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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- _____ ()

(Joint Administration Pending)

**APPLICATION OF THE DEBTORS 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 DATE**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Borders Group, Inc. ("BGI") and its debtor subsidiaries in the above-referenced chapter 11 cases, as debtors and debtors in possession (collectively, the "Debtors") submit this application (the "Application") for authorization to employ Kasowitz, Benson, Torres & Friedman LLP ("KBT&F" or the "Firm") as counsel, *nunc pro tunc* and respectfully represent 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.

BACKGROUND

1. On the date hereof (the "Commencement Date"), each of the Debtors commenced a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). 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.

DEBTORS' BUSINESS

A. Operations

2. The Debtors are a leading operator of book, music and movie superstores and mall-based bookstores. At January 29, 2011, the Debtors operated 642 stores, under the Borders, Waldenbooks, Borders Express and Borders Outlet names, as well as Borders-branded airport stores in the United States, of which 639 stores are located in the United States and 3 in Puerto Rico. Two of Borders' flagship stores (along with other less prominent stores) are located in Manhattan. In addition, the Debtors operate a proprietary e-commerce web site, www.Borders.com, launched in May 2008, which includes both in-store and online e-commerce components.

3. As of February 11, 2011, the Debtors employed a total of approximately 6,100 full-time employees, approximately 11,400 part-time employees, and approximately 600 contingent employees (who are required to work one shift per month, and usually do so at special events), all of whom are located in the United States and Puerto Rico. The Debtors' employees are not subject to any collective bargaining agreements.

B. Financials

4. For the fiscal year ended January 29, 2011, the Debtors recorded net sales of approximately \$2.3 billion. As of December 25, 2010, the Debtors had incurred net year-to-date losses of approximately \$168.2 million.

5. Additional information regarding the Debtors' business, capital structure, and the circumstances leading to these chapter 11 cases is contained in the *Declaration of Scott Henry Pursuant to Local Bankruptcy Rule 1007-2 in Support of First Day Motions* (the "First Day Declaration") filed contemporaneously herewith.

JURISDICTION

6. The Court has subject matter jurisdiction to consider and determine this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

PRELIMINARY STATEMENT

7. The Debtors seek this Court's authority to retain KBT&F as the Debtors' general bankruptcy counsel. In support of this Application, the Debtors rely on the Declaration of David M. Friedman, a partner at KBT&F (the "Friedman Declaration"), attached hereto as Exhibit A.

RELIEF REQUESTED

8. The statutory predicate for the relief sought herein is section 327(a) of the Bankruptcy Code, Rule 2014(a) of the Bankruptcy Rules, and Rule 2014-1 of the Local Bankruptcy Rules for the Southern District of New York (the "Local Rules").

9. By this Application, the Debtors seek entry of an order, pursuant to section 327(a) of the Bankruptcy Code, authorizing the employment and retention of KBT&F as counsel to the Debtors, to perform necessary legal services pertaining to the Debtors' chapter 11 cases, effective as of the Commencement Date. The Debtors request that KBT&F's retention be made effective *nunc pro tunc* to the Commencement Date to allow the Firm to be compensated for work performed on behalf of the Debtors on or after the Commencement Date, but prior to the Court's consideration, and if the Court is so inclined, approval of this Application. Subject to further Order of this Court, KBT&F will provide the following professional services:

- (a) rendering assistance and advice, and representing the Debtors with respect to the administration of these cases and oversight of the Debtors' affairs, including all issues arising from or impacting the Debtors or the chapter 11 Cases;
- (b) taking all necessary actions to protect and preserve the Debtors' estates during the administration of these chapter 11 cases, including prosecuting actions by the Debtors, defending actions commenced against the Debtors, negotiating, and objecting, where necessary, to claims filed against the estates;
- (c) assisting the Debtors in maximizing the value of their assets for the benefit of all creditors, including, without limitation, in connection with assumption and/or rejection of executory contracts and unexpired leases;
- (d) pursuing confirmation of a joint plan of reorganization and/or liquidation and approval of an associated disclosure statement;
- (e) preparing, on behalf of the Debtors, necessary applications, motions, answers, orders, reports and other legal papers;
- (f) appearing in Court and representing the interests of the Debtors; and
- (g) performing all other legal services for the Debtors that are appropriate, necessary and proper in these chapter 11 cases.

10. The Debtors have selected KBT&F as their counsel because of the Firm's extensive experience and knowledge in the field of debtors' and creditors' rights, business reorganizations and liquidations, and its expertise, experience and knowledge practicing before bankruptcy courts, including this Court. Additionally, in connection with its prepetition representation of the Debtors in respect of the potential restructuring of their financial obligations and the preparation for the commencement of these chapter 11 cases (all as more fully detailed in the First Day Declaration), KBT&F has become familiar with the Debtors' business, affairs, capital structure, and their prepetition efforts to restructure outside the purview of chapter 11. Accordingly, KBT&F has the necessary background to deal effectively with many of the potential legal issues and problems that may arise in the context of the Debtors' chapter 11

cases. The Debtors believe that KBT&F is both well qualified and uniquely able to represent the Debtors in their chapter 11 cases, in an efficient and timely manner.

11. The Debtors' knowledge, information, and belief regarding the matters set forth in this Application are based on and made in reliance upon the Friedman Declaration.

**KBT&F HOLDS NO DISQUALIFYING ADVERSE
INTEREST AND IS DISINTERESTED**

12. KBT&F is a law firm of more than 350 attorneys, which maintains its principal offices at 1633 Broadway, New York, New York and other offices in Newark, New Jersey, Houston, Texas, Atlanta, Georgia, San Francisco, California and Miami, Florida. The Debtors seek to retain KBT&F as their counsel because of the Firm's extensive experience, expertise and knowledge in the field of commercial and bankruptcy litigation and its experience in all aspects of the law that are likely to arise in the Debtors' matters.

13. Attorneys at KBT&F have served as counsel to debtors, trustees, creditors' committees and creditors in many of the country's largest bankruptcy proceedings including, but not limited to: *In re Adelphia Communications Corp.*, Ch. 11 Case No. 02-41729 (REG) (Bankr. S.D.N.Y. 2002); *In re Worldcom Inc.*, Ch. 11 Case No. 02-13533 (AJG) (Bankr. S.D.N.Y. 2002); *In re Enron Corp.*, Ch. 11 Case No. 01-16034 (AJG) (Bankr. S.D.N.Y. 2001); *In re Calpine Corp.*, Ch. 11 Case No. 05-60200 (BRL) (Bankr. S.D.N.Y. 2005); *In re Capmark Financial Group, Inc.*, 09-13684 (CSS) (Bankr. D. Del. 2009); *In re Innkeepers USA Trust*, Ch. 11 Case No. 10-13800 (SCC) (Bankr. S.D.N.Y. 2010); *In re TCI 2 Holdings, LLC*, Ch. 11 Case No. 09-13654 (JHW) (Bankr. D.N.J. 2009); *In re Linens Holding Co.*, Ch. 11 Case No. 08-10832 (CSS) (Bankr. D. Del. 2008); *In re Refco Inc.*, Ch. 11 Case No. 05-60006 (RDD) (Bankr. S.D.N.Y. 2005); *In re Trico Marine Services, Inc.*, Ch. 11 Case No. 10-12653 (BLS) (Bankr. D. Del. 2010); *In re Anderson News, LLC*, Ch. 11 Case No. 09-10695 (CSS) (Bankr. D. Del. 2009); *In re*

Cabi Downtown, LLC, Ch. 11 Case No. 09-27168 (LMI) (Bankr. S.D. Fla. 2009); and *In re Portrait Company of America, Inc.*, Ch. 11 Case No. 06-22541 (RDD) (Bankr. S.D.N.Y. 2006).

14. To the best of the Debtors' knowledge, and except as disclosed herein or in the Friedman Declaration, KBT&F has not otherwise represented the Debtors, their creditors, equity security holders, or any other parties-in-interest, or their respective attorneys, in any matters relating to the Debtors or their estates.

15. To the best of the Debtors' knowledge, and except as otherwise disclosed in the Friedman Declaration, (i) KBT&F does not hold or represent any interest adverse to the Debtors, (ii) KBT&F is a "disinterested person" as that phrase is defined in Bankruptcy Code section 101(14), as modified by Bankruptcy Code section 1107(b), (iii) neither KBT&F nor its professionals have any connection with the Debtors, their creditors or any other party in interest, and (iv) KBT&F's employment is necessary and in the best interest of the Debtors.

PROFESSIONAL COMPENSATION

16. The Debtors, subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and further orders of the Court, propose to compensate KBT&F at the Firm's regular hourly rates for legal and non-legal personnel, and to reimburse KBT&F for all reasonable and necessary expenses pursuant to the provisions of sections 330 and 331 of the Bankruptcy Code. KBT&F's hourly rate structure ranges from \$550 to \$1,000 for partners, \$250 to \$750 for associates and counsel, and \$150 to \$225 for paraprofessionals. These rates may change from time to time in accordance with KBT&F's established billing practices and procedures and, generally, are adjusted in January of each year.

17. The Debtors submit that such rates and charges are reasonable. To the extent that any affiliates of the Debtors subsequently commence a chapter 11 case, which is jointly administered with these cases, the Debtors request that the relief herein apply to such affiliates

and their respective chapter 11 estates. KBT&F agrees to file such additional disclosure as necessary pursuant to section 327(a) of the Bankruptcy Code.

THE COURT SHOULD GRANT THIS APPLICATION ON A *NUNC PRO TUNC* BASIS

18. Prior to filing the Application, KBT&F has commenced performing services in connection with the chapter 11 cases. KBT&F has and will continue to only perform the services directed by the Debtors. Accordingly, it is appropriate that KBT&F be retained *nunc pro tunc* to the Commencement Date.

NOTICE

19. No trustee or examiner has been appointed in these chapter 11 cases. The Debtors have served notice of this Motion on: (i) the Office of the United States Trustee for the Southern District of New York (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (ii) those creditors holding the thirty largest unsecured claims against the Debtors' estates; (iii) counsel for the DIP Agents: (x) Morgan, Lewis & Bockius LLP (Attn: Wendy Walker, Esq. and Sandra Vrejan, Esq.), counsel for the Working Capital Agent, (y) Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), counsel for GA Capital LLC; (iv) Kelley Drye & Warren LLP, attorneys for certain landlords (Attn: James S. Carr, Esq., Robert L. LeHane, Esq., and Benjamin D. Feder, Esq.); (v) Lowenstein Sandler PC, attorneys for certain trade vendors (Attn: Kenneth A. Rosen, Esq., Bruce D. Buechler, Esq., Bruce S. Nathan, Esq., and Paul Kizel, Esq.); (vi) Fried, Frank, Harris, Shriver & Jacobson LLP, attorneys for General Growth Properties, Inc. (Attn: Brad Eric Scheler, Esq.); and (vii) Bingham McCutchen LLP, attorneys for Bank of America, N.A. (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.) (collectively, the "Notice Parties"). The Debtors submit that no other or further notice need be provided.

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

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as it deems just and proper.

Dated: February __, 2011
New York, New York

Debtor and Debtor-In-Possession

By: _____


Scott Henry, Chief Financial Officer