupancy with \$100,000 floor plus utilities
732	% Rent	-	-	-	10	10	-	49	-	-	6	-	-	-	-	76	TRUE	10% of sales for gross occupancy plus consumables
733	334	-	-	-	10	39	5	93	-	-	9	7	-	-	-	497	TRUE	6% of sales for gross occupancy with \$112,300 floor plus utilities
734	253	-	-	-	6	49	0	54	-	-	6	1	-	-	-	369	TRUE	10% of sales for gross occupancy with \$85,000 floor plus utilities
735	197	76	19	-	6	31	1	37	-	-	7	-	-	-	-	374	TRUE	Base rent plus 6% of sales over breakpoint of \$1,101,100
737	160	42	9	-	3	19	2	56	-	-	6	-	-	-	-	296	TRUE	Base rent plus 6% of sales over breakpoint of \$766,666
738	% Rent	-	-	-	22	27	1	69	-	-	9	1	-	-	-	130	TRUE	10% of sales for gross occupancy plus utilities
739	824	353	130	-	3	142	-	74	-	-	7	-	-	-	-	1,533		
740	% Rent	-	-	-	7	24	1	53	-	-	9	4	-	-	-	99	TRUE	6% of sales for gross occupancy plus utilities
741	283	-	-	-	12	13	1	41	-	3	10	9	-	-	-	372		
742	% Rent	-	-	-	4	16	-	36	-	-	20	-	-	-	-	76	TRUE	9% of sales for gross occupancy plus utilities

## Borders Group, Inc

## 4.1 (r) Occupancy - Per Diem

Total - Per Diem																Total	% Occupancy Component above Base	
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.	SBC Licensee Fees			Per Diem	% Occupancy Comments
743	268	-	-	-	16	11	-	44	-	-	9	19	-	-	-	367	TRUE	Base rent plus 10% of sales over breakpoint of \$900,000 plus \$0.76 psf in additional fees, no mail HVAC charges
750	714	133	-	-	18	24	-	39	-	-	8	16	-	-	-	952		
751	589	-	-	-	17	29	24	38	-	-	6	8	-	-	-	711	TRUE	14% of sales for gross occupancy with \$198,000 floor plus utilities
752	298	-	-	-	18	21	18	30	-	-	10	2	-	-	-	397	TRUE	9% of sales for gross occupancy with \$100,000 floor plus utilities
753	1,118	-	-	-	15	71	0	85	-	-	6	10	-	-	-	1,304		
755	938	60	-	-	17	49	14	54	-	-	7	32	-	-	-	1,171		
756	1,458	-	-	-	15	62	22	54	-	-	10	7	-	-	-	1,628		
757	382	% CAM	-	-	4	3	25	34	-	-	5	7	-	-	-	460	TRUE	Base rent plus 12% of sales over annual breakpoint of \$1,041,667; CAM is 3% of sales
758	425	105	-	-	8	37	7	49	-	-	5	3	-	-	-	641	TRUE	Base rent plus 12% of sales over annual breakpoint of \$1,255,900
759	617	62	-	-	1	24	25	41	-	-	12	-	-	-	-	780		
760	446	-	-	-	16	3	-	77	-	-	6	16	-	-	-	564	TRUE	12% of sales for gross occupancy with \$150,000 floor plus utilities
761	268	-	-	-	5	21	14	32	-	-	11	3	-	-	-	354	TRUE	8% of sales for gross occupancy with \$90,000 floor plus utilities
762	579	63	-	-	4	7	20	107	-	-	5	1	-	-	-	787	TRUE	10% of sales for net rent with \$194,641 floor
763	215	86	-	-	6	27	-	31	-	-	8	4	-	-	-	376	TRUE	Base rent plus 10% of sales between \$1.125-1.5M, 12% of sales >\$1.5M and promotions fees at 0.5% of sales w
764	128	81	-	-	2	5	1	18	-	-	5	3	-	-	-	244		
765	589	-	-	-	27	34	32	70	-	-	7	6	-	-	-	765	TRUE	12% of sales for gross occupancy with \$197,950 floor
766	672	-	-	-	9	5	15	30	-	-	5	6	-	-	-	742		
767	599	53	-	-	8	23	25	38	-	-	7	-	-	-	-	753		
768	595	143	-	-	5	30	31	74	-	-	11	-	-	-	-	890		
770	283	-	-	-	5	7	16	93	-	-	6	7	-	-	-	416	TRUE	10% of sales for gross occupancy with \$95,000 floor
771	283	-	-	-	7	5	17	95	-	-	9	6	-	-	-	421		
772	237	-	-	-	7	7	20	50	-	-	6	4	-	-	-	329	TRUE	14% of sales for gross occupancy with \$79,560 floor plus utilities
773	372	65	-	-	2	21	20	24	-	-	13	4	-	-	-	521	TRUE	Base rent plus 10%-15% of sales; Percent Rent: Category I: 10% magazines, newspapers, hardcover and paperback books; Display Fixture Allowance, Performance Allowances, Promotional Allowances, Retail Display Allowances and Special Purchase Allowances paid to the assignee for the premises. B/P= \$1,249,237 Category II: 12% non-prescription drugs, sundries, snacks, candy, chewing gum, mints, stationary, water, soft drinks and all other beverages. B/P= \$1,041,031 Category III: 15% apparel, hoes, souvenirs, tobacco products, film, batteries and all other merchandise not listed in Category I or Category II. B/P= \$832,825
774	744	-	-	-	2	6	17	31	-	-	5	-	-	-	-	806		
775	1,414	-	-	-	1	7	19	41	-	-	7	-	-	-	-	1,488		
776	2,213	31	-	-	30	3	32	36	-	-	5	-	-	-	-	2,350		
777	607	-	-	-	1	15	19	37	-	-	5	4	-	-	-	688		
790	342	-	-	-	8	3	-	65	-	-	4	-	-	-	-	422	TRUE	10% of sales for gross occupancy with \$115,000 floor plus utilities
791	238	-	-	-	11	11	20	44	-	-	6	-	-	-	-	330	TRUE	6% of sales for gross occupancy with \$80,000 floor plus utilities
792	179	38	3	2	8	15	3	45	-	-	6	12	-	-	-	311	TRUE	Base rent plus 7% of sales for net rent over breakpoint of \$806,400
793	% Rent	-	-	-	9	14	5	87	-	-	7	10	-	-	-	131	TRUE	10% of sales for gross occupancy plus consumables
794	% Rent	-	-	-	7	5	-	32	-	-	8	6	-	-	-	58	TRUE	8% of sales for gross occupancy plus utilities
797	305	78	17	1	8	39	-	81	-	-	12	2	-	-	-	542		
798	245	28	20	-	3	23	1	69	-	-	6	-	-	-	-	397	TRUE	Base rent plus 5% of sales over breakpoint of \$1,250,000
801	927	116	408	12	34	75	28	382	-	-	30	0	-	-	-	2,012		
802	1,185	231	577	12	61	83	29	387	-	-	54	3	-	-	-	2,623		
804	942	164	280	12	33	59	15	228	-	-	30	55	-	-	-	1,818		
806	% Rent	-	-	-	3	25	-	51	-	-	5	-	-	-	-	83	TRUE	10 % of sales for gross occupancy plus utilities
826	% Rent	-	-	-	19	6	-	53	-	-	10	0	-	-	-	87	TRUE	6% of sales for gross occupancy plus utilities
828	% Rent	-	-	-	1	24	-	36	-	-	5	1	-	-	-	67	TRUE	8% of sales for gross occupancy plus utilities
830	1,001	195	131	14	49	76	23	134	-	-	34	187	-	-	-	1,843		
831	1,244	372	-	13	52	89	22	341	-	-	37	55	-	-	-	2,225		
832	1,022	104	104	13	34	81	24	399	-	7	36	50	-	-	-	1,874		
834	1,786	-	-	13	17	84	20	394	-	6	29	42	-	-	-	2,390		
835	984	112	31	13	36	70	23	260	-	-	49	38	-	-	-	1,616		
841	% Rent	-	-	-	8	10	0	67	-	-	6	6	-	-	-	98	TRUE	8% of sales for gross occupancy plus utilities
842	% Rent	-	-	-	5	25	-	61	-	-	6	-	-	-	-	97	TRUE	10% of sales for gross occupancy plus utilities
843	% Rent	1	-	-	5	12	-	38	-	-	6	-	-	-	-	62	TRUE	8% of sales for gross occupancy plus utilities
844	271	33	21	5	9	10	-	41	-	-	8	3	-	-	-	400	TRUE	Base rent plus 10% of sales over breakpoint of \$1,000,000
845	149	13	6	3	2	18	-	36	-	-	7	-	-	-	-	235	TRUE	Base rent plus 5% of sales over breakpoint of \$1,000,000
846	% Rent	-	-	-	5	23	0	41	-	-	13	1	-	-	-	84	TRUE	9% of sales for gross occupancy plus utilities
847	487	137	49	2	12	30	-	73	-	-	8	7	-	-	-	805	TRUE	Base rent plus 6% of sales over breakpoint of \$2,478,333

## Borders Group, Inc

## 4.1 (r) Occupancy - Per Diem

Total - Per Diem																		
	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.	SBC Licensee Fees		Total	% Occupancy Component above Base Per Diem	% Occupancy Comments
849	% Rent	-	-	-	14	17	-	41	-	-	10	0	-	-	-	83	TRUE	8% of sales for gross occupancy plus utilities
858	% Rent	-	2	-	4	12	-	64	-	-	7	1	-	-	-	90	TRUE	10% of sales for gross occupancy plus consumables and real estate taxes
870	% Rent	-	-	-	1	15	19	72	-	-	12	1	-	-	-	119	TRUE	6% of sales for gross occupancy plus utilities
888	% Rent	-	-	-	11	9	2	44	-	-	7	23	-	-	-	95	TRUE	10% of sales for gross occupancy plus consumables
889	% Rent	-	-	-	1	10	1	41	-	-	9	-	-	-	-	62	TRUE	10% of sales for gross occupancy plus utilities
891	190	-	-	-	4	2	1	38	-	-	18	1	-	-	-	253	TRUE	Base rent plus 6% of sales over breakpoint of \$850,000
892	% Rent	-	-	-	30	77	4	101	-	-	16	-	-	-	-	228	TRUE	12% of sales for gross occupancy plus utilities
894	231	88	81	-	8	21	-	44	-	-	16	4	-	-	-	494	TRUE	Base rent plus 6% over breakpoint of
897	426	212	60	37	10	12	-	73	-	-	10	48	-	-	-	885	TRUE	Base rent plus 6% of sales over breakpoint of \$2,160,000
898	% Rent	-	-	-	12	2	3	100	-	-	8	11	-	-	-	136	TRUE	8% of sales for gross occupancy plus utilities
904	% Rent	-	-	-	4	4	-	43	-	-	8	17	-	-	-	76	TRUE	8% of sales for gross occupancy plus utilities
906	% Rent	-	-	-	5	28	3	183	-	-	6	8	-	-	-	232	TRUE	10% of sales for gross occupancy plus consumables
907	193	-	-	-	8	19	-	78	-	-	8	2	-	-	-	308	TRUE	8% of sales for gross occupancy with \$65,000 floor plus utilities
908	158	30	12	-	3	2	-	39	-	-	9	6	-	-	-	258		
911	% Rent	-	-	-	9	8	0	105	-	-	9	11	-	-	-	143	TRUE	10% of sales for gross occupancy plus consumables
912	% Rent	-	-	-	12	60	1	90	-	-	7	3	-	-	-	173	TRUE	13% of sales for gross occupancy, plus consumables
913	262	50	-	-	10	17	4	44	-	-	9	3	-	-	-	397	TRUE	Base rent plus 4% of sales over breakpoint of \$2,200,000
914	% Rent	-	-	-	3	51	-	65	-	-	7	12	-	-	-	137	TRUE	10% of sales for gross occupancy plus consumables
915	391	-	-	-	22	31	5	69	-	-	8	-	-	-	-	525	TRUE	Base rent plus 10% of sales over breakpoint of \$51,108,000
917	% Rent	-	-	-	7	18	-	160	-	-	8	-	-	-	-	194	TRUE	10% of sales for gross occupancy plus utilities
918	194	8	14	2	2	31	-	45	-	-	9	6	-	-	-	312	TRUE	Base rent plus 5% of sales over breakpoint of \$1,302,000
919	253	-	-	-	4	21	1	105	-	-	7	8	-	-	-	400	TRUE	10% of sales for gross occupancy with \$85,000 floor plus utilities
921	262	40	23	3	6	13	1	51	-	-	9	2	-	-	-	411		
922	% Rent	-	-	-	3	10	-	29	-	-	9	4	-	-	-	56	TRUE	8% of sales for gross occupancy plus utilities
923	325	7	89	-	13	23	1	82	-	-	8	1	-	-	-	548	TRUE	Base rent plus 5% of sales over breakpoint of \$2,140,000
924	283	-	-	-	15	42	-	57	-	-	8	28	-	-	-	433	TRUE	10% of sales for gross occupancy with \$95,000 floor plus utilities
925	251	79	30	2	9	16	-	45	-	-	10	-	-	-	-	443	TRUE	Base rent plus 6% of sales over breakpoint of \$1,375,166
926	% Rent	-	-	-	4	11	3	78	-	-	7	4	-	-	-	107	TRUE	12% of sales for gross occupancy plus utilities
927	206	12	15	2	6	3	-	39	-	-	8	0	-	-	-	290	TRUE	Base rent plus 6% of sales over breakpoint of \$1,153,533
928	342	-	-	-	12	22	1	98	-	-	10	6	-	-	-	492	TRUE	12% of sales for gross occupancy with \$115,000 floor plus utilities
931	% Rent	-	-	-	4	14	1	71	-	-	10	1	-	-	-	101	TRUE	6% of sales for gross occupancy plus utilities
932	450	55	30	-	9	9	-	102	-	-	10	-	-	-	-	665	TRUE	Base rent plus 7% of sales over breakpoint of \$2,002,585
933	357	-	-	-	7	11	0	49	-	-	8	1	-	-	-	433	TRUE	10% of sales for gross occupancy with \$120,000 floor plus utilities
934	% Rent	-	-	-	15	31	-	103	-	-	7	4	-	-	-	160	TRUE	10% of sales for gross occupancy plus utilities
935	% Rent	45	68	4	10	17	4	93	-	-	8	6	-	-	-	257	TRUE	6% of sales for net rent plus consumables
937	816	24	349	-	11	26	11	103	-	-	8	1	-	-	-	1,348		
938	% Rent	-	-	-	1	4	32	85	-	-	7	14	-	-	-	143	TRUE	8% of sales for gross occupancy plus consumables
939	% Rent	-	-	-	12	10	-	92	-	-	11	-	-	-	-	125	TRUE	10% of sales for gross occupancy plus utilities
944	350	-	-	-	7	10	1	44	-	-	9	1	-	-	-	422	TRUE	6% of sales for gross occupancy with \$117,500 floor plus utilities
945	599	-	-	-	12	50	4	145	-	-	8	6	-	-	-	825		
947	% Rent	-	-	-	5	31	-	43	-	-	8	5	-	-	-	92	TRUE	10% of sales for gross occupancy plus utilities
949	% Rent	-	-	-	10	17	1	175	-	-	9	-	-	-	-	213	TRUE	10% of sales for gross occupancy plus consumables
954	467	104	29	-	11	62	2	93	-	-	10	1	-	-	-	779	TRUE	Base rent plus 7% of sales over breakpoint of \$1,300,000
955	298	-	-	-	15	15	-	116	-	-	8	6	-	-	-	457	TRUE	10% of sales for gross occupancy with \$100,000 floor plus utilities
956	301	-	-	-	10	30	0	63	-	-	13	2	-	-	-	418	TRUE	10% of sales for gross occupancy with \$101,067 floor plus utilities
957	% Rent	-	-	-	6	16	11	91	-	-	9	5	-	-	-	139	TRUE	12% of sales for gross occupancy plus utilities
958	298	-	-	-	18	13	3	172	-	-	6	5	-	-	-	515	TRUE	10% of sales for gross occupancy with \$100,000 floor plus utilities
959	441	152	93	-	12	20	-	40	-	-	6	1	-	-	-	765	TRUE	Base rent plus 6% of sales over breakpoint of \$2,469,333
960	291	-	-	-	13	19	-	50	-	-	9	13	-	-	-	395	TRUE	7% of sales for gross occupancy with \$97,900 floor plus utilities
961	372	-	-	-	17	7	-	84	-	-	12	6	-	-	-	497	TRUE	10% of sales for gross occupancy with \$125,000 floor plus utilities
962	% Rent	-	-	-	4	23	1	135	-	-	9	1	-	-	-	173	TRUE	8% of sales for gross occupancy plus utilities
963	% Rent	-	-	-	5	12	0	65	-	-	11	4	-	-	-	97	TRUE	8% of sales for gross occupancy plus utilities
964	% Rent	-	-	-	7	19	-	94	-	-	10	0	-	-	-	130	TRUE	10% of sales for gross occupancy plus consumables
966	% Rent	-	-	-	1	6	-	46	-	-	12	-	-	-	-	65	TRUE	6% of sales for gross occupancy plus utilities
968	240	257	34	-	2	8	1	55	-	-	9	0	-	-	-	607	TRUE	Base rent plus 6% of sales over breakpoint of \$1,343,333
970	360	8	67	-	14	18	5	67	-	-	8	0	-	-	-	547	TRUE	Base rent plus 5% of sales over breakpoint of \$2,420,000

Borders Group, Inc

4.1 (r) Occupancy - Per Diem

Total - 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	Dues & Subscrip.	SBC Licensee Fees	Total	% Occupancy Component above Base Per Diem	% Occupancy Comments
971	241	205	46	-	12	41	-	84	-	-	18	14	-	-	661	TRUE	Base rent plus 7% of sales over breakpoint of \$1,051,428
972	208	-	-	-	8	15	-	47	-	-	6	5	-	-	290	TRUE	10% of sales for gross occupancy with \$70,000 floor plus utilities
973	238	-	-	-	10	14	0	60	-	-	7	3	-	-	332	TRUE	10% of sales for gross occupancy with \$80,000 floor plus utilities
974	491	-	-	-	14	25	-	128	-	-	12	22	-	-	691	TRUE	10% of sales for gross occupancy with \$165,000 floor plus utilities
975	% Rent	-	-	-	5	16	-	51	-	-	6	11	-	-	89	TRUE	8% of sales for gross occupancy plus utilities
977	% Rent	-	-	-	16	26	1	91	-	-	9	0	-	-	144	TRUE	6% of sales for gross occupancy plus utilities
981	% Rent	-	-	-	3	33	24	57	-	-	6	0	-	-	124	TRUE	6% of sales for gross occupancy plus utilities
983	% Rent	-	-	-	15	13	-	63	-	-	9	2	-	-	102	TRUE	4% of sales for gross occupancy plus utilities and sales tax
984	149	-	-	-	10	15	-	40	-	-	8	0	-	-	221	TRUE	6% of sales for gross occupancy with \$50,000 floor plus utilities
986	149	-	-	-	5	14	1	45	-	-	6	0	-	-	221	TRUE	6% of sales for gross occupancy with \$50,000 floor plus utilities
987	% Rent	-	-	-	3	19	9	116	-	-	9	0	-	-	156	TRUE	6% of sales for gross occupancy plus utilities
Total	383,841	42,421	59,992	4,771	13,577	25,723	7,003	95,947	-	498	14,208	14,287	-	-	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 INSTRUCTIONS**

See file "Inventory\_Taking\_ Instructions\_ Hilco\_Exhibit\_July11.xlsx"

Exhibit Reference	Tab Name	Physical Location	Units	Ext Retail	Ext Cost	CF%	Product Description
Exhibit 5.2(i)	705 mkdn onsystem	NERC-Carlisle, PA	53,479	853,323	471,807	55.3%	Saleable damaged and refused return inventory
Exhibit 5.2(i)	705 mkdn off system	NERC-Carlisle, PA	96,900	1,846,269	1,023,789	55.5%	Saleable damaged and refused return inventory
	Total		150,379	2,699,591	1,495,597	55.4%	
Exhibit 5.2(iv)	703 RTV non-strips	CADC-Mira Loma, CA	82,682	1,601,759	846,361	52.8%	RTV Inventory
Exhibit 5.2(iv)	709 RTV non-strips	TNDC-LaVergne, TN	136,132	2,816,089	1,472,074	52.3%	RTV Inventory
Exhibit 5.2(iv)	747@747 RTV non-strips	NEDC-Carlisle, PA	61,306	1,426,981	775,676	54.4%	RTV Inventory
Exhibit 5.2(iv)	705-RC-nonstrip clms-#1	NERC-Carlisle, PA	448,287	7,652,585	4,064,825	53.1%	RTV Inventory
Exhibit 5.2(iv)	705-RC-nonstrip clms-#2	NERC-Carlisle, PA	314,441	5,550,547	2,968,496	53.5%	RTV Inventory
Exhibit 5.2(iv)	705 RC-#1 non-strips	NERC-Carlisle, PA	54,572	1,203,205	654,234	54.4%	RTV inventory-due to change as store returns are processed
	Total		1,097,420	20,251,165	10,781,666	53.2%	Quantity is changing daily as vendors approve returns.
Exhibit 5.2(ii)	703 OH	CADC-Mira Loma, CA	2,629,755	30,283,911	14,269,307	47.1%	General warehouse inventory
Exhibit 5.2(ii)	709 OH	TNDC-LaVergne, TN	4,214,360	49,723,176	23,337,167	46.9%	General warehouse inventory
Exhibit 5.2(ii)	747 OH	NEDC-Carlisle, PA	2,651,636	30,854,654	14,756,910	47.8%	General warehouse inventory
Exhibit 5.2(ii)	SLDC	SLDC-LaVergne, TN	130,413	1,160,446	388,876	33.5%	General warehouse inventory - will be zero by end of day 6/20; transferring balance to 709
	Total		9,626,164	112,022,187	52,752,261	47.1%	Note: Company may sell a portion but not all, on hands are subject to change based on shipments to stc and new incoming receipts.

**Note:** Details to each Exhibit can be found in a company provided file titled, "P5 2011 snap Jun 18.xls.

Exhibit 5.2 (iii)

ON-ORDER INVENTORY

Data as of 6/28 in (\$000s)

<b><u>Family Group</u></b>	<b><u>Amount</u></b>
Adult G&S	412
Adult Music	140
Adult/Children Trade	13,807
Bargain	2,739
Calendar	1,163
Dotcom	1,539
Multi Media	1,173
<b>Total</b>	<b><u>20,973</u></b>
Calendar	(1,163) <sup>(1)</sup>
Other Long Lead Time Invento	(2,731) <sup>(1)</sup>
<b>Net Prepay Inventory</b>	<b><u><u>17,079</u></u></b>

Includes:

(1) Calendar and Other Long Lead Time  
Inventory not expected to be received  
within 30 days of sale commencement

SUBJECT TO MATERIAL CHANGE  
WILL FLUCTUATE WITH NORMAL COURSE OF BUSINESS

**Exhibit 5.2 (v)**

**SCHULER GOODS**

TO BE DETERMINED

**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**

TO BE DETERMINED

**EXHIBIT 8.1(a)**

**SALE GUIDELINES**

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

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

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

3. All in-Store display and hanging signs used by the Merchant and the Agent in connection with Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. The Merchant and the Agent may advertise the Sale using the term "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.

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



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 INVENTORY**

The below inventory may be found in some or all of the stores. All Border's owned store FF&E Inventory without an existing lien or lease will be included in the sale to include at least the following items:

All Trade Fixtures installed by Border's  
All Tall Bookcases (fixed and/or adjustable) either wall mounted or freestanding  
All Short Bookcases (fixed and/or adjustable) either wall mounted or free standing  
All Tables  
All Miscellaneous Displays, Spinner Racks, and Equipment  
All Paperchase Floor Fixtures  
All Paperchase Card Fixtures  
All Paperchase Tables  
All Paperchase Miscellaneous Displays  
All Music Gondolas and bins  
All Sign Holders and Plexis  
All CD/DVD Racks  
All Miscellaneous Multimedia Displays  
All Café Tables  
All Café Chairs/Stools  
All Café Soft Seating  
All Café Equipment including all Seattle Best Espresso Machines and Coffee Brewers. Merchant shall be responsible for replacing the Seattle Best operating chip with a new generic operating chip in the espresso machines within 21 calendar days from beginning of sale. Merchant is also responsible for reprogramming the Seattle Best Coffee Brewers and debranding of all Seattle Best equipment without damaging the machines within 21 calendar days from the beginning of the sale. All units are to be in operational condition after debranding.  
  
All Large Café Appliances including all Water Filtration and Hot Water systems installed by Borders for operation of the Café equipment  
All Carbonation Units and Drink Dispensers  
All Café supplies including dishwares and utensils  
All Stainless Steel Sinks and Racks in Café area  
All Artwork  
All Bargain Fixtures  
All Calendar Displays  
All Magazine Racks  
All Queue Equipment/Stanchions  
All Games Displays  
All Book Carts  
All Other Soft Seating  
All Service Counters  
All Safes  
All Shopping Baskets  
All Point of Sale Systems including Cash Registers, Monitors, Scanners, Printers  
All Security Equipment including EAS Systems, Cameras, DVRs, and supplies  
All In-Store Music/Audio Equipment  
All In-Store WiFi Equipment  
All Warehouse Racks and Security Cages  
All Warehouse Equipment/Material Handling Equipment  
All Janitorial Equipment and Supplies  
All Employee Lockers  
All Office Furniture  
All Office Supplies  
All Office Equipment  
All I.T. Equipment including servers, switches, routers  
All Electronics' Equipment including Printers, Fax Machines, Copiers, Televisions, Computers, Monitors, Scanners  
All Phone Systems  
All in-store signing including neon signs

**EXHIBIT 11.1(c)(i)**

**LIST OF PERMITTED LIENS**

Liens granted pursuant to DIP Facility.

**EXHIBIT 11.1(i)**

(TO BE MUTUALLY AGREED UPON)

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

<b>Cost Factor</b>
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Cost Factor	Adjustment Points	Adjusted Guaranty
<b>51.10%</b>		<b>72.00%</b>
51.20%	0.22%	71.78%
51.30%	0.22%	71.56%
51.40%	0.22%	71.34%
51.50%	0.22%	71.12%
51.60%	0.22%	70.90%
51.70%	0.22%	70.68%
51.80%	0.22%	70.46%
51.90%	0.22%	70.24%
52.00%	0.22%	70.02%
52.10%	0.22%	69.80%
52.20%	0.22%	69.58%
52.30%	0.22%	69.36%
52.40%	0.22%	69.14%
52.50%	0.22%	68.92%
52.60%	0.22%	68.70%
52.70%	0.22%	68.48%
52.80%	0.22%	68.26%
52.90%	0.22%	68.04%
53.00%	0.22%	67.82%
53.10%	0.22%	67.60%

**Note(s):**

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

**EXHIBIT 12.3**

(TO BE MUTUALLY AGREED UPON)

EXECUTION VERSION

**AGENCY AGREEMENT**

This Agency Agreement (this "Agreement") is made as of ~~June 30~~, July 13, 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") ~~;~~ and

WHEREAS, Merchant has entered into an Asset Purchase Agreement, dated as of June 30, 2011 (the "APA"), by and among Borders Group, Inc., Borders, Inc. and BB Brands, LLC (the "Proposed Buyer"); and

WHEREAS, notwithstanding Merchant's entry into the APA, this Agreement is intended to be effective in the event the Proposed Buyer fails to close the transaction contemplated under the APA on or prior to July 29, 2011 (a "GC Failure");

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), and shall provide that on the Payment Date the Debtors shall repay or cause to be repaid the DIP Facility in full in cash indefeasibly.

(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~~ Subject to Section 6.1 hereof, 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 On-Order Goods, 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~~ On the Sale Commencement Date or the next business day if the Sale Commencement Date is on a non-business day (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 Subject to Section 6.1 hereof, 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 as reviewed, verified and reconciled by Merchant and Agent, then Merchant agrees to promptly reimburse such undisputed overpayment amounts (the "Over Payment Amount") 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 latest possible 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~~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) With respect to On-Order Goods and Schuler Goods, such On-Order Goods and Schuler Goods shall be counted as such inventory is received in accordance with the procedures to be mutually agreed to by Merchant and Agent.

(~~e~~d) 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~~e) 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, batteries and other dated materials that are out of date.

“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 and shall do so pursuant to the Pre-Sale Allocation. 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, ~~(a) if the Approval Order does not approve the APA, then the Sale shall commence at each Store no event later than July 29, 2011; provided, however, that all Stores by not later than July 22, 2011 or (b) if the Approval Order approves the APA, then in the event of a GC Failure on or prior to July 29, 2011, 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 at all Stores on the earlier of (i) one day following notice of a GC Failure and (ii) August 1, 2011~~ (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. Merchant shall cooperate with Agent to instruct its credit card processors to change the daily deposit of credit card proceeds to an account controlled by Agent.

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"); provided, however, that the aggregate Cost Value of the Additional Agent Merchandise shall not exceed 2% of the aggregate Cost Value of the 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~~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, provided that, if the Sale Commencement Date is not July 22, 2011, the Merchant shall continue to replenish such Stores up until the Sale Commencement Date for such Stores in the ordinary course and consistent with historical practices.

(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](mailto:jmalfitano@hilcotrading.com)

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

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

GORDON BROTHERS RETAIL  
PARTNERS, LLC

101 Huntington Avenue, 10<sup>th</sup> Fl.  
Boston, MA 02199  
Attn: Michael Chartock  
Tel: (617) ~~523-7002~~ [210-7116](tel:617-210-7116)  
Fax: (617) 523-3007  
Email: [MChartock@gordonbrothers.com](mailto: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](mailto: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](mailto: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@ka  
sowitz.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](http://www.gelending.com)

With a copy to:

GENERAL ELECTRIC CAPITAL  
CORPORATION  
201 Merritt 7  
PO Box 5201  
Norwalk, CT 06851  
Attn: Borders/John Pistocchi  
Fax: (203) 956-4002

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 (x) 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; and (y) to secure Merchant's obligations pursuant to Section 3.3(e) to repay any Over Payment Amount to the Agent, a superpriority administrative expense claim payable from, and a valid and perfected first priority security interests in and lien upon, each of the following, as defined in the APA: (i) Intellectual Property, (ii) the Kobo Interest, (iii) proceeds of Real Property Leases, (iv) Corporate FF&E (as defined herein), (v) Merchant's Additional Goods Recovery Amount (as defined herein), (vi) Merchant's portion of proceeds related to Merchant Consignment Goods (as defined herein) and (vii) proceeds related to any the foregoing (the "Over Payment Collateral"); provided, however, that the security interest and administrative expense claims 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~~interests granted to the Agent hereunder shall be deemed properly perfected without the necessity of filing financing statements or other documentation. Upon the earlier occurrence of (a) date of the Final Inventory Report as reviewed, verified and reconciled by Merchant and Agent and payment of any Over Payment Amount, if any, (b) Agent's express written waiver of its rights to the Over Payment Amount or (c) entry by the Court of an Order finding that the Merchant satisfied its obligations to the Agent pursuant to Section 3.3(e) hereof, (the "Over Payment Collateral Release Date"), the Agent's liens on the Over Payment Collateral shall be deemed automatically released and the Agent will immediately disburse all amounts held in the Over Payment Escrow (as defined below) to the Merchant. Notwithstanding any provision in this Agreement to the contrary, during the period commencing on the Sale Commencement Date and after payment of the Guaranteed Amount Deposit and Agent Sale FF&E Guarantee and ending on the Over Payment Collateral Release Date (a) the Merchant shall not sell, assign or otherwise dispose of any item of Over Payment Collateral without Agent's consent, which consent will not be unreasonably withheld, (b) the proceeds of the sale of any Over Payment Collateral shall be placed in a segregated account with Agent (the "Over Payment Escrow") and Agent's liens shall attach to such proceeds in the same priority, validity and extent they encumbered such collateral, and (c) the Agent is authorized to hold all proceeds due to the Merchant with respect to the Recovery Amount, Merchant's Additional Goods Recovery Amount and Merchant's portion of proceeds related to Merchant Consignment Goods in the Over Payment Escrow.

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



Document comparison by Workshare Professional on Wednesday, July 13, 2011  
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