

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

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

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

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

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

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

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

A. The Liquidation Bid Solicitation Process

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

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

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

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

B. The Back-Up Full Chain Liquidation Bid

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

Solicitation Letter requiring the Debtors to approve any joint bids and to Paragraph P of the Phase I SCSs Order which provides as follows: “Hilco Merchant Resources, LLC, SB Capital Group, LLC, Tiger Capital Group, LLC, on the one hand, and Gordon Brothers Retail Partners, LLC, on the other, each agree that neither party shall submit any joint bid at any future auction of Borders Group, Inc. and its affiliate Debtors without the prior consent of the Debtors and the agent for the Debtors’ debtor-in-possession lenders.”

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

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

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

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

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

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

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

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

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

Dated: June 30, 2011

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

EXHIBIT 1
JUNE 17 BID SOLICITATION LETTER

CONFIDENTIAL
REQUEST FOR PROPOSALS TO CONDUCT
STORE CLOSING SALES

I. Introduction

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

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

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

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

II. Request For Proposals

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

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

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

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

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

AP Services, LLC

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

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

Kasowitz, Benson, Torres & Friedman LLP

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

Borders Group, Inc.

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

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

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

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

Sincerely,

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

EXHIBIT B

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

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

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

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

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

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

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

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

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

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

The Marketing Process

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

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

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

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

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

The Sale Procedures and Break-Up Fee

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

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

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

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

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

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

[continued on next page]

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

Dated: June 30, 2011
New York, New York

Richard Klein
Richard Klein
Senior Vice President