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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)

Related Docket No: 37

**SUPPLEMENTAL DECLARATION OF DAVID M. FRIEDMAN IN SUPPORT OF
DEBTORS' APPLICATION PURSUANT TO 11 U.S.C. § 327(a)
AND FED. R. BANKR. P. 2014 FOR AUTHORIZATION
TO EMPLOY AND RETAIN KASOWITZ, BENSON, TORRES & FRIEDMAN LLP
AS DEBTORS' GENERAL COUNSEL, *NUNC PRO TUNC*
TO THE COMMENCEMENT DATE²**

Pursuant to Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure and Rule 2014-1 of the Local Bankruptcy Rules for the Southern District of New York, DAVID M. FRIEDMAN, declares as follows:

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

² Capitalized terms used herein, but not defined, are given the definitions in the Application and the Original Declaration (defined herein).

1. I make this declaration (the "Supplemental Declaration") in further support of the application (the "Application") of the above-captioned debtors and debtors-in-possession (the "Debtors") to employ and retain Kasowitz, Benson, Torres & Friedman LLP ("KBT&F") *nunc pro tunc* to the Commencement Date and to supplement my previous declaration filed contemporaneously therewith (the "Original Declaration") to add additional disclosures with respect to matters as to which I was not aware as of the date of the Original Declaration.

2. Except as otherwise noted, I have personal knowledge of the matters set forth herein. I have relied on the work of other attorneys and staff at KBT&F in ascertaining and confirming certain information set forth herein. To the extent that any information disclosed herein requires amendment or modification upon KBT&F's completion of further analysis or as additional information becomes available to it, a further supplemental declaration will be submitted to the Court reflecting such amended or modified information.

3. As disclosed in paragraph 16 of the Original Declaration, KBT&F received several retainer payments totaling \$2,000,000 (the "Retainer") between January 11, 2011 and February 11, 2011. As further set forth in the Original Declaration, KBT&F applied its pre-petition fees and expenses against the Retainer and indicated that it would file a supplemental disclosure reconciling the application of those sums against the Retainer and disclosing the remaining amount which would be carried forward as a post-petition retainer. KBT&F has since performed such calculation. The amount of KBT&F's pre-petition fees and expenses applied against the Retainer are in the amount of \$1,798,092.38, and, subject to the next paragraph, KBT&F has carried forward a post-petition retainer of \$201,907.62.

4. I have also learned since the filing of my Original Declaration that KBT&F performed certain services on behalf of the Debtors related to a discreet litigation matter for

which, on several occasions, KBT&F billed and was paid separately from the Retainer. KBT&F was paid the following amounts on the following dates: \$34,220.50 on November 9, 2010, \$29,726.50 on December 3, 2010, and \$38,886.50 on February 1, 2011. Because the last two of these payments occurred within 90 days of the Debtors' chapter 11 filing, KBT&F has agreed to return these sums to the Debtors and to waive any claim that could arise therefrom. To effectuate this return of funds, KBT&F has reduced its pre-petition bill against the Retainer by \$68,613.00 (the sum of these two 90-day payments), and has thereby increased the amount of its post-petition retainer by a like amount. As a result, KBT&F's post-petition retainer is \$270,520.62.³

5. In addition to the foregoing, since the date of the Original Declaration I have also become aware of the following:

- My admission to the United States Court of Appeals for the Eleventh Circuit has lapsed (solely by reason of not having paid the admission fees).
- KBT&F, from May 2010 through February 2011, employed as a junior paralegal an individual who is a relative (not immediate family) of one of the Debtors' officers and directors. This individual performed no work relating to the Debtors, performed work consisting almost entirely of document management and file maintenance, and is no longer employed by KBT&F..
- The hourly billing rates for the following KBT&F attorneys assigned to the Debtors' chapter 11 cases have increased: Andrew K. Glenn (from \$800 to \$825); Alan Lungen (from \$610 to \$625); Julia Balduzzi (from \$250 to \$325).

6. I continue to believe that KBT&F is a "disinterested person" as that term is defined in Section 101(14) of the Bankruptcy Code in that KBT&F, its partners, associates and counsel:

- (a) are not creditors, equity security holders or insiders of the Debtors;

³ KBT&F reserves the right to apply the post-petition retainer to expenses that KBT&F has incurred, but that have not yet been posted to KBT&F's internal billing system.

- (b) are not and were not within two (2) years before the date of the filing of the petition, directors, officers, or employees of the Debtors; and
- (c) do not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors, or for any other reason.

7. Based on the foregoing, I respectfully request that an Order be entered authorizing the employment and retention of KBT&F upon the terms, and to perform the services, described in the Application, the Original Declaration and herein.

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

Dated: March 1, 2011
New York, New York

/s/ David M. Friedman
David M. Friedman