

Bidding Procedures Objection Deadline: August 3, 2011 at 4:00 p.m. (prevailing Eastern Time)
Bidding Procedures Hearing Date: August 10, 2011 at 10:00 a.m. (prevailing Eastern Time)
Assumption and Assignment Objection Deadline: September 6, 2011 at 4:00 p.m. (prevailing Eastern Time)
Cure Objection Deadline: September 6, 2011 at 4:00 p.m. (prevailing Eastern Time)
Sale Objection Deadline: September 16, 2011 at 4:00 p.m. (prevailing Eastern Time)
Adequate Assurance Objection Deadline: September 16, 2011 at 4:00 p.m. (prevailing Eastern Time)
Sale Hearing Date: September 20, 2011 at 10:00 a.m. (prevailing Eastern Time)

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

In re

BORDERS GROUP, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

NOTICE OF HEARING ON DEBTORS' MOTION FOR ORDERS PURSUANT TO SECTIONS 332, 363, 365 AND 105 OF THE BANKRUPTCY CODE AND RULES 2002, 6004 AND 6006 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE: (I) APPROVING BIDDING PROCEDURES WITH RESPECT TO SALE OF CERTAIN IP ASSETS, INCLUDING EXPENSE REIMBURSEMENT FOR A STALKING HORSE BIDDER, SETTING THE SALE HEARING DATE, AND APPOINTING A CONSUMER PRIVACY OMBUDSMAN; AND (II) APPROVING AND AUTHORIZING THE SALE OF IP ASSETS TO THE HIGHEST AND BEST BIDDER FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES AND THE ASSUMPTION AND ASSIGNMENT OF CERTAIN RELATED EXECUTORY CONTRACTS AND WAIVING THE REQUIREMENTS OF BANKRUPTCY RULES 6004(h) AND 6006(d)

PLEASE TAKE NOTICE that in connection with the above-captioned debtors and debtors in possession's (collectively, the "Debtors") *Debtors' Motion for Orders Pursuant to Sections 332,*

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

363, 365 and 105 of the Bankruptcy Code and Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure: (I) Approving Bidding Procedures With Respect to Sale of Certain IP Assets, Including Expense Reimbursement for a Stalking Horse Bidder, Setting the Sale Hearing Date, and Appointing a Consumer Privacy Ombudsman; and (II) Approving and Authorizing the Sale of IP Assets to the Highest and Best Bidder Free and Clear of all Liens, Interests, Claims and Encumbrances and the Assumption and Assignment of Certain Related Executory Contracts and Waiving the Requirements of Bankruptcy Rules 6004(h) and 6006(d) (the “Motion”),² a hearing (the “Bidding Procedures Hearing”) shall be held to approve (i) the bidding procedures (the “Bidding Procedures”) for a sale (the “Sale”) of the IP Assets including expense reimbursement for a stalking horse bidder and (ii) related relief before the Honorable Martin Glenn, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Courtroom 501, One Bowling Green, New York, New York 10004 (the “Bankruptcy Court”) on **August 10, 2011 at 10:00 a.m. (prevailing Eastern Time)** (the “Bidding Procedures Hearing Date”), or as soon thereafter as counsel may be heard.

PLEASE TAKE FURTHER NOTICE that a hearing shall be held on the Motion to approve the Sale of the IP Assets before the Honorable Martin Glenn, United States Bankruptcy Judge, at the Bankruptcy Court on **September 20, 2011 at 10:00 a.m. (prevailing Eastern Time)**, or as soon thereafter as counsel may be heard.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief sought in the Motion shall be made in writing, shall state with particularity the grounds therefore, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General Order M-399 and the User’s Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court’s case filing system, and by all other parties in interest, on a 3.5-inch disk or CD-ROM, preferably in Portable Document

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

Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received: (1) for objections to the Bidding Procedures including expense reimbursement for a stalking horse bidder and related relief, **no later than August 3, 2011 at 4:00 p.m. (prevailing Eastern Time)** (the “Bidding Procedures Objection Deadline”); (2) for objections to the assumption and assignment of the IP Agreements (as defined in the Motion) (other than with respect to adequate assurance of future performance) and the Proposed Cure Amounts (as defined in the Motion) (the “Assumption and Assignment Objection Deadline” and the “Cure Objection Deadline,” respectively), **no later than September 6, 2011 at 4:00 p.m. (prevailing Eastern Time)**; and (3) for objections to the Sale and adequate assurance of future performance in connection with the IP Agreements (the “Sale Objection Deadline” and the “Adequate Assurance Objection Deadline”, and together with the Bidding Procedures Objection Deadline, the “Objection Deadlines”), **no later than September 16, 2011 at 4:00 p.m. (prevailing Eastern Time)** by: (i) Kasowitz, Benson, Torres & Friedman LLP, attorneys for the Debtors, 1633 Broadway, New York, New York 10019 (Attn: Andrew K. Glenn, Esq. and Jeffrey R. Gleit, Esq.); (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, New York, New York 10004 (Attn: Paul K. Schwartzberg, Esq.); (iii) Lowenstein Sandler PC, counsel for the official committee of unsecured creditors, 65 Livingston Avenue, Roseland, New Jersey 07068 (Attn: Bruce D. Buechler, Esq. and Paul Kizel, Esq.), and 1251 Avenue of the Americas, New York, New York 10020 (Attn: Bruce S. Nathan, Esq.); (iv) counsel for the DIP Agents: (a) Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178-0060 (Attn: Wendy Walker, Esq.), and 225 Franklin Street, 16th Floor, Boston, Massachusetts 02110-4104 (Attn: Sandra Vrejan, Esq.), counsel for the Working Capital Agent, and (b) Choate Hall & Stewart LLP, Two International Place, Boston, Massachusetts 02110 (Attn: Kevin Simard, Esq.), counsel for GA Capital LLC; (v) Kelley Drye & Warren LLP, attorneys for certain landlords, 101 Park Avenue, New York, New York 10178 (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D.

Feder, Esq.); and (vi) Bingham McCutchen LLP, attorneys for Bank of America, N.A., One Federal Street, Boston, Massachusetts 02110-1726 (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.).

PLEASE TAKE FURTHER NOTICE that on or about August 14, 2011, following the Auction, the Debtors will file a notice with the Court (the “Notice of Winning Bidder”), which will identify the terms of the Winning Bid at Auction, along with a description of the Winning Bidder.

PLEASE TAKE FURTHER NOTICE that copies of the Motion, the procedures governing the bidding in connection therewith, the proposed order approving such procedures, the proposed order approving the Sale, and the form of the purchase agreement governing the potential sale of the IP Assets is available at www.bordersreorganization.com.

Dated: July 27, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

By: /s/ Andrew K. Glenn
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DEBTORS' MOTION FOR ORDERS PURSUANT TO SECTIONS 332, 363, 365 AND 105 OF THE BANKRUPTCY CODE AND RULES 2002, 6004 AND 6006 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE: (I) APPROVING BIDDING PROCEDURES WITH RESPECT TO SALE OF CERTAIN IP ASSETS, INCLUDING EXPENSE REIMBURSEMENT FOR A STALKING HORSE BIDDER, SETTING THE SALE HEARING DATE, AND APPOINTING A CONSUMER PRIVACY OMBUDSMAN; AND (II) APPROVING AND AUTHORIZING THE SALE OF IP ASSETS TO THE HIGHEST AND BEST BIDDER FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES AND THE ASSUMPTION AND ASSIGNMENT OF CERTAIN RELATED EXECUTORY CONTRACTS AND WAIVING THE REQUIREMENTS OF BANKRUPTCY RULES 6004(H) AND 6006(D)

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

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

Borders Group, Inc. and its affiliated debtors, as debtors and debtors in possession (collectively, the “Debtors”), respectfully submit this motion (the “Motion”) for orders pursuant to sections 332, 363, 365 and 105 of title 11 of the United States Code (the “Bankruptcy Code”) and Rules 2004, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”): (i) approving bidding procedures with respect to the sale of certain intellectual property assets as forth in paragraph 5 below (the “IP Assets”), including expense reimbursement for a stalking horse bidder, setting the sale hearing date and appointing a consumer privacy ombudsman; and (ii) approving and authorizing the sale of IP Assets to the highest and best bidder free and clear of all liens, interests, claims and encumbrances and the assumption and assignment of certain related executory contracts and waiving the requirements of Bankruptcy Rules 6004(h) and 6006(d). In support of the Motion, the Debtors submit the declaration of Holly Felder Etlin (the “Etlin Declaration”), attached hereto as Exhibit A, and respectfully represent as follows:

PRELIMINARY STATEMENT

In connection with the Debtors’ continuing efforts to maximize the value of their assets, the Debtors seek approval for a sale of the IP Assets, including certain assets relating to the borders.com website. The Debtors’ website and other IP Assets are valuable assets, and should garner significant interest from potential bidders. Indeed, the Debtors have received multiple inquiries from interested parties.

The proposed bidding procedures (the “Bidding Procedures”) described herein contemplate a straightforward sales process and auction, including authorization for the Debtors

to pay expense reimbursement up to \$250,000 to a stalking horse bidder to be selected by the Debtors. Additionally, since the sale of the IP Assets may not conform with the Debtors' policy governing the transfer of personally identifiable information about individuals in effect on the Petition Date (as defined below), the Debtors request that this Court order the United States Trustee (the "U.S. Trustee") to appoint a consumer privacy ombudsman pursuant to section 332 of the Bankruptcy Code. Accordingly, the Debtors respectfully request that this Court approve the Bidding Procedures, order the appointment of a consumer privacy ombudsman and set a hearing to consider a sale following an auction.

BACKGROUND

1. On February 16, 2011 (the "Commencement Date"), each of the Debtors commenced a voluntary case under the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Court"). The Debtors are authorized to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors' cases are being jointly administered pursuant to Bankruptcy Rule 1015(b).

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

JURISDICTION

3. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The predicates for the relief sought herein are

² [Docket No. 156].

sections 332, 363, 365 and 105 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004 and 6006 and 9014.

BACKGROUND

A. The Sale Motion.

4. On June 30, 2011, the Debtors filed their *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 Bidding Procedures and Break-Up Fee, and (III) Granting Related Relief* (the "Sale Motion").³ On July 14, 2011, the Court entered the *Order Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code and Rules 2002, 6004 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*,⁴ which approved sales procedures for the sale of substantially all of the Debtors' assets, but specifically excluded, among other assets, their intellectual property and related interests. On July 21, 2011, the Court entered the *Order Approving Agency Agreement, Store Closing Sales and Related Relief*,⁵ pursuant to which the Court authorized the Debtors to enter into the Agency Agreement (as modified, the "Agency Agreement") with Hilco Merchant Resources, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC, Gordon Brothers Retail Partners, LLC and Great American

³ [Docket No. 1130].

⁴ [Docket No. 1253].

⁵ [Docket No. 1377].

Group, LLC (collectively, the “Agent”). Pursuant to the Agency Agreement, the Debtors are now in the process of liquidating all remaining store locations.

B. The IP Assets.

5. As discussed above, through the Agent, the Debtors are now in the process of conducting a final round of store closing sales at their retail locations (the “Phase II SCSs”). Upon conclusion of the Phase II SCSs, the Debtors will no longer have any continuing retail operations. Accordingly, the Debtors, with the assistance of their advisors, have determined that it is in the best interests of the estates to conduct a separate sale (the “Sale”) of the Debtors’ IP Assets, which include the following:

- All trademarks, service marks, trade names, service names, brand names, all trade dress rights, logos, internet domain names and corporate names and general intangibles of a like nature, together with the goodwill associated with any of the foregoing, and all applications, registrations and renewals thereof, including, without limitation, the marks and names set forth in Schedule 1.2(a) of the Purchase Agreement (defined below);
- To the extent maintained by the Debtors and subject to compliance with the Debtors’ published privacy policy, membership lists, customer information, including contact information and email addresses and other purchasing history and related information;
- IP addresses allocated to the Debtors;
- Any claims or causes of action arising out of or related to any infringement, dilution, misappropriation or other violation of any of the foregoing listed in these subsections; and
- Any property necessary for the transfer to and/or the operation by a buyer of any of the foregoing, subject to the Debtors’ rights to continued use, if necessary.

6. The Debtors are seeking to sell the IP Assets at an auction (the “Auction”) in whole to a single bidder or in part to multiple bidders, with each winning bidder for the relevant IP Assets executing a purchase agreement (the “Purchase Agreement”) in substantially the form attached hereto as Exhibit B. In addition, in connection with the Sale, depending on the winning

bidder(s) and the IP Assets sold, it may be necessary to assume and assign certain related executory contracts (the “IP Agreements”) to the winning bidder(s). Accordingly, this Motion seeks authority, but not direction, to assume and assign the IP Agreements in connection with any sale of the IP Assets.

7. Contemporaneous with the filing of this Motion, the Debtors have also filed an application to retain and employ Streambank, LLC (“Streambank”) as the Debtors’ agent to assist in the marketing and sale of the IP Assets. Streambank will work with the Debtors’ management and advisors to collect and secure all of the available information and other data concerning the IP Assets, prepare marketing materials designed to advertise the availability of the IP Assets for sale or assignment, and shall develop and execute a sales and marketing program designed to elicit proposals to acquire the IP Assets from qualified bidders with a view toward consummating a sale or sales of the IP Assets on or before September 30, 2011. Streambank, with the assistance of the Debtors, will be responsible for responding to requests for due diligence from potential Bidders after execution of a confidentiality agreement and any other documents reasonably required.

8. The Debtors believe that the relief requested herein is designed to maximize the consideration the Debtors receive for the IP Assets.

RELIEF REQUESTED

9. By this Motion, the Debtors request the entry of two orders (the Bidding Procedures Order and the Sale Order, each as defined below) at two separate hearings:

- The Bidding Procedures Order: An order (the “Bidding Procedures Order”) (i) approving the Bidding Procedures, including the form of auction and sale, (ii) setting the date of the hearing to approve the Sale (the “Sale Hearing”) and the various deadlines in connection therewith, (iii) approving form of notice in connection with the foregoing, and (iv) appointing a consumer privacy ombudsman. A copy of the proposed Bidding Procedures Order is annexed hereto as Exhibit C.

- The Sale Order: An order (the “Sale Order”) for the approval of (i) the sale of the IP Assets to the winning bidder(s) at the Auction free and clear of liens, claims, encumbrances and interests, and (ii) the assumption, assignment and sale of the relevant IP Agreements to the winning bidder(s). A copy of the proposed Sale Order is annexed hereto as Exhibit D.

I.

**THE COURT SHOULD APPROVE THE
PROPOSED BIDDING PROCEDURES**

A. Summary of the Bidding Procedures.

10. The Debtors believe that the Bidding Procedures outlined below provide an appropriate process for selecting and soliciting bids (each, a “Bid”) from all interested and qualified bidders that will culminate with the selection of the highest and best Bid for the relevant IP Assets. The following is a summary of the proposed Bidding Procedures and is qualified in its entirety by the proposed Bidding Procedures attached hereto as Exhibit E:

- Forms of Sales. The Debtors will consider offers for a sale, in one or a series of related transactions, of any material portion of the IP Assets. The Sale shall be pursuant to the terms and conditions of the Purchase Agreement (as may be amended pursuant to the Bidding Procedures), the form of which is attached hereto.
- Notice of Sale. The Debtors will provide notice of the proposed Bidding Procedures 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 of the Debtors’ IP Assets, and any other party that the Debtors believe might be interested in a possible purchase of the IP Assets.
- Bid Deadline. The deadline (the “Bid Deadline”) for submission of a final and binding written proposal for the IP Assets is 5:00 p.m. (prevailing Eastern Time) on September 8, 2011.
- 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, including any cash to be paid and any liabilities to be assumed and identify the specific IP Assets to be purchased in the Bid, if appropriate, and not be subject to any further due diligence condition or financing contingencies.
- Deposit. All Bids must include a deposit of ten percent (10%) of the Purchase Price in cash, to be deposited in an escrow account at Citibank, N.A., and held by

and in the name of the Debtors. The Bidding Procedures contain provisions governing the application and/or return of the deposits.

- Content of Bids. In addition to the purchase price and consideration, the Bidding Procedures require additional documents and information to be submitted with the Bid, including, without limitation, the submission of 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”).
- Closing Conditions to Bids. All conditions to closing required by a Bidder must be set forth in the Modified Purchase Agreement, provided, however, that no Bid may be subject to any financing, due diligence or other material conditions. To the extent a Bid relies on one or more third-party financing sources, the Bid must include a signed, binding and irrevocable commitment letter from such third-party financing source(s) or comparable commitment from any equity source. To the extent a Bid relies on financing sources of affiliates of the Bidder, the Bid must include sufficient evidence of financial capacity to consummate the Sale and satisfy all obligations and potential obligations pursuant to the Modified Purchase Agreement. Other than those conditions set forth in the Modified Purchase Agreement, each Bid shall be irrevocable until and unless the Debtors select a higher or otherwise better Qualified Bid (as defined below).
- Joint Bids. The Debtors will be authorized to approve joint Bids after consultation with the Committee on a case by case basis.
- Evaluation of Bids. Each Bid will be evaluated by the Debtors and their advisors to determine if it fully satisfies the Bidding Procedures’ requirements after consultation with the Committee (each, a “Qualified Bid”). The Debtors will inform each Bidder as soon after such determination is made if such bidder has submitted a Qualified Bid (a “Qualified Bidder”). In evaluating the Bids, the Debtors will take into consideration, among other factors, the form and amount of the consideration, 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.
- Stalking Horse. Based on the Bids received, the Debtors, in consultation with the Committee, may designate one or more Qualified Bidders a “stalking horse” (the “Stalking Horse Bidder”) setting a floor for subsequent Bids. In the event a Qualified Bidder is designated as a Stalking Horse Bidder and is not the ultimate Winning Bidder (as defined in the Bidding Procedures), the Debtors may reimburse such Stalking Horse Bidder its reasonable, documented out of pocket expenses incurred in connection with the promulgation of its Qualified Bid, subject to a \$250,000 cap.
- Auction. If, after the examination of all Qualified Bids and after consultation with the Committee, the Debtors determine that an auction (the “Auction”) is

appropriate and will generate an offer for the purchase of some or all of the IP Assets that is acceptable to the Debtors, the Debtors will conduct an auction on September 14, 2011, beginning at 10:00 a.m. (prevailing Eastern Time) at a location of which the Debtors will inform each Qualified Bidder. The minimum interval for bidding at the Auction (the “Auction Bidding Interval”) shall be determined by the Debtors after consultation with the Committee. There are additional provisions governing the Auction in the Bidding Procedures which shall be disclosed to Qualified Bidders, including selection of one or more winning Bids (the “Winning Bid”) and one or more back-up Bids (the “Back-Up Bid”). The Debtors may, after consultation with the Committee, choose one Qualified Bid as the Winning Bid and/or Back-Up Bid or several Qualified Bids, each for different IP Assets, as the Winning Bids and/or Back-Up Bids. If, at any time prior to or on September 30, 2011, the Winning Bidder cannot consummate the Winning Bid, the Debtors, in consultation with the Committee, may choose to close with the Back-Up Bidder (as defined in the Bidding Procedures) by accepting the Back-Up Bid for the relevant IP Asset(s).

- Notice of Winning Bidder. Immediately following the Auction on September 14, 2011, the Debtors will file a notice with the Court (the “Notice of Winning Bidder”), which will identify the terms of the Winning Bid(s) at auction, along with a description of the Winning Bidder(s) and include a copy of the Modified Purchase Agreement(s) and a list of the IP Agreements to be assumed and assigned to the Winning Bidder(s).
- Consultation. The Debtors intend to consult with the Committee on an ongoing basis throughout the Sale and Auction process.

B. Request for Appointment of a Consumer Privacy Ombudsman.

11. Section 332(a) of the Bankruptcy Code provides, in relevant part:

(a) If a hearing is required under section 363(b)(1)(B), the court shall order the United States trustee to appoint, not later than 7 days before the commencement of the hearing, 1 disinterested person (other than the United States trustee) to serve as the consumer privacy ombudsman in the case and shall require that notice of such hearing be timely given to such ombudsman.

11 U.S.C. § 332(a).

12. By this Motion, the Debtors respectfully request that the Court order the U.S. Trustee to appoint a consumer privacy ombudsman, pursuant to sections 332(a) and (b) of the Bankruptcy Code, to appear and be heard at the Sale Hearing and “provide to the court information to assist the court in its consideration of the facts, circumstances, and conditions of

the proposed sale or lease of personally identifiable information under section 363(b)(1)(B).”

The Debtors believe that the appointment of a consumer privacy ombudsman may be required by the Debtors’ privacy policy in a sale of the IP Assets because the IP Assets, which contain personally identifiable information in the form of customer lists, are being sold outside of a going concern sale.

C. The Expense Reimbursement Should Be Approved.

13. The Debtors request the authority, after consultation with the Committee, to designate one or more Qualified Bidders as the Stalking Horse Bidder to set a floor for subsequent bids at the Auction. The Debtors request authority to reimburse such Stalking Horse Bidder(s) its reasonable, documented out of pocket expenses incurred in connection with the promulgation of its Qualified Bid, subject to a cap of \$250,000 (the “Expense Reimbursement”), upon consent of the Committee or, if such consent is not obtained, further order of the Court.

14. Approval of bidding protections such as an expense reimbursement in connection with the sale of a debtor’s property pursuant to section 363 of the Bankruptcy Code is a well-established practice in chapter 11 cases. *See Gey Assocs. Gen. P’ship v. 310 Assocs. (In re 310 Assocs.)*, 346 F.3d 31 (2d Cir. 2003); *Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650 (S.D.N.Y. 1992), *appeal dismissed*, 3 F.3d 49 (2d Cir. 1993). Courts in the Second Circuit analyze the propriety of bidding incentives such as the Expense Reimbursement under the “business judgment rule” standard. *See In re Integrated Res.*, 147 B.R. at 657-8 (to evaluate bid protections, courts should employ the business judgment rule, which proscribes judicial second-guessing of the corporate debtor’s actions taken in good faith, absent self-dealing, and in the exercise of honest judgment); *see also In re Metaldyne Corp.*, 409 B.R. 661, 670 (Bankr. S.D.N.Y. 2009) (approving bid protections because, among other factors, “the stalking horse bid brings value to the estate by setting a floor

on the price and providing a structure for potential competing bids . . . [and] would provide comfort to the Debtors' employees and customers that the company was entering the auction with a locked-in bid"). The Debtors believe, in the exercise of their business judgment, that the appointment of a Stalking Horse Bidder and the authority to grant such Stalking Horse Bidder the Expense Reimbursement will maximize the value of the Debtors' IP Assets.

15. The expense reimbursement sought – no more than \$250,000 – is entirely reasonable and has been approved in similar circumstances in other cases within this district. *In re Circuit City Stores, Inc.*, Case No. 08-35653 (Bankr. E.D. Va. Apr. 16, 2009) (approving \$75,000 expense reimbursement in connection with stalking horse agreement for sale of intellectual property); *In re Linens Holding Co.*, Case No. 08-10832 (Bankr. D. Del. Jan. 12, 2009) (approving \$100,000 expense reimbursement for stalking horse bidder in connection with sale of intellectual property assets).⁶

II.

THE COURT SHOULD AUTHORIZE THE SALE OF THE IP ASSETS

A. The Court Should Approve The Relief Requested As A Sound Exercise Of The Debtors' Business Judgment.

16. The Debtors are in the midst of liquidating their assets and closing their stores. Thus, the Debtors no longer need their IP Assets. Because there are ongoing maintenance costs associated with the ownership of the IP Assets, selling the IP Assets on an accelerated timeframe will save the Debtors substantial costs and maximize the value of the IP Assets. Moreover, as the Debtors' operations wind down, their relationship with their customers becomes more

⁶ Because of the voluminous nature of the unreported orders cited herein, such orders are not annexed to the Motion. Copies of these orders (and, where cited material comes from the motions and/or transcripts associated with such orders, copies of the motions and/or transcripts) are being delivered to Chambers with Chambers copies of this Motion (per the Court's instruction at the Hearing held on March 15, 2011), and will be made available to other parties in interest upon request to Debtors' counsel.

attenuated and less valuable. Accordingly, the Debtors have determined that the sale of the Debtors' IP Assets in accordance with the procedures described herein will maximize recoveries for their creditors and is, therefore, in the best interests of the Debtors, their estates and creditors. The Debtors have consulted with Streambank and the Committee, who concur with the Debtors' determination.

17. Section 363(b)(1) of the Bankruptcy Code provides, in pertinent part, that "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). To sell property under section 363(b), the Debtors must demonstrate to the Court a legitimate business justification for the proposed action. *See Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1071 (2d Cir. 1983). "Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct." *Comm. of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). When a valid business justification exists, the law vests the debtor's decision to use property out of the ordinary course of business with a strong presumption that "in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the company." *In re Integrated Res., Inc.*, 147 B.R. at 656 (quoting *Smith v. Van Gorkom*, 488 A.2d 858, 872 (Del. 1985)).

18. The Debtors believe that the Bidding Procedures will allow the Debtors to maximize the value of the IP Assets by providing an orderly process by which the Debtors will sell these Assets to the highest and best bidder.

**B. Sale Free And Clear Of Liens, Claims, Encumbrances
And Interests And Distribution Of Proceeds.**

19. The Debtors seek to sell the IP Assets free and clear of all interests, including liens, claims, encumbrances (collectively, “Interests”). Section 363(f) of the Bankruptcy Code permits a debtor to sell property free and clear of another party’s interest in the property if: (a) applicable nonbankruptcy law permits such a “free and clear” sale; (b) the holder of the interest consents; (c) the interest is a lien and the sale price of the property exceeds the value of all liens on the property; (d) the interest is in bona fide dispute; or (e) the holder of the interest could be compelled in a legal or equitable proceeding to accept a monetary satisfaction of its interest. *See* 11 U.S.C. § 363(f). Courts have interpreted the requirements of Section 363(f) to be disjunctive. *In Re Elliot*, 94 B.R. 343 (Bankr. E.D. Pa. 1988). Accordingly, if any of the five conditions set forth in section 363(f) are met, then a debtor is empowered to sell property free and clear of liens. *Id.*

20. The assumption and assignment of the IP Agreements satisfy the requirements of section 363(f). All relevant parties, including all known parties to the IP Agreements, will have sufficient notice and the ability to object to the transaction. Accordingly, if a party with an interest in the subject IP Asset(s) does not timely object to a transaction in accordance with the proposed procedures, the Debtors submit that such party should be deemed to have consented to the assumption and assignment within the meaning of section 363(f)(2) of the Bankruptcy Code. *See Hargrave v. Township of Pemberton (In re Tabone, Inc.)*, 175 B.R. 855, 858 (Bankr. D.N.J. 1994) (failure to object to sale free and clear of liens, claims and encumbrances satisfies section 363(f)(2)).

21. Moreover, the Debtors believe that the only party with an Interest in the IP Assets or their proceeds is the Agent, pursuant to the Agency Agreement and the *Order Approving*

*Agency Agreement, Store Closing Sales and Related Relief.*⁷ To the extent required, the Debtors expect to obtain the Agent's consent to the Sales prior to the Sale Hearing.

C. Assumption And Assignment Of Certain Executory Contracts.

1. Standard for Assumption.

22. In connection with the sale of the IP Assets, the Debtors anticipate that the Winning Bidder(s) shall have the right to require the Debtors to reject, or, alternatively, assume and assign to the Winning Bidder(s) the IP Agreements.

23. Section 365(a) of the Bankruptcy Code provides that a debtor in possession, "subject to the Court's approval, may assume or reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). By this Motion, the Debtors seek the authority, but not the direction, to assume and assign, or, alternatively, reject any of the IP Agreements as part of a sale transaction for any of the IP Assets.

24. Similar to section 363(b)(1), the standard to be applied by a court in determining whether an executory contract or unexpired lease should be assumed or rejected is the "business judgment" test, which is premised on the debtor's business judgment that assumption would be beneficial to the estate. *See Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1098-99 (2d Cir. 1993); *see also In re Child World, Inc.*, 142 B.R. 87, 89 (Bankr. S.D.N.Y. 1992) (debtor may assume or reject an unexpired lease under § 365(a) in the exercise of its "business judgment"); *Hunts Point Tomato Co. v. Roman Crest Fruit, Inc. (In re Roman Crest Fruit, Inc.)*, 35 B.R. 939, 949 (Bankr. S.D.N.Y. 1983); *Control Data Corp. v. Zelman (In re Mingos)*, 602 F.2d 38, 42 (2d Cir. 1979). "More exacting scrutiny would slow the administration of the debtor's estate and increase its cost, interfere with the Bankruptcy Code's

⁷ *See Order Approving Agency Agreement, Store Closing Sales and Related Relief* at ¶ 33 [Docket No. 1377].

provision for private control of administration of the estate, and threaten the court's ability to control a case impartially." *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1311 (5th Cir. 1985).

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

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

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

11 U.S.C. § 365(b).⁸

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

⁸ This section does not apply to a default that is a breach of a provision relating to:

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

11 U.S.C. § 365(b)(2).

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

11 U.S.C. § 365(f)(2).

2. Cure Amount and Adequate Assurance of Future Performance

27. Attached hereto as Exhibit F is a form Notice of Assumption and Assignment (the “Notice of Assumption and Assignment”), the form of which the Debtors request this Court approve at the hearing on August 10, 2011 in the Bid Procedures Order. Within one business day of this Court’s approval of the form, the form will be filed with a chart (the “Chart”) attached thereto listing each IP Agreement and the amount the Debtors believe to be the cure amount based on the Debtors’ books and records (each, a “Proposed Cure Amount”), and served on each of the counterparties to the IP Agreements.

28. The Debtors request that unless a party to an IP Agreement files, on or before September 6, 2011 at 4:00 p.m. (prevailing Eastern Time) (the “Cure Objection Deadline”), an objection to the Motion asserting a claim of any amounts due and owing under an IP Agreement in an amount exceeding the Proposed Cure Amount (a “Cure Objection”), such party should be forever barred from claiming a cure amount different than the Proposed Cure Amount and from asserting any additional cure or other amounts with respect to its IP Agreement relating to the period prior to assignment. To the extent that a party to an IP Agreement timely files a Cure Objection and such Cure Objection has not been resolved prior to or at the Sale Hearing, the Debtors request that the Court conduct a scheduling conference at the Sale Hearing and such unresolved Cure Objection should be resolved at a date determined by the Court. The Debtors also request that this Court set September 6, 2011 at 4:00 p.m. (prevailing Eastern Time) as the deadline to file objections to the assumption and assignment of the IP Agreements (other than

with respect to adequate assurance of future performance) (the “Assumption and Assignment Objection Deadline”).

29. The Debtors acknowledge that any assumption and assignment of an IP Agreement will be subject to all of the provisions of the IP Agreement to the extent required by applicable law, and will be subject to all applicable provisions of the Bankruptcy Code. The proposed terms and conditions of the Auction are designed to ensure that any assignees are financially able and prepared to undertake all of the obligations of the relevant IP Agreement. Indeed, the Bidding Procedures require each bidder to “provide parties to executory contracts with adequate assurance of future performance under contracts it intends to assume as provided in section 365 of the Bankruptcy Code.” (Bidding Procedures, § G(f)). Immediately after the Auction on September 14, 2011, the Debtors will file the Notice of Winning Bidder. At that time, the parties to the relevant IP Agreements will be able to assess whether they believe they are provided with adequate assurance of future performance and, if necessary, object to the adequate assurance proposed by the Winning Bidder(s) on or before September 16, 2011 at 4:00 p.m. (prevailing Eastern Time) (the “Adequate Assurance Objection Deadline”).

30. The Sale Hearing (at which the sale of the IP Asset(s) to the particular Winning Bidder(s) will be considered) and the Notice of Winning Bidder give the parties to the relevant IP Agreements an opportunity to consider any assignment issues that may be resolved only after identification of a particular assignee and an opportunity to object, if deemed necessary, to such matters. Under these circumstances, the Debtors submit that they have established, or will establish at the Auction and/or Sale Hearing, the requisite adequate assurance of future performance pursuant to section 365 of the Bankruptcy Code with respect to the potential assumption and assignment of the IP Agreements.

31. The Debtors submit that the foregoing procedures adequately balance the needs of the Debtors, potential bidders and counterparties to the IP Agreements, and provide adequate notice and a right to be heard. Furthermore, these procedures satisfy Bankruptcy Rule 6006(f). Bankruptcy Rule 6006(f) requires, *inter alia*, that a motion to assume or assigning multiple executory contracts or unexpired leases that are not between the same parties:

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

Bankruptcy Rule 6006(f). Upon entry of the Bidding Procedures Order, the Debtors will provide a copy of the Notice of Assumption and Assignment (with the Chart attached thereto) to each affected IP Agreement party stating, in a conspicuous place, that such party should locate its name and IP Agreement on the Chart, which notice will satisfy requirement (1). The Chart will set forth the names, in alphabetical order, of IP Agreement parties and the terms for curing defaults and, therefore, satisfy requirements (2) and (3). The Debtors will file the Notice of the Winning Bidder for the IP Asset(s) or relevant subset of such assets (and serve such notice on the counterparties to the IP Agreements), following the Auction and make information sufficient to assess adequate assurance of future performance available to the applicable IP Agreement counterparty or counterparties, which notice and information will satisfy requirement (4). Since

these IP Agreements are being assumed and assigned pursuant to this Motion, requirement (5) is inapplicable. This Motion addresses only the IP Agreements, which number less than 100 agreements, satisfying requirement (6).

32. To the extent that this Court rules that Bankruptcy Rule 6006(f) is not satisfied, the Debtors request that this Court modify the requirements of Bankruptcy Rule 6006(f), given the exigencies of the case. Fed. R. Bankr. P. 6006, Advisory Committee Notes, 2007 Amendments (“An omnibus motion to assume, assign, or reject multiple executory contracts and unexpired leases must comply with the procedural requirements set forth in subdivision (f) of the rule, unless the court orders otherwise.”) (emphasis added).

D. Relief Under Bankruptcy Rule 6004(h)

33. Bankruptcy Rule 6004(h) provides that an “order authorizing the use, sale, or lease of property . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Similarly, Rule 6006(d) of the Bankruptcy Rules provides that an Order authorizing . . . [the assignment of] an executory contract . . . under § 365(f) is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.”

34. Due to the facts of these cases, the Debtors request that the order approving the Sale and any assumption and assignment of any IP Agreements be effective immediately by providing that the 14-day stays under Bankruptcy Rules 6004(h) and 6006(d) are waived.

NOTICE

35. No trustee or examiner has been appointed in these chapter 11 cases. Notice of this Motion has been given in accordance with this Court’s order,⁹ dated February 16, 2011, implementing certain notice and case management procedures. In addition to the regular notice

⁹ [Docket No. 64].

parties in these cases, the Debtors have served this Motion on all parties to the IP Agreements and all other affected parties. The Debtors submit that no other or further notice need be provided.

NO PRIOR REQUEST

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

WHEREFORE the Debtors respectfully request entry of (i) the Bidding Procedures Order, (ii) the Sale Order, and (iii) such other and further relief as the Court deems just and proper.

Dated: July 27, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

By: /s/ Andrew K. Glenn
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*Attorneys for Debtors
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EXHIBIT A

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*Attorneys for Debtors
and Debtors in Possession*

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

In re

BORDERS GROUP, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**DECLARATION OF HOLLY FELDER ETLIN IN SUPPORT OF DEBTORS’
MOTION FOR ORDERS PURSUANT TO SECTIONS 332, 363, 365 AND 105 OF THE
BANKRUPTCY CODE AND RULES 2002, 6004 AND 6006 OF THE FEDERAL RULES
OF BANKRUPTCY PROCEDURE: (I) APPROVING BIDDING PROCEDURES
WITH RESPECT TO SALE OF CERTAIN IP ASSETS INCLUDING EXPENSE
REIMBURSEMENT FOR A STALKING HORSE BIDDER, SETTING THE SALE
HEARING DATE AND APPOINTING A CONSUMER PRIVACY OMBUDSMAN;
AND (II) APPROVING AND AUTHORIZING THE SALE OF IP ASSETS
TO THE HIGHEST AND BEST BIDDER FREE AND CLEAR OF ALL LIENS,
INTERESTS, CLAIMS AND ENCUMBRANCES AND THE ASSUMPTION AND
ASSIGNMENT OF CERTAIN RELATED EXECUTORY CONTRACTS AND
WAIVING THE REQUIREMENTS OF BANKRUPTCY RULES 6004(H) AND 6006(D)**

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

1. I am a managing director of AlixPartners, LLP (“AlixPartners”). My business address is 40 West 57th Street, 29th Fl., New York, New York 10019. On February 18, 2011, I

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

was appointed Senior Vice President – Restructuring (“SVPR”) of Borders Group, Inc., as documented in an addendum dated as of February 23, 2011, to the engagement letter between AP Services, LLC (“APS”) and Borders Group, Inc. dated as of February 9, 2011. On March 16, 2011, the Court entered an order authorizing the Debtors to designate me as SVPR for the Debtors [Docket No. 397].

2. I submit this declaration (this “Declaration”) in support of the *Debtors’ Motion for Orders Pursuant to Sections 332, 363, 365 and 105 of the Bankruptcy Code and Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure: (I) Approving Bidding Procedures With Respect to Sale of Certain IP Assets Including Expense Reimbursement for a Stalking Horse Bidder, Setting the Sale Hearing Date, and Appointing a Consumer Privacy Ombudsman; and (II) Approving and Authorizing the Sale of IP Assets to the Highest and Best Bidder Free and Clear of All Liens, Interests, Claims and Encumbrances and the Assumption and Assignment of Certain Related Executory Contracts, and Waiving the Requirements of Bankruptcy Rules 6004(h) and 6006(d)* (the “Motion”) to be filed concurrently with this Declaration.²

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

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

THE IP ASSETS

4. The Debtors are in the process of liquidating all of their inventory, furniture, fixtures and equipment via a consortium of liquidators. The Debtors' IP Assets are among their substantial remaining assets. However, because the Debtors will soon have no ongoing business, the Debtors no longer need their IP Assets.

5. Accordingly, the Debtors, with the assistance of their professionals, have determined that it is in the best interests of the estates to conduct a separate sale of the Debtors' IP Assets, which include the following:

- All trademarks, service marks, trade names, service names, brand names, all trade dress rights, logos, internet domain names and corporate names and general intangibles of a like nature, together with the goodwill associated with any of the foregoing, and all applications, registrations and renewals thereof, including, without limitation, the marks and names set forth in Schedule 1.2(a) of the Purchase Agreement (defined below);
- To the extent maintained by the Debtors and subject to compliance with the debtors' published privacy policy, customer information, including contact information and email addresses and other purchasing history and related information;
- IP addresses allocated to the Debtors;
- Any claims or causes of action arising out of or related to any infringement, dilution, misappropriation or other violation of any of the foregoing listed in these subsections; and
- Any property necessary for the transfer to and/or the operation by a buyer of any of the foregoing, subject to the Debtors' rights to continued use, if necessary.

6. Contemporaneous with the filing of this Motion, the Debtors have also filed an application to retain and employ Streambank, LLC as the Debtors' agent to assist in the marketing and sale of the IP Assets. Streambank will work with the Debtors' management and advisors to collect and secure all of the available information and other data concerning the IP Assets, prepare marketing materials designed to advertise the availability of the IP Assets for

sale or assignment and shall develop and execute a sales and marketing program designed to elicit proposals to acquire the IP Assets from qualified bidders with a view toward consummating a sale or sales of the IP Assets on or before September 30, 2011.

7. Because there is a cost associated with maintaining the IP Assets (primarily borders.com), selling the IP Assets on an accelerated timeframe will save the Debtors substantial costs. Accordingly, the Debtors have determined that the sale of the Debtors' IP Assets in accordance with the procedures described in the Motion will maximize recoveries for their creditors and is, therefore, in the best interests of the Debtors, their estates and creditors. The Debtors have consulted with Streambank and the Committee, who concur with the Debtors' determination.

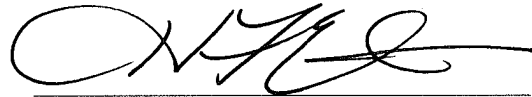
8. Furthermore, based on my discussions with Streambank, I believe that authorizing the Debtors: (a) to select a one or more stalking horse bidders to set a floor for subsequent bids; and (b) with the Committee's consent or upon a further order of the Court, to grant to such stalking horse bidder(s) reimbursement of its reasonable, documented out of pocket expenses incurred in connection with the promulgation of its Qualified Bid, subject to a \$250,000 cap, will maximize the value of the Debtors' IP Assets.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

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

Dated: July 27, 2011

Respectfully submitted,

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

Holly Felder Etlin
Senior Vice President - Restructuring

EXHIBIT B

ASSET PURCHASE AGREEMENT

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

RECITALS

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

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

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

AGREEMENT

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

ARTICLE 1

PURCHASE AND SALE OF ASSETS

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

1.2 Purchase and Sale. Subject to the terms and conditions set forth in this Agreement, the Sellers hereby agree that at the Closing, they shall, and shall cause the other members of the Seller Group to, sell, transfer, convey and assign to the Buyer, free and clear of all Liens (except for Permitted Liens), and the Buyer shall purchase, assume and acquire from the Seller Group, all right, title and interest of the Seller Group in, to and under the following (collectively, the "Assets");

(a) All of the interest of the Seller Group in the items set forth on Schedule 1.2(a) (the "Transferred Intellectual Property");

(b) [All of the interest of the Seller Group in and to the Contracts set forth on Schedule 1.2(b) (the “Assumed Contracts”)];

(c) [All security and other deposits and advances and all pre-paid expenses maintained by the Seller Group in respect of any Assumed Contracts;] and

(d) All claims (including any litigation or arbitration claims and any refunds and deposits), rights, rights of offset or causes of action that the Seller Group or their Affiliates may have against or from any Person relating to the Assets or the Assumed Liabilities (the “Transferred Claims”).

1.3 Excluded Assets. Notwithstanding anything to the contrary contained herein, expressly excluded from the Assets are all of the right, title and interest of the Seller Group in and to all items not expressly enumerated in Section 1.2, including but not limited to the following (collectively, the “Excluded Assets”):

(a) All claims (including any litigation or arbitration claims and any refunds and deposits), rights, rights of offset or causes of action of the Seller Group or their Affiliates other than Transferred Claims;

(b) All causes of action and claims that may be asserted against the Buyer and all rights of the Sellers under this Agreement or any Ancillary Agreement or any other agreements or instruments otherwise delivered in connection with this Agreement or any Ancillary Agreement;

(c) All of the interest of the Seller Group in and to all Contracts [other than the Assumed Contracts]; and

(d) All Avoidance Actions.

ARTICLE 2

PURCHASE PRICE AND PAYMENT

2.1 Purchase Price. The consideration to be paid by the Buyer for the sale of the Assets shall consist of (a) \$_____ (the “Purchase Price”) and (b) the assumption by the Buyer of the Assumed Liabilities. At the Closing, the Purchase Price shall be paid to the Sellers by wire transfer of immediately available funds in accordance with instructions given by the Sellers to the Buyer.

2.2 Assumed Liabilities and Excluded Liabilities

(a) Subject to the terms and conditions set forth in this Agreement, the Buyer hereby agrees that at the Closing, it shall assume and become responsible for all liabilities and obligations relating to the Assets[, including under the Assumed Contracts and all related Cure Costs existing as of such time and arising prior to the Closing] (collectively, the “Assumed Liabilities”).

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

2.3 Non-Assignable Assets. If any Asset is by its terms or by Applicable Law non-assignable or non-transferable, to the extent such terms are not superseded by the terms of the Sale Order, the Sellers shall use their reasonable best efforts to obtain, or cause to be obtained, on or prior to the

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

2.4 Transfer Taxes. To the extent the transactions contemplated hereby are not exempt under Section 1146 of the Bankruptcy Code, the Buyer shall be liable for and pay any sales and transfer Taxes, filing fees, documentary fees or other Taxes payable in connection with the purchase, sale or transfer of the Assets to, and the assumption of the Assumed Liabilities by, the Buyer pursuant to this Agreement. The Buyer and the Sellers shall use reasonable best efforts to minimize the amount of all the foregoing Taxes and shall cooperate in providing each other with any appropriate resale exemption certifications, Tax clearance certificates and other similar documentation. The Party that is required by Applicable Law to make the filings, reports, or returns and to handle any audits or controversies with respect to any of the foregoing Taxes shall do so, and the other Party shall cooperate (and make reimbursement) with respect thereto as necessary.

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

2.6 Deposit. The Buyer shall, upon the execution of this Agreement, deposit into a segregated account designated by the Sellers an amount equal to 10% of the Purchase Price (i.e., \$ _____) (the "Deposit"). If the Closing takes place as provided herein, then the Deposit shall be credited against the Purchase Price pursuant to Section 2.1 and paid to the Sellers at the Closing. If this Agreement is terminated in accordance with Article 10 for any reason other than pursuant to Section 10.1(d), then the Sellers shall promptly return the Deposit to the Buyer. If this Agreement is terminated pursuant to Section 10.1(d), the Deposit shall be retained by the Sellers.

ARTICLE 3

CLOSING

3.1 Closing. Consummation of the transactions contemplated hereby (the "Closing") shall occur as soon as practicable on such date as is specified by the Buyer, but in any event not later than two (2) Business Days after the date the conditions to Closing set forth in this Agreement are satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing), at the offices of Kasowitz, Benson, Torres & Friedman LLP, New York, New York, or at such time and place as the Buyer and the Sellers may otherwise agree. The date on which the Closing actually takes place is referred to in this Agreement as the "Closing Date."

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

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

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

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

(d) A copy of the Sale Order; and

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

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

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

(b) A duly executed Assignment and Assumption Agreement;

(c) The Purchase Price to the Sellers by wire transfer in immediately available funds;

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

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

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

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

3.5 Subsequent Documentation; Further Assurances. The Buyer and the Sellers shall, at any time and from time to time after the Closing Date, upon the reasonable request of the other, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such further (a)

assignments, transfers and conveyances as may be required for assigning, transferring, granting, conveying and confirming the transactions contemplated hereby, including aiding and assisting the Buyer in collecting and reducing to possession any or all of the Assets and (b) documents and instruments as may be reasonably necessary for the further completion of any of the transactions contemplated hereby.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

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

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

4.2 Authority; No Conflicts. Subject to Bankruptcy Court approval pursuant to the Sale Order, each Seller has the authority to enter into and consummate this Agreement and the Ancillary Agreements, and to consummate the transactions contemplated hereby and thereby. Subject to the approval of the Bankruptcy Court pursuant to the Sale Order, the execution, delivery and performance by each Seller of this Agreement and of the Ancillary Agreements to which it is a party (a) do not and shall not violate or conflict with any provision of the certificate or articles of incorporation or bylaws of such Seller, (b) do not and shall not violate any provision of any Applicable Law or any order, judgment or decree of any Governmental Entity or any Governmental Authority and (c) shall not result in the creation or imposition of any material Lien (other than Permitted Liens) upon any of the Assets.

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

4.4 Sale Free and Clear of Liens. On the Closing Date, after giving effect to the Sale Order, the Assets shall be transferred to the Buyer free and clear of all Liens other than Permitted Liens.

4.5 Litigation. Except as set forth on Schedule 4.5, and except for the Cases, there is no claim, litigation, action, arbitration or legal proceeding pending before a Governmental Entity or, to the Sellers' Knowledge, threatened against the Sellers, affecting the Sellers' ability to perform their obligations hereunder. Except with respect to claims filed in connection with the Cases, and subject to all of the provisions of the Bankruptcy Code, the Assets are not subject to any order, writ, judgment, award, injunction or decree of any Governmental Entity that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

4.6 Third Party Approvals. Except for (a) entry of the Sale Order and (b) approvals or consents set forth on Schedule 4.6, the execution, delivery and performance by the Sellers of this Agreement and the consummation of the transactions contemplated hereby do not require any material

consent, waiver, authorization or approval of, or filings with, any Person (including any Governmental Authority) that has not been obtained or is not deemed to be superseded by applicable provisions of the Bankruptcy Code (the matters described in this Section 4.6, collectively referred to as the “Consents”).

4.7 Transferred Intellectual Property. Except as set forth on Schedule 4.7, the Seller Group has not been notified in writing prior to the date of this Agreement that any of the Transferred Intellectual Property is or may be infringing any patents, trade secrets, trademarks, trade names, service marks, service names, copyrights or other intellectual property rights of any third party and, to the Knowledge of the Sellers, there is no continuing infringement of the Transferred Intellectual Property by other Persons. Except as set forth on Schedule 4.7, the Seller Group as of the date of this Agreement is not bound by any outstanding judgment, injunction, order or decree restricting the use of the Transferred Intellectual Property, and any issued trademark, service mark and copyright registrations and URLs listed on Schedule 1.2(a) have not lapsed, expired or been cancelled.

4.8 Broker or Finder. Except as set forth on Schedule 4.8, no Person assisted in or brought about the negotiation of this Agreement, or the subject matter of the transactions contemplated hereby, in the capacity of broker, agent, or finder or in any similar capacity on behalf of the Sellers.

4.9 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES. THE ASSETS ARE BEING TRANSFERRED IN “AS IS”, “WHERE IS” CONDITION AND NEITHER THE SELLERS NOR ANY EMPLOYEES, DIRECTORS, OFFICERS, SHAREHOLDERS OR REPRESENTATIVES OF THE SELLERS MAKE ANY REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, RELATING TO THE SELLER GROUP OR THE ASSETS OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT.

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

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF THE BUYER

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

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

5.2 Authority; No Conflicts. The Buyer has the requisite power and authority (including full limited liability company power and authority) to execute this Agreement and each Ancillary Agreement to which the Buyer is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Buyer of this Agreement and each Ancillary Agreement to

which the Buyer is a party (a) do not and shall not violate or conflict with any provision of the certificate of formation or limited liability company agreement of the Buyer, and (b) do not and shall not violate any provision of any Applicable Law or any order, judgment or decree of any Governmental Entity or any Governmental Authority.

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

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

5.5 Condition of Assets. The Buyer (i) is purchasing the Assets in "as is", "where is" condition, and (ii) is relying solely on its own existing knowledge and inspection of the Assets and that it has completed its due diligence inspection in respect of the Assets. The Buyer expressly acknowledges that the Sellers are not making any representations or warranties regarding the Assets (except as specifically provided for in Article 4 of this Agreement).

5.6 Sufficient Funds. The Buyer has available, and will have available as of the Closing Date, funds sufficient to pay the Purchase Price and to perform its other obligations under this Agreement and the Ancillary Agreements.

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

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

ARTICLE 6

COVENANTS OF THE SELLERS

Each Seller covenants and agrees with the Buyer that:

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

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

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

ARTICLE 7

COVENANTS OF THE BUYER

The Buyer covenants and agrees with the Sellers that:

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

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

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

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

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

ARTICLE 8

CONDITIONS TO CLOSING

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

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

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

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

(d) All material Consents legally required to be obtained by the Sellers for the Closing shall have been obtained; and

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

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

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

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

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

(d) All material Consents legally required to be obtained by the Sellers for the Closing shall have been obtained; and

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

ARTICLE 9

ADDITIONAL OBLIGATIONS AFTER CLOSING

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

9.1 Execution; Delivery of Instruments and Assistance. The Sellers and the Buyer shall each execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such instruments and take such other actions as may be necessary or advisable to carry out their obligations

under this Agreement and under any document, certificate or other instrument delivered pursuant hereto or thereto or required by Applicable Law.

9.2 Name Change. From and after the Closing Date, the Sellers shall cause each entity in the Seller Group to change its names to a name that is not (and that is not confusingly similar to) "Borders," subject to their obligations to operate and conclude the Cases, it being the intent of the Parties that from and after the Closing, the Buyer shall have the sole right to conduct business under such name, subject to the rights of the Seller Group to utilize the name in connection with liquidation sales to be conducted at its remaining retail stores.

ARTICLE 10

TERMINATION

10.1 Termination. This Agreement may be terminated as follows:

- (a) At any time by the mutual written agreement of the Sellers and the Buyer;
- (b) By the Sellers, at their sole election, in the event that the Closing shall not have occurred on or before _____, 2011; *provided* that the Sellers shall not be entitled to terminate this Agreement pursuant to this Section 10.1(b) if the failure of the Closing to occur on or prior to such date results primarily from the Sellers themselves materially breaching any representation, warranty or covenant contained in this Agreement;
- (c) By the Buyer, at its sole election, in the event of a material breach of this Agreement by the Sellers that has not been cured, or if any representation or warranty of the Seller shall have become untrue in any material respect, in either case such that such breach or untruth is incapable of being cured, by _____, 2011;
- (d) By the Sellers, at their sole election, in the event of a material breach of this Agreement by the Buyer that has not been cured, or if any representation or warranty of the Buyer shall have become untrue in any material respect, in either case such that such breach or untruth is incapable of being cured, by _____, 2011.

10.2 Effect of Termination. Upon the termination of this Agreement in accordance with Section 10.1, the Parties shall be relieved of any further obligations or liability under this Agreement other than (a) confidentiality obligations contained in Section 7.4, (b) any obligations for breach of this Agreement occurring prior to such termination and (c) obligations contained in Section 2.6.

ARTICLE 11

BANKRUPTCY COURT APPROVAL

11.1 Bankruptcy Court Approval. The Buyer acknowledges that the obligations of the Sellers under this Agreement and the transactions contemplated hereby are contingent upon the approval and authorization of the Bankruptcy Court.

ARTICLE 12

GENERAL PROVISIONS

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

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

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

 Streambank, LLC
 97 Chapel Street, 3rd Floor
 Needham, Massachusetts 02492
 Attn: David Peress
 Facsimile: _____

The Buyer: _____

 Attn: _____
 Facsimile: _____

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

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

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

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

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

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

12.8 Authorization of Parent as Representative of the Sellers.

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

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

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

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

12.11 Severability. If a court of competent jurisdiction determines that any provision of this Agreement is void, illegal or unenforceable, the other provisions of this Agreement shall remain in full

force and effect and the provisions that are determined to be void, illegal or unenforceable shall be limited so that they shall remain in effect to the extent permissible by Applicable Law.

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

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

12.14 Specific Performance. Each Party acknowledges that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by such Party in accordance with their specific terms or were otherwise breached by such Party. Each Party accordingly agrees that, prior to the termination of this Agreement pursuant to Article 10, in addition to any other remedy to which the other Parties are entitled at law or in equity, the other Parties are entitled to injunctive relief to prevent breaches of this Agreement by such Party and otherwise to enforce specifically the provisions of this Agreement against such Party. Each Party expressly waives any requirement that any other Party obtain any bond or provide any indemnity in connection with any action seeking injunctive relief or specific enforcement of the provisions of this Agreement.

ARTICLE 13

DEFINITIONS

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

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

“Ancillary Agreements” shall mean any ancillary agreements hereto to which each Party is or may be a party.

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

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

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

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

“Assumed Liabilities” shall have the meaning set forth in Section 2.2(a).

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

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

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

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

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

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

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

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

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

“Confidentiality Agreement” shall have the meaning set forth in Section 7.4.

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

“Consents” shall have the meaning set forth in Section 4.6.

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

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

“Deposit” shall have the meaning set forth in Section 2.6.

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

“Excluded Liabilities” shall have the meaning set forth in Section 2.2(b).

“Governmental Approvals” shall mean those approvals, authorizations, confirmations, consents, exemptions and orders from Governmental Authorities and the making of all necessary registrations and filings (including filings with Governmental Authorities) and the taking of all reasonable steps as may be necessary to consummate the transactions contemplated hereby under Applicable Law.

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

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

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

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

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

“Material Adverse Effect” shall mean with respect to the Assets, any event or occurrence which shall materially and adversely affect the Assets, taken in each case as a whole; *provided* that any (a) change in general economic or industry-wide conditions, or (b) adverse effect that is solely the result of the execution or announcement of this Agreement or the transactions contemplated hereby or the consummation thereof, shall not be taken into account for purposes of determining a Material Adverse Effect hereunder.

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

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

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

“Permitted Liens” shall mean (a) mechanics’, materialmen’s, warehousemen’s, carriers’, workers’, or repairmen’s liens or other similar common law or statutory encumbrances arising or incurred in the ordinary course and that are-for amounts (i) that are not material in amount or effect and (ii) that are either not yet due or delinquent or are otherwise being contested in good faith by appropriate proceedings, (b) liens for Taxes, assessments and other governmental charges for amounts (i) that are not material in amount or effect and (ii) that are either not due or payable or are being contested in good faith by appropriate proceedings, (c) Liens incurred in the ordinary course of business for amounts (i) that are not

material in amount or effect and (ii) that are either not yet due or delinquent or are otherwise being contested in good faith by appropriate proceedings, and (d) liens or encumbrances imposed by any contract or any Applicable Law governing a License for amounts (i) that are not material in amount or effect and (ii) that are either not yet due or delinquent or are otherwise being contested in good faith by appropriate proceedings.

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

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

“Sale Order” shall mean the Order of the Bankruptcy Court entered pursuant to Bankruptcy Code Sections 363 and 365 that approves the sale of the Assets to the Buyer pursuant to the terms of this Agreement and the provisions of the Bankruptcy Code (including Bankruptcy Code Section 363), and approves the Seller Group’s assignment of the Assumed Contracts to the Buyer pursuant to Section 365 of the Bankruptcy Code.

“Seller” or “Sellers” shall have the meaning set forth in the Preamble.

“Seller Group” shall have the meaning set forth the Recitals.

“Tax” or “Taxes” shall mean (a) all taxes, charges, fees, levies, penalties or other assessments of any kind whatsoever imposed by an federal, state, local or foreign taxing authority, including, but not limited to, income, excise, property, sales, transfer, franchise, payroll, withholding, social security or other taxes, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalties or additions attributable thereto or (b) liability for the payment of any amounts of the type described in clause (a) above as a result of being a party to any agreement or any express or implied obligation to indemnify or otherwise succeed to the liability of any other Person.

“Tax Code” shall mean the Internal Revenue Code of 1986, as it has been and may be amended.

“Transferred Claims” shall have the meaning set forth in Section 1.2(d).

“Transferred Intellectual Property” shall mean have the meaning set forth in Section 1.2(a).

“Treasury Regulations” shall mean the federal income Tax regulations promulgated under the Tax Code, as amended, including any temporary and proposed regulations.

*Remainder of Page Intentionally Left Blank.
Signature Pages Follow.*

This Asset Purchase Agreement is executed by the Parties on the date set forth above.

SELLERS:

BORDERS GROUP, INC.

By: _____

Name: _____

Title: _____

BORDERS, INC.

By: _____

Name: _____

Title: _____

BUYER:

By: _____

Name: _____

Title: _____

EXHIBIT C

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

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**ORDER PURSUANT TO SECTIONS 332, 363, 365 AND 105 OF THE BANKRUPTCY
CODE AND RULES 2002, 6004 AND 6006 OF THE FEDERAL RULES OF
BANKRUPTCY PROCEDURE APPROVING BIDDING PROCEDURES IN
CONNECTION WITH THE SALE OF THE DEBTORS' IP ASSETS FREE
AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES**

Upon the Motion (the "Motion")² of the above-captioned debtors and debtors in possession (the "Debtors") for Orders Pursuant to Sections 332, 363, 365 and 105 of Title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"): (i) Approving Bidding Procedures With Respect to Sale of Certain IP Assets, Including Expense Reimbursement for a Stalking Horse Bidder, Setting the Sale Hearing Date, and Appointing a Consumer Privacy Ombudsman; and (ii) Approving and Authorizing the Sale of IP Assets to the Highest and Best Bidder Free and Clear of all Liens, Interests, Claims and Encumbrances and the Assumption and Assignment of Certain Related Executory Contracts and Waiving the Requirements of Bankruptcy Rules 6004(h) and 6006(d); 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

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

² All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Motion and Bidding Procedures.

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 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 August 10, 2011, and having heard the objections made, if any, to the relief sought in the Motion; and after due deliberation and sufficient cause therefore,

IT IS HEREBY FOUND AND DETERMINED THAT:

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. §§ 332, 363, 365 and 105 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 Bidding Procedures substantially in the form annexed hereto as Exhibit A (hereinafter, the “Bidding Procedures”); (2) approve the form and manner of notice of the Motion, the Auction and the Sale Hearing; and (3) set the date of the Auction and the Sale Hearing.

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

F. The Sale may require the appointment of a consumer privacy ombudsman pursuant to section 363(b)(1).

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

A. Approval of Motion, Bidding 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 Bidding Procedures, substantially in the form annexed hereto as Exhibit A and incorporated herein by reference, are hereby approved and shall govern all proceedings related to the subject thereof, including: (1) the Purchase Agreement; (2) the Modified Purchase Agreement, if any; (3) the Auction, if any; and (4) the Sale. Notwithstanding the foregoing, if the Debtors alter the Bidding Procedures, which can only be done after consultation with the Committee, the Debtors shall provide notice of such changes to: (a) the Committee; and (b) the bidders or the Qualified Bidders (as the case may be). The failure to include or reference a particular provision of the Bidding 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 Bidding Procedures.
5. September 8, 2011 at 5:00 p.m. (prevailing Eastern Time) shall be the deadline (the "Bid Deadline") for the submission of bids in accordance with the terms described in the Bidding Procedures.

6. The Debtors are authorized to select one or more Stalking Horse Bidder(s) in accordance with the Bid Procedures. With the consent of the Committee and the Debtors, the Stalking Horse Bidder(s) is entitled to reimbursement of reasonable, documented out of pocket expenses incurred in connection with the promulgation of its Qualified Bid of no more than \$250,000.

B. Notice of and Objections to the Sale.

7. The Debtors shall file a notice announcing either that there was insufficient interest to conduct the Auction or, in the event an Auction is conducted, the Notice of Winning Bidder on the Court's docket and the Debtors' restructuring website (www.bordersreorganization.com) as soon as practicable following the Auction on September 14, 2011. The Court shall hold a hearing on September 20, 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(s) and confirm the results of the Auction, if any.

8. Objections, if any, to the Sale shall be made in writing, shall state with particularity the grounds therefore, shall conform to the Bankruptcy Rules and the Local Bankruptcy Rules for the Southern District of New York (the "Local Rules"), and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General Order M-399 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court's case filing system, and by all other parties in interest, on a 3.5-inch disk or CD-ROM, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received no later than

September 16, 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.).

C. Assumed Agreements.

9. The Debtors have served, on or before July 27, 2011, copies of the Motion to the parties to the IP Agreements that may be assumed and assigned or rejected.

10. To the extent that any party to the IP Agreements seeks to object to the Proposed Cure Amount or the Winning Bidder(s)' proposed adequate assurance of future performance, such objection shall be made in writing, shall state with particularity the grounds therefore, shall

conform to the Bankruptcy Rules and Local Rules, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General Order M-399 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court's case filing system, and by all other parties in interest, on a 3.5-inch disk or CD-ROM, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received no later than (i) September 6, 2011 at 4:00 p.m. (prevailing Eastern Time) for objections to the assumption and assignment of the IP Agreements (other than with respect to adequate assurance of future performance) and the Proposed Cure Amount and (ii) September 16, 2011 at 4:00 p.m. (prevailing Eastern Time) for objections to the adequate assurance of future performance proposed by the Winning Bidder(s) by the parties set forth above in paragraph 8.

D. Additional Provisions.

11. The U.S. Trustee is directed to appoint one disinterested person to serve as the consumer privacy ombudsman in connection with the Sale no later than seven (7) days from the date of this Order pursuant to section 332 of the Bankruptcy Code.

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

13. Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), 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.

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

Dated: August __, 2011
New York, New York

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

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

Attorneys for Debtors and Debtors in Possession

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

In re

BORDERS GROUP, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

BIDDING PROCEDURES FOR SALE OF DEBTORS' IP ASSETS

On August __, 2011, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered that certain order (the "Bidding Procedures Order"), which granted the *Debtors' Motion for Orders Pursuant to Sections 332, 363, 365 and 105 of the Bankruptcy Code and Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure: (I) Approving Bidding Procedures With Respect to Sale of Certain IP Assets, Including Expense Reimbursement for a Stalking Horse Bidder, Setting the Sale Hearing Date, and Appointing a Consumer Privacy Ombudsman; and (II) Approving and Authorizing the Sale of IP Assets to the Highest and Best Bidder Free and Clear of All Liens, Interests, Claims and Encumbrances and the Assumption and Assignment of Certain Related Executory Contracts and*

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

Waiving the Requirements of Bankruptcy Rules 6004(h) and 6006(d) (the “IP Sale Motion”) and authorized the Debtors to follow certain procedures governing the sale of certain of the above captioned debtors and debtors-in-possession’s (collectively, the “Debtors”) intellectual property assets (the “IP Assets”) in accordance with the procedures provided herein.

I. FORMS OF SALES

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

The Debtors will consider offers for a sale, in one or a series of related transactions, of a material portion of the IP Assets.

The Sale shall be pursuant to the terms and conditions of the Purchase Agreement (as may be modified pursuant to the procedures below), the form of which will be subject to approval by the Bankruptcy Court at the Sale Hearing.

II. BIDDING PROCEDURES

A. Notice of Sale.

The Debtors will provide notice of the proposed Sale, the Bidding 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 of the Debtors’ IP Assets, and any other party that the Debtors believe might be interested in a possible purchase of the IP Assets.

B. Diligence Room.

The Debtors have made and will continue to make available until the conclusion of the Auction information concerning the Debtors’ IP Assets to all prospective bidders 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, with the consent of the Committee.

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' IP 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 IP 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' IP Assets that provides the following (collectively, the "Bid") on or before the Bid Deadline, together with the items set forth in Section I:

- (i) An executed confidentiality agreement acceptable to the Debtors;
- (ii) Current audited financial statements or such other form of financial disclosure acceptable to the Debtors demonstrating the ability to close the proposed transaction;
- (iii) A bid summary describing the purchase price and structure of the bid and sufficient evidence regarding the bidder's ability to obtain financing for the proposed transaction; and
- (iv) A complete bid fulfilling all the requirements set forth in these Bidding 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 the IP Assets that the Bidder seeks to purchase. Bidders are encouraged, but not required, to break down the Purchase Price by category or type of IP Assets to be purchased in the Bid, if appropriate.

E. Bidding Deadline for Bids.

The deadline (the “Bid Deadline”) for submission of a final and binding written proposal for a purchase of the IP Assets (each, a “Bid”) is 5:00 p.m. (prevailing Eastern Time) on September 8, 2011. 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:

Streambank, LLC
97 Chapel St., 3rd Fl.
Needham, MA 02492
Attn: David Peress (dperess@streambankllc.com)

F. Deposit.

All Bids must include a deposit of ten percent (10%) of the Purchase Price in cash, to be paid directly to the Debtors. 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, all other Deposits not already returned

to the respective Qualified Bidder shall be returned no later than five (5) business days after the Auction.

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

G. Content of Bids.

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

- (a) The identify of the IP Assets that Bidder is seeking to purchase.
- (b) 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")² and a representation that the Qualified Bidder can execute a further modified version of the Modified Purchase Agreement reflecting any changes made during the Auction and/or any other changes that may be agreed upon by such Qualified Bidder and the Debtors promptly upon being notified of its selection as the Winning Bidder without need for further approval(s), if any;

² The amount and character of any such changes will be a significant consideration in Debtors' selection of the Winning Bid from amongst the Bids.

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

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

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

(f) Information sufficient to demonstrate to the Debtors' satisfaction that the Bidder has the necessary financial capacity to consummate the Sale, as proposed in its Bid, and to provide parties to executory contracts with adequate assurance of future performance under the leases and contracts it intends to assume as provided in section 365 of the Bankruptcy Code;

(g) A statement acknowledging that the Debtors must close the Sale on or before September 30, 2011 (with time being of the essence), with a representation and warranty that the Bidder knows of no reason why it cannot close the 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 or is not required; and

(h) The identity of the beneficial owners of the Bidder, if the Bidder is not a publicly held company.

H. Closing Conditions to Bids.

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

Debtors select a higher or otherwise better Qualified Bid and such Bidder is not selected as the Back-Up Bidder.

I. Joint Bids.

The Debtors will be authorized to approve joint Bids after consultation with the Committee on a case-by-case basis.

J. Evaluation of Bids.

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

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 some or all of the IP Assets, 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.

Based on the Bids received, the Debtors, in consultation with the Committee, may designate one or more Qualified Bidders a “stalking horse” (the “Stalking Horse Bidder”) setting a floor for subsequent bids. In the event a Qualified Bidder is designated as a Stalking Horse Bidder and is not the ultimate Winning Bidder, the Debtors may reimburse such Stalking Horse Bidder its reasonable out of pocket expenses incurred in connection with the promulgation of its Qualified Bid, subject to a \$250,000 cap.

K. Auction.

If, after the examination of all Qualified Bids, the Debtors determine that an auction (the “Auction”) is appropriate and will generate an acceptable offer for the purchase of the IP Assets, the Debtors will conduct an auction on September 14, 2011, beginning at 10:00 a.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 may attend the Auction. Each Qualified Bidder, by participating in the Auction, agrees to keep the Auction, the bids at the Auction, and all details concerning Auction confidential (including its location), unless and until the Debtors file the Notice of Results of Sale Process or to the extent such information is otherwise public information. Each Qualified Bidder must have at least one individual representative with authority to bind the Qualified Bidder attend the Auction in person. The Auction shall be conducted in the presence of a certified court reporter who shall transcribe all of the Bidding Procedures conducted at the Auction.

The minimum interval for bidding at the auction (the “Auction Bidding Interval”) shall be determined by the Debtors after consultation with the Committee and communicated to the

Qualified Bidders; provided, however, the Debtors may increase or decrease the Bidding Interval at, before or during the Auction after consultation with the Committee, 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 specific IP Assets. The Auction shall continue until there is no further bidding in response to the Qualified Bid(s) (as may be increased at the Auction) that the Debtors determine, is/are the highest or otherwise best Qualified Bid(s) (the “Winning Bid”), at which point the Auction will be closed. The Debtors may, after consultation with the Committee, choose one Qualified Bid as the Winning Bid and/or Back-Up Bid or several Qualified Bids, each for different IP Assets, as the Winning Bids and/or Back-Up Bids. Acceptance of the Winning Bid (or the Back-Up Bid, if necessary) by the Debtors is conditioned on approval of the Bankruptcy Court at the Sale Hearing.

If there is an Auction, the Bidder with the Qualified Bid that is next-highest or otherwise second best to the Winning Bid (the “Back-Up Bid”), as determined by the Debtors, subject to Bankruptcy Court approval at the Sale Hearing, shall be required to be the back-up bidder (the “Back-Up Bidder”) for the relevant IP Assets. 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 September 30, 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 September 30, 2011, the Winning Bidder cannot consummate the Sale as proposed in the Winning Bid, the Debtors, in consultation with the Committee, may choose to close the Sale with the Back-Up Bidder by accepting the Back-Up Bid. Notwithstanding anything else herein to the contrary, the deposit of the Back-Up Bidder may be held by the Debtors until the earlier of three (3) business days after (a) October 1, 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 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 to modify these Bidding Procedures at any time, with notice to the Qualified Bidders and after consultation with the Committee, that is reasonable under the circumstances, to facilitate the submission of value-maximizing Bids, to adjourn the Auction one or more times for any reason, and/or to terminate these Bidding Procedures at any time to pursue an alternative restricting strategy that maximizes value for the Debtors' estates.

N. Consultation.

The Debtors will consult with the Creditors' Committee 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 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 Bidding Procedures.

EXHIBIT D

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

In re

BORDERS GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

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

Upon the Motion (the "Motion")² of the above-captioned debtors and debtors in possession (the "Debtors") for Orders Pursuant to Sections 332, 363, 365 and 105 of Title 11 of the United States Code (the "Bankruptcy Code") and Rules 2004, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"): (i) Approving Bidding Procedures With Respect to the Sale of Certain IP Assets, Including Expense Reimbursement for a Stalking Horse Bidder, Setting the Sale Hearing Date, and Appointing a Consumer Privacy Ombudsman; and (ii) Approving and Authorizing the Sale of IP Assets to the Highest and Best Bidder Free and Clear of all Liens, Interests, Claims and Encumbrances and the Assumption and Assignment of Certain Related Executory Contracts, and Waiving the Requirements of Bankruptcy Rules 6004(h) and 6006(d); 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

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

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

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 of the Motion having been given and it appearing that no other notice need be given; and upon the arguments made at the hearings held on August 10, 2011 (the “Bidding Procedures Hearing”) and September 20, 2011 (the “Sale Hearing”) and, collectively with the Bidding Procedure Hearing, the “Hearings”), and having heard the objections made, if any, to the relief sought in the Motion; and after due deliberation and sufficient cause therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:

- A. This Court has jurisdiction to approve the Sale pursuant to 28 U.S.C. §§ 157 and 1134.
- B. Venue of these cases in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409(a).
- C. Approval of the Sale and the transactions contemplated in connection with the Sale (the “Related Transactions”) is a core proceeding under 28 U.S.C. §§ 157(b)(2)(A), (N) and (O). The statutory predicates for the approval of the Sale and Related Transactions are sections 363, 365 and 105 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Bankruptcy Rules.
- D. As evidenced by the affidavits of service previously filed with the Court, proper, timely, adequate and sufficient notice of the Motion, the Sale, the Related Transactions and the Sale Hearing has been provided in accordance with sections 363, 365 and 105(a) of the Bankruptcy Code, Bankruptcy Rules 2002, 6004 and 6006, and in compliance with the Bidding

Procedures Order. No other or further notice is required.

E. A reasonable opportunity to object or be heard regarding the relief requested in the Motion, the Sale and the Related Transactions has been afforded to all interested persons and entities, including the following: (i) the Office of the United States Trustee, (ii) counsel to the DIP Agents, (iii) counsel to the Committee, (iv) all parties who are known to assert a security interest, lien, or claim in any of the IP Assets, including the Agent, (v) all non-Debtor counterparties to the IP Agreements, and (vi) all other applicable parties in interest, including all entities on the 2002 service list as of the date of entry of the Bidding Procedures Order ((i) through (vi) collectively, the “Notice Parties”). Objections, if any, to the Motion, the Sale or the Related Transactions have been overruled.

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

G. Approval of the Purchase Agreement and all other documents contemplated thereby or entered into in connection therewith (collectively, the “Agreements”), and consummation of the Sale at this time is in the best interests of the Debtors, their estates, their creditors and all parties in interest.

H. The Sale to the Purchaser must be approved and consummated promptly in order to preserve the viability of the Debtors’ website business as a going concern, and to

maximize the value of the Debtors' estates. Time is of the essence in consummating the Sale to the Purchaser. Accordingly, cause exists to lift the stay to the extent necessary, as contemplated by Bankruptcy Rule 6004(h).

I. A sale of the IP Assets other than one free and clear of liens, claims, encumbrances, defenses (including, without limitation, rights of setoff and recoupment) and interests, including, without limitation, security interests of whatever kind or nature, mortgages, pledges, deeds of trust, hypothecations, assignments, preferences, debts, easements, charges, suits, licenses, options, rights-of-recovery, judgments, orders and decrees of any court or foreign or domestic governmental entity, taxes (including foreign, state and local taxes), covenants, restrictions, indentures, instruments, leases, options, off-sets, claims for reimbursement, contribution, indemnity or exoneration, successor, product, tax, labor, alter ego and other liabilities, causes of action, contract rights and claims, to the fullest extent of the law, in each case, of any kind or nature, known or unknown, whether pre-petition or post-petition, secured or unsecured, choate or inchoate, filed or unfiled, scheduled or unscheduled, perfected or unperfected, liquidated or unliquidated, noticed or unnoticed, recorded or unrecorded, contingent or non-contingent, material or non-material, statutory or non-statutory, matured or unmatured, legal or equitable (collectively, but excluding Permitted Liens and Assumed Liabilities, if any, "Interests" (and such Permitted Liens and Assumed Liabilities, collectively, "Excluded Interests")) and without the protections of this Order would impact materially and adversely the Debtors' estates and would yield substantially less value, with less certainty than any available alternatives. But for the protections afforded to the Purchaser under the Bankruptcy Code and this Order, the Purchaser would have not offered to pay the purchase price for the IP Assets. In addition, each entity with an Interest in the IP Assets, (i) has consented to the Sale or is deemed

to have consented to the Sale, (ii) could be compelled in a legal or equitable proceeding to accept money satisfaction of such interest, or (iii) otherwise falls within the provisions of section 363(f) of the Bankruptcy Code, and therefore, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been satisfied. Those holders of Interests who did not object, or who withdrew their objections, to the Motion are (i) deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. Holders of Interests are adequately protected by having their Interests, if any, attach to the cash proceeds of the Sale ultimately attributable to the property to which the Interests apply, subject to the terms thereof. Therefore, approval of the Agreements and the consummation of the Sale free and clear of Interests is appropriate pursuant to section 363(f) of the Bankruptcy Code and is in the best interests of the Debtors' estates, their creditors and other parties in interest.

J. The consideration to be paid by the Purchaser under the Agreements, including in connection with the Sale, was negotiated at arm's-length and constitutes reasonably equivalent value and fair and adequate consideration for the IP Assets under the Bankruptcy Code, the Uniform Fraudulent Transfer Act, the Uniform Fraudulent Conveyance Act and the laws of the United States, any state, territory, possession thereof or the District of Columbia (collectively, "Laws"). The terms and conditions set forth in the Agreements are fair and reasonable under these circumstances and were not entered into for the purpose of, nor do they have the effect of, hindering, delaying or defrauding any of the Debtors or their creditors under any applicable laws.

K. The Debtors and their management directors actively participated in the Sale process and acted in good faith. Neither the Debtors nor the Purchaser has engaged in any conduct that would cause or permit the Sale, Related Transactions, Agreements or any related

action to be avoided under section 363(n) of the Bankruptcy Code.

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

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

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

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

P. Approval of the Agreements and the consummation of the Sale and Related Transactions are in the best interests of the Debtors, its estates, creditors and other

parties in interest. Good and sufficient business justification for consummating the Sale pursuant to sections 363 and 105(a) of the Bankruptcy Code has been established because, among other things, the Debtors, in their sound business judgment, determined that the sale of the IP Assets is necessary to maximize the value of its estates and, unless a sale to the Purchaser is concluded expeditiously as provided for in the Motion and pursuant to the Agreements, values for the IP Assets may be diminished.

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

A. Motion Granted, Objections Overruled.

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

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

B. Sale Transactions Approved and Authorized.

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

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

5. Pursuant to section 363(f) of the Bankruptcy Code, other than with respect to the Excluded Interests, the IP Assets may be transferred to the Purchaser pursuant to the Sale, free and clear of all Interests. All parties asserting any Interests, are deemed to have consented to such transfers, free and clear of any Interests other than the Excluded Interests. Transfer of the

IP Assets to the Purchaser at Closing as provided in the Agreements will be legal, valid and effective.

6. Any Interests shall attach to the proceeds of the Sale in the order of their priority, with the same validity, force and effect which they previously had against the IP Assets, subject to the rights and defenses, if any, of the Debtors with respect thereto, and the proceeds of the Sale shall be allocated and managed in accordance with any applicable Orders of this Court related thereto and in accordance with the terms of any chapter 11 plan that may be confirmed and effective in these cases.

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

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

9. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors are authorized and directed to execute and deliver, and empowered to fully perform under, consummate, and

implement the Agreements, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Agreements, and to take all further action as may reasonably be requested by the Purchaser for the purpose of assigning, transferring, granting, conveying and conferring the IP Assets to the Purchaser.

C. Order Binding.

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

11. If any person or entity that has filed financing statements, mortgages, construction or mechanic's liens, *lis pendens* or other document or agreement evidencing liens on or interests in the IP Assets shall not have delivered to the Debtors prior to the Closing Date, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, or releases of any Interests which the person or entity has with respect to the IP Assets, each such person or entity is hereby directed to deliver all such statements, instruments and releases and the Debtors and the Purchaser are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity asserting the same and the Purchaser is authorized to file a copy of this Order which, upon filing, shall be conclusive evidence of the release and termination of such interest. Each and every federal, state and local governmental unit is hereby directed to accept any and all documents and instruments necessary or appropriate to give effect to the Sale and Related Transactions.

D. Assumed IP Agreements.

12. The Debtors are hereby authorized, but not directed, in accordance with sections 363, 365 and 105(a) of the Bankruptcy Code, to: (i) assume and assign and transfer to the Purchaser the IP Agreements free and clear of Interests, except for Excluded Interests, if any; and (ii) take such actions and execute and deliver to the Purchaser such documents as may be necessary to confirm such assignment and transfer.

13. With the exception of the cure amounts proposed by the Debtors or negotiated between the Debtors and the parties to the IP Agreements (the “Agreed Cure Amounts”), addressed below, the requirements of sections 365(b)(1) and 365(f)(2) of the Bankruptcy Code are hereby deemed satisfied with respect to the IP Agreements. The Debtors are hereby authorized and directed, in accordance with sections 105(a), 363, and 365 of the Bankruptcy Code, to: (i) assume and assign and transfer to the Purchaser the assumed IP Agreements free and clear of Interests, except for Excluded Interests, if any; and (ii) take such actions and execute and deliver to the Purchaser such documents as may be necessary to confirm such assignment and transfer. In accordance with the Agreements and Bidding Procedures Order, the Debtors will, by the times set forth in the Agreements and Bidding Procedures Order, cure or provide adequate assurance of cure of any default or breaches required to be cured under any of the assumed IP Agreements through the establishment of a reserve equal to the Agreed Cure Amounts, in accordance with section 365(b)(1)(A) and (B) of the Bankruptcy Code (with the Purchaser to bear all cure costs). The Purchaser has provided adequate assurance of its future performance of and under the assumed IP Agreements within the meaning of section 365(b)(1)(C) and, as applicable, section 365(b)(3) of the Bankruptcy Code.

14. The assumed IP Agreements remain valid and binding and in full force and effect for the benefit of the Purchaser in accordance with their respective terms, notwithstanding any

provision in any assumed IP Agreement (including those of the type described in sections 365(b)(2), (e)(1) and (f)(1) of the Bankruptcy Code) that prohibits, restricts, or conditions assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from any further liability with respect to the assumed IP Agreement after such assignment to and assumption by the Purchaser. Any provisions in any assumed IP Agreement that prohibit or condition the assignment of such IP Agreement or allow the party to such IP Agreement to terminate, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon the assignment of such IP Agreement constitute unenforceable anti-assignment provisions which are void and shall be of no force or effect. All other requirements and conditions under sections 363 and 365 of the Bankruptcy Code for the assumption by the Debtors and assignment to the Purchaser of each IP Agreement have been satisfied and, pursuant to the Agreements, the Purchaser shall be fully and irrevocably vested in all right, title and interest of each IP Agreement.

15. Upon assignment of the assumed IP Agreements to the Purchaser and payment of the Agreed Cure Amount, if any, which shall be made on or prior to the Closing, no default shall exist under the IP Agreement and no non-Debtor counterparty shall be permitted to declare a default by the Purchaser under such assumed IP Agreement or otherwise take action against the Purchaser as a result of any Debtor's financial condition, bankruptcy or failure to perform any of its obligations under the IP Agreement, including any failure to pay any amounts necessary to cure any defaults thereunder. Upon entry of this Order and assumption and assignment of an assumed IP Agreement, the Purchaser shall be deemed in compliance with all terms and provisions of such IP Agreement. Each non-Debtor counterparty to an assumed IP Agreement is hereby forever barred from, estopped and permanently enjoined from asserting against the

Debtors or Purchaser (a) any default, arising prior to assignment or assumption of the relevant IP Agreement, or (b) any counterclaim, defense, setoff or any other claim relating to the Debtors' business or the IP Assets prior to the assignment or assumption of the relevant IP Agreement that is asserted or assertable against the Debtors or Purchaser or the affiliates or successors of either.

16. The Court hereby determines that the Agreed Cure Amounts established pursuant to the Motion or as otherwise agreed by the non-Debtor counterparties to the assumed IP Agreements, constitute all of the cure amounts that are required to be paid in order to assume and assign the IP Agreements.

17. Except for the right to payment of the Agreed Cure Amounts, pursuant to sections 363, 365 and 105(a) of the Bankruptcy Code, all parties to the IP Agreements are forever barred and enjoined from raising or asserting against the Debtors and the Purchaser any assignment fee, default, breach or claim or pecuniary loss, or condition to assignment, arising under or related to the IP Agreements existing as of the Closing or arising by reason of the Closing. Any party that may have had the right to consent to an assignment, for purposes of section 365(e)(2)(A)(ii) of the Bankruptcy Code and otherwise, is deemed to grant such consent if it failed to object to the assumption and assignment.

E. Good Faith.

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

F. Other Provisions.

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

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

21. This Order and the terms and provisions of the Agreements shall be binding on all of the Debtors' creditors (whether known or unknown), the Debtors, the Purchaser, and their respective affiliates, successors and assigns, and any affected third parties including, but not limited to, all persons asserting an interest in the IP Assets, notwithstanding any subsequent appointment of any trustee, party, entity or other fiduciary under any section of the Bankruptcy Code with respect to the forgoing parties, and as to such trustee, party, entity or other fiduciary, such terms and provisions likewise shall be binding. The provisions of this Order and the terms and provisions of the Agreements, and any actions taken pursuant hereto or thereto shall survive the entry of any order which may be entered confirming or consummating any plan of the Debtors or converting the Debtors' cases from chapter 11 to chapter 7, and the terms and provisions of the Agreements, as well as the rights and interests granted pursuant to this Order and the Agreements, shall continue in these or any superseding cases and shall be binding upon the Debtors, the Purchaser, the Agent and their respective successors and permitted assigns, including any trustee or other fiduciary hereafter appointed as a legal representative of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code. Any trustee appointed in these

cases shall be and hereby is authorized to operate the business of the Debtors to the fullest extent necessary to permit compliance with the terms of this Order and the Agreements, and Agent, Purchaser and the trustee shall be and hereby are authorized to perform under the Agreements upon the appointment of the trustee without the need for further order of this Court.

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

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

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

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

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

Dated: September ____, 2011
New York, New York

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT E

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

In re

BORDERS GROUP, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

BIDDING PROCEDURES FOR SALE OF DEBTORS' IP ASSETS

On August __, 2011, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered that certain order (the "Bidding Procedures Order"), which granted the *Debtors' Motion for Orders Pursuant to Sections 332, 363, 365 and 105 of the Bankruptcy Code and Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure: (I) Approving Bidding Procedures With Respect to Sale of Certain IP Assets, Including Expense Reimbursement for a Stalking Horse Bidder, Setting the Sale Hearing Date, and Appointing a Consumer Privacy Ombudsman; and (II) Approving and Authorizing the Sale of IP Assets to the Highest and Best Bidder Free and Clear of All Liens, Interests, Claims and Encumbrances and the Assumption and Assignment of Certain Related Executory Contracts and*

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

Waiving the Requirements of Bankruptcy Rules 6004(h) and 6006(d) (the “IP Sale Motion”) and authorized the Debtors to follow certain procedures governing the sale of certain of the above captioned debtors and debtors-in-possession’s (collectively, the “Debtors”) intellectual property assets (the “IP Assets”) in accordance with the procedures provided herein.

I. FORMS OF SALES

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

The Debtors will consider offers for a sale, in one or a series of related transactions, of a material portion of the IP Assets.

The Sale shall be pursuant to the terms and conditions of the Purchase Agreement (as may be modified pursuant to the procedures below), the form of which will be subject to approval by the Bankruptcy Court at the Sale Hearing.

II. BIDDING PROCEDURES

A. Notice of Sale.

The Debtors will provide notice of the proposed Sale, the Bidding 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 of the Debtors’ IP Assets, and any other party that the Debtors believe might be interested in a possible purchase of the IP Assets.

B. Diligence Room.

The Debtors have made and will continue to make available until the conclusion of the Auction information concerning the Debtors’ IP Assets to all prospective bidders 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, with the consent of the Committee.

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' IP 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 IP 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' IP Assets that provides the following (collectively, the "Bid") on or before the Bid Deadline, together with the items set forth in Section I:

- (i) An executed confidentiality agreement acceptable to the Debtors;
- (ii) Current audited financial statements or such other form of financial disclosure acceptable to the Debtors demonstrating the ability to close the proposed transaction;
- (iii) A bid summary describing the purchase price and structure of the bid and sufficient evidence regarding the bidder's ability to obtain financing for the proposed transaction; and
- (iv) A complete bid fulfilling all the requirements set forth in these Bidding 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 the IP Assets that the Bidder seeks to purchase. Bidders are encouraged, but not required, to break down the Purchase Price by category or type of IP Assets to be purchased in the Bid, if appropriate.

E. Bidding Deadline for Bids.

The deadline (the “Bid Deadline”) for submission of a final and binding written proposal for a purchase of the IP Assets (each, a “Bid”) is 5:00 p.m. (prevailing Eastern Time) on September 8, 2011. 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:

Streambank, LLC
97 Chapel St., 3rd Fl.
Needham, MA 02492
Attn: David Peress (dperess@streambankllc.com)

F. Deposit.

All Bids must include a deposit of ten percent (10%) of the Purchase Price in cash, to be paid directly to the Debtors. 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, all other Deposits not already returned

to the respective Qualified Bidder shall be returned no later than five (5) business days after the Auction.

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

G. Content of Bids.

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

- (a) The identify of the IP Assets that Bidder is seeking to purchase.
- (b) 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")² and a representation that the Qualified Bidder can execute a further modified version of the Modified Purchase Agreement reflecting any changes made during the Auction and/or any other changes that may be agreed upon by such Qualified Bidder and the Debtors promptly upon being notified of its selection as the Winning Bidder without need for further approval(s), if any;

² The amount and character of any such changes will be a significant consideration in Debtors' selection of the Winning Bid from amongst the Bids.

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

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

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

(f) Information sufficient to demonstrate to the Debtors' satisfaction that the Bidder has the necessary financial capacity to consummate the Sale, as proposed in its Bid, and to provide parties to executory contracts with adequate assurance of future performance under the leases and contracts it intends to assume as provided in section 365 of the Bankruptcy Code;

(g) A statement acknowledging that the Debtors must close the Sale on or before September 30, 2011 (with time being of the essence), with a representation and warranty that the Bidder knows of no reason why it cannot close the 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 or is not required; and

(h) The identity of the beneficial owners of the Bidder, if the Bidder is not a publicly held company.

H. Closing Conditions to Bids.

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

Debtors select a higher or otherwise better Qualified Bid and such Bidder is not selected as the Back-Up Bidder.

I. Joint Bids.

The Debtors will be authorized to approve joint Bids after consultation with the Committee on a case-by-case basis.

J. Evaluation of Bids.

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

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 some or all of the IP Assets, 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.

Based on the Bids received, the Debtors, in consultation with the Committee, may designate one or more Qualified Bidders a “stalking horse” (the “Stalking Horse Bidder”) setting a floor for subsequent bids. In the event a Qualified Bidder is designated as a Stalking Horse Bidder and is not the ultimate Winning Bidder, the Debtors may reimburse such Stalking Horse Bidder its reasonable out of pocket expenses incurred in connection with the promulgation of its Qualified Bid, subject to a \$250,000 cap.

K. Auction.

If, after the examination of all Qualified Bids, the Debtors determine that an auction (the “Auction”) is appropriate and will generate an acceptable offer for the purchase of the IP Assets, the Debtors will conduct an auction on September 14, 2011, beginning at 10:00 a.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 may attend the Auction. Each Qualified Bidder, by participating in the Auction, agrees to keep the Auction, the bids at the Auction, and all details concerning Auction confidential (including its location), unless and until the Debtors file the Notice of Results of Sale Process or to the extent such information is otherwise public information. Each Qualified Bidder must have at least one individual representative with authority to bind the Qualified Bidder attend the Auction in person. The Auction shall be conducted in the presence of a certified court reporter who shall transcribe all of the Bidding Procedures conducted at the Auction.

The minimum interval for bidding at the auction (the “Auction Bidding Interval”) shall be determined by the Debtors after consultation with the Committee and communicated to the

Qualified Bidders; provided, however, the Debtors may increase or decrease the Bidding Interval at, before or during the Auction after consultation with the Committee, 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 specific IP Assets. The Auction shall continue until there is no further bidding in response to the Qualified Bid(s) (as may be increased at the Auction) that the Debtors determine, is/are the highest or otherwise best Qualified Bid(s) (the “Winning Bid”), at which point the Auction will be closed. The Debtors may, after consultation with the Committee, choose one Qualified Bid as the Winning Bid and/or Back-Up Bid or several Qualified Bids, each for different IP Assets, as the Winning Bids and/or Back-Up Bids. Acceptance of the Winning Bid (or the Back-Up Bid, if necessary) by the Debtors is conditioned on approval of the Bankruptcy Court at the Sale Hearing.

If there is an Auction, the Bidder with the Qualified Bid that is next-highest or otherwise second best to the Winning Bid (the “Back-Up Bid”), as determined by the Debtors, subject to Bankruptcy Court approval at the Sale Hearing, shall be required to be the back-up bidder (the “Back-Up Bidder”) for the relevant IP Assets. 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 September 30, 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 September 30, 2011, the Winning Bidder cannot consummate the Sale as proposed in the Winning Bid, the Debtors, in consultation with the Committee, may choose to close the Sale with the Back-Up Bidder by accepting the Back-Up Bid. Notwithstanding anything else herein to the contrary, the deposit of the Back-Up Bidder may be held by the Debtors until the earlier of three (3) business days after (a) October 1, 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 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 to modify these Bidding Procedures at any time, with notice to the Qualified Bidders and after consultation with the Committee, that is reasonable under the circumstances, to facilitate the submission of value-maximizing Bids, to adjourn the Auction one or more times for any reason, and/or to terminate these Bidding Procedures at any time to pursue an alternative restricting strategy that maximizes value for the Debtors' estates.

N. Consultation.

The Debtors will consult with the Creditors' Committee 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 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 Bidding Procedures.

EXHIBIT F

Assumption and Assignment Objection Deadline: September 6, 2011 at 4:00 p.m. (prevailing Eastern Time)
Cure Objection Deadline: September 6, 2011 at 4:00 p.m. (prevailing Eastern Time)
Sale Objection Deadline: September 16, 2011 at 4:00 p.m. (prevailing Eastern Time)
Adequate Assurance Objection Deadline: September 16, 2011 at 4:00 p.m. (prevailing Eastern Time)
Sale Hearing Date: September 20, 2011 at 10:00 a.m. (prevailing Eastern Time)

David M. Friedman (DFriedman@kasowitz.com)
Andrew K. Glenn (AGlenn@kasowitz.com)
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Attorneys for Debtors and Debtors in Possession

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

In re

BORDERS GROUP, INC., et al.,¹

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**NOTICE OF ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS IN
CONNECTION WITH SALE OF THE DEBTORS' IP ASSETS**

PLEASE TAKE NOTICE that in connection with the above captioned debtors and debtors in possession's (collectively, the "Debtors") *Debtors' Motion for Orders Pursuant to Sections 332, 363, 365 and 105 of the Bankruptcy Code and Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure: (I) Approving Bidding Procedures With Respect to Sale of Certain IP Assets (the "IP Assets")*, *Including Expense Reimbursement for a Stalking Horse Bidder, Setting the Sale Hearing Date, and Appointing a Consumer Privacy Ombudsman*;

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

and (II) Approving and Authorizing the Sale of IP Assets to the Highest or Best Bidder Free and Clear of All Liens, Interests, Claims and Encumbrances and the Assumption and Assignment of Certain Related Executory Contracts and Waiving the Requirements of Bankruptcy Rules 6004(h) and 6006(d) (the “Motion”),² a hearing (the “Bidding Procedures Hearing”) was held to approve the bidding procedures (the “Bidding Procedures”) and related relief before the Honorable Martin Glenn, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Courtroom 501, One Bowling Green, New York, New York 10004 (the “Bankruptcy Court”) on August 10, 2011 at 10:00 a.m. (prevailing Eastern Time).

PLEASE TAKE FURTHER NOTICE that a hearing shall be held on the Motion to approve the sale (the “Sale”) of the IP Assets before the Honorable Martin Glenn, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Courtroom 501, One Bowling Green, New York, New York 10004 (the “Bankruptcy Court”) on **September 20, 2011 at 10:00 a.m. (prevailing Eastern Time)**, or as soon thereafter as counsel may be heard, at which the Debtors may seek authority to assume all or substantially all of its executory contracts related to the IP Assets (the “IP Agreements”) and assign them to the winning bidder (the “Winning Bidder”) at an auction the Debtors may hold pursuant to the Bidding Procedures (the “Auction”), including the IP Agreement(s) listed on Exhibit A hereto.

PLEASE TAKE FURTHER NOTICE that the Debtors will file a Notice of Winning Bidder immediately following the Auction on September 14, 2011. The Notice of Winning Bidder will include a list of all IP Agreements to be assumed by the Winning Bidder on the

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

closing date of the Sale (the “Closing Date”) as well as the proposed adequate assurance of future performance (the “Proposed Adequate Assurance”) for the IP Agreements to be assumed.

PLEASE TAKE FURTHER NOTICE that Exhibit A hereto lists the “Cure Amount” (the “Proposed Cure Amount”) for the IP Agreement(s), which are agreement(s) to which you are, or are the agent of, the counterparty to such agreement(s) (the “Non-Debtor Counterparty”). This Proposed Cure Amount is the amount, based on the Debtors’ books and records, which the Debtors assert is necessary to cure any defaults existing under such Assumed Agreement(s).³

PLEASE TAKE FURTHER NOTICE that objections, if any, by a Non-Debtor Counterparty to: (i)(a) the assumption and assignment of its respective IP Agreement(s) and/or (b) the Proposed Cure Amount, or (ii) the Proposed Adequate Assurance, shall be made in writing, shall state with particularity the grounds therefore, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General Order M-399 and the User’s Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court’s case filing system, and by all other parties in interest, on a 3.5-inch disk or CD-ROM, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received no later than (i) **September 6, 2011 at 4:00 p.m. (prevailing Eastern Time)** for objections to assumption and assignment of the IP Agreement(s) (other than with respect to adequate assurance of future performance) and/or the Proposed Cure Amount (both the

³ The Debtors expressly reserve the right to challenge the status of any IP Agreement as to its status as an executory contract or unexpired lease and the Cure Amount, up until the Closing Date (defined herein).

“Assumption and Assignment Objection Deadline” and the “Cure Objection Deadline”) and (ii) **September 16, 2011 at 4:00 p.m. (prevailing Eastern Time)** for objections to the Proposed Adequate Assurance (the “Adequate Assurance Objection Deadline”) by: (i) Kasowitz, Benson, Torres & Friedman LLP, attorneys for the Debtors, 1633 Broadway, New York, New York 10019 (Attn: Andrew K. Glenn, Esq. and Jeffrey R. Gleit, Esq.); (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, New York, New York 10004 (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (iii) Lowenstein Sandler PC, counsel for the official committee of unsecured creditors, 65 Livingston Avenue, Roseland, New Jersey 07068 (Attn: Bruce D. Buechler, Esq. and Paul Kizel, Esq.), and 1251 Avenue of the Americas, New York, New York 10020 (Attn: Bruce S. Nathan, Esq.); (iv) counsel for the DIP Agents: (a) Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178-0060 (Attn: Wendy Walker, Esq.), and 225 Franklin Street, 16th Floor, Boston, Massachusetts 02110-4104 (Attn: Sandra Vrejan, Esq.), counsel for the Working Capital Agent, and (b) Choate Hall & Stewart LLP, Two International Place, Boston, Massachusetts 02110 (Attn: Kevin Simard, Esq.), counsel for GA Capital LLC; (v) Kelley Drye & Warren LLP, attorneys for certain landlords, 101 Park Avenue, New York, New York 10178 (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); and (vi) Bingham McCutchen LLP, attorneys for Bank of America, N.A., One Federal Street, Boston, Massachusetts 02110-1726 (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.).

PLEASE TAKE FURTHER NOTICE THAT objections, if any, to the Sale shall be made in writing, shall set forth, with specificity, the legal and factual bases of the objection, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-399 (General

Order M-399 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) by registered users of the Bankruptcy Court's case filing system, and by all other parties in interest, on a 3.5-inch disk or CD-ROM, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-399 or otherwise so as to be actually received **no later than September 16, 2011 at 4:00 p.m. (prevailing Eastern Time)** (the "Sale Objection Deadline"), by the parties set forth above.

PLEASE TAKE FURTHER NOTICE that objections that challenge a Proposed Cure Amount must set forth the cure amount being claimed by the objecting party (the "Claimed Cure Amount") with appropriate documentation in support thereof. Upon receipt of an objection to a Proposed Cure Amount, the Winning Bidder (the "Purchaser") and/or the Debtors (in consultation with each other) may, prior to assuming and assigning the applicable IP Agreement to the Winning Bidder, hold an amount equal to the Claimed Cure Amount in reserve, pending further order of the Court or agreement between the Debtors and the objecting party, with such agreement being consented to by the Purchaser. So long as the Purchaser or the Debtors hold the Claimed Cure Amount in reserve, the Debtors will be able, without further delay, to assume, assign and sell an IP Agreement, notwithstanding an objection to such IP Agreement's Proposed Cure Amount. If there is an objection to the Proposed Cure Amount as to an IP Agreement and the Debtors and/or the Purchaser holds the Claimed Cure Amount in reserve, the Debtors and/or the Purchaser will make payment upon resolution of the dispute as to the proper cure amount as may be agreed to by the Debtors and/or the Purchaser and the applicable Non-Debtor Counterparty or as may be provided in an order of this Court.

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

PLEASE TAKE FURTHER NOTICE that this Notice of Assumption and Assignment is not binding on the Debtors and/or the Purchaser and does not constitute the final decision to assume and assign the Debtors' executory contracts.

PLEASE TAKE FURTHER NOTICE that copies of the Motion, the procedures governing the bidding in connection therewith, the order approving such procedures, the proposed order approving the Sale, and the form of the purchase agreement governing the potential sale of the IP Assets is available at www.bordersreorganization.com.

Dated: August __, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

By: _____
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EXHIBIT A

Schedule of Assumed Agreements and Cure Costs