

ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT (this "Assignment and Assumption Agreement"), is entered into as of September 28, 2011, and effective as of September 11, 2011, by and between Borders, Inc., a Colorado corporation, Debtor in Possession ("Assignor" or "Tenant"), and Madonna Lease, L.P., a California Limited Partnership ("Assignee").

RECITALS:

- A. Madonna Plaza SRT LP, as successor to MRP Institutional Associates ("Landlord") and Assignor, as Tenant, entered into that certain Sublease Agreement, dated June 18, 2002 (as amended, the "Lease"), relating to Store #537 (the "Demised Premises") located at the northwest corner of Highway 101 and El Mercado, San Luis Obispo, California.
- B. Assignor desires to assign all of its right, title, interest and obligation in, to, and under the Lease to Assignee, and Assignee desires to assume, observe and perform all of the Assignor's right, title, interest and obligations in, to, and under the Lease, in accordance with the terms, covenants, and conditions described in this Assignment and Assumption Agreement.
- C. Assignor and its debtor affiliates (collectively, "Debtors") are currently debtors in administratively consolidated cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), which are currently pending before the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), styled and numbered *In re Borders Group, Inc., et al.* (11-10614) (MG). The Chapter 11 Cases were filed by the Debtors on February 16, 2011 (the "Petition Date").
- D. Subject to the satisfaction of the "Conditions" (as defined in Paragraph 7), effective as of the "Delivery Date" (as defined in Paragraph 8), Assignor desires to assign all of its right, title, interest and obligation in, to, and under the Lease to Assignee, and Assignee desires to assume, observe and perform all of the Assignor's right, title, interest and obligations in, to, and under the Lease, in accordance with the terms, covenants, and conditions described below.

NOW, THEREFORE, in consideration of the "Consideration" (as defined in Paragraph 6), the mutual covenants of the parties herein set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Incorporation of Recitals. The Recitals set forth above are hereby incorporated by reference as if fully set forth herein.
2. Lease. A true and correct copy of the Lease, as it may have been amended, has been exchanged by the parties.
3. Assignment. Subject to the satisfaction of the Conditions, effective as of the Delivery Date, (a) Assignor hereby assigns to Assignee all of Assignor's right, title, and interest in the Lease, (b) Assignee hereby accepts such assignment, and (c) Assignor shall deliver possession of the Demised Premises to Assignee in accordance with the terms of Paragraph 8. Any rent and other charges (including, without limitation, annual or base rent, additional rent, Tenant's proportionate share of ad valorem real estate taxes and assessments, utility charges, and Tenant's proportionate share of the costs of maintaining the common

areas, in each case which accrue under the Lease for the period from the date of the filing of the Chapter 11 Cases to the Delivery Date (the "Post-Petition Period"), shall be prorated between Assignor and Assignee as of the Delivery Date (with all such rent and charges attributable to the Delivery Date being payable by Assignor), and Assignor's payment of such rent and other charges under the Lease for the month in which the Delivery Date occurs shall be adjusted accordingly. If actual amounts of any variable or additional rent or charges are not determinable as of the Delivery Date, then the parties shall prorate such charges based on the most recent prior charges available. Assignor shall be responsible for payment to Landlord of all Lease obligations relating to the Post-Petition Period, which Assignor shall pay to Landlord within five business days of entry of an order approving this Assignment and Assumption Agreement. Notwithstanding the foregoing, Assignee shall be responsible for any year-end reconciliations of such charges that may be payable to the Landlord, whether such reconciliations apply to periods before or after the Delivery Date.

4. Assumption. Subject to the satisfaction of the Conditions, effective as of the Delivery Date, Assignee hereby assumes all of the terms, covenants, and conditions of the Lease to be satisfied or performed by the Tenant under the Lease, including all such terms, covenants, and conditions to pay the Annual Rent and Additional Rent until the expiration or earlier termination of the Lease, in each case that first arise or accrue and first become due and payable under the Lease from and after the Delivery Date, all with full force and effect as if the Assignee had signed the Lease originally as the Tenant named therein and as a party thereto. Assignee covenants and agrees that it will recognize Landlord as the Landlord under the Lease in the same manner and to the same extent as if Assignee were the original Tenant thereunder.
5. Assignor Released. Notwithstanding anything contained in the Lease to the contrary, pursuant to Section 365 of the Bankruptcy Code, including, without limitation subsection (k) thereof, this Assignment and Assumption Agreement shall operate to release Assignor as of the Delivery Date from any and all obligations arising under or in connection with the Lease, with respect to the period from and after the Delivery Date.
6. Consideration and Payment of Unpaid Post-Petition Lease Obligations. Assignor and Landlord agree that Assignor owes Landlord as an administrative expense in its bankruptcy \$38,246.63 representing unpaid Lease obligations for all of August 2011 and September 1 – September 11, 2011. In consideration for Assignor's assignment of the Lease to Assignee on the date on which all of the "Conditions" set forth in Paragraphs 7(b) and 7(c) are satisfied, Landlord, on behalf of Assignee, shall waive \$10,000 (the "Consideration") of Landlord's unpaid \$38,246.63 administrative claim against Assignor. Within five (5) business days of entry of an order by the Bankruptcy Court approving this Assignment and Assumption Agreement, Assignor shall pay the remaining \$28,246.63 to Landlord by wire transfer in accordance with the wire transfer instructions attached hereto as Exhibit A and by this reference made a part hereof.
7. Conditions. This Assignment and Assumption Agreement is conditioned upon, and shall only take effect upon, the satisfaction of the following conditions precedent (each a "Condition" and, collectively, the "Conditions"):
 - (a) Landlord has waived its claim for the Consideration;
 - (b) This Assignment and Assumption Agreement has been fully executed by Assignor and Assignee;
and
 - (c) The Bankruptcy Court enters an Order authorizing the Debtors to assume and assign the Lease to the Assignee and approving the Consideration (the "Bankruptcy Court Order").

8. Possession; Delivery Date. Subject to the satisfaction of the Conditions, Assignor shall deliver possession of the Demised Premises (together with all master keys, alarm codes, all permits, licenses, warranties, guarantees that have not yet expired, plans and specifications, all to the extent in Tenant's possession), to Assignee on the Delivery Date on an "as is, where is" basis and without any representation or warranty from Assignor whatsoever, and Assignee hereby releases Assignor from and against all claims, liability, cost, loss, damage, or expense arising out of the condition of the Demised Premises on the Delivery Date. As used herein, the phrase "Delivery Date" shall mean September 11, 2011. Any property of Assignor remaining in the Demised Premises after the Delivery Date shall be deemed abandoned by Tenant pursuant to the procedures, rights and remedies set forth in the Bankruptcy Court order dated July 21, 2011 [Docket No. 1377], which, among other things, authorized the Debtors to engage liquidators to conduct going out of business sales.
9. Release by Landlord. Conditioned upon (i) the entry of the Bankruptcy Court Order, and (ii) Tenant's tender of possession of the Premises to Assignee on or prior to the Delivery Date, Landlord does hereby release and forever discharge Tenant and all other Debtors, and their respective bankruptcy estates and successors and assigns, (collectively the "Released Tenant Parties"), of and from any and all pre-Petition Date claims (including, but not limited to, all pre-Petition Date claims held by Landlord against Released Tenant Parties arising under or relating to the Lease including cure claims and rejection damage claims), demands, damages, debts, liabilities, actions, and causes of action of every kind and nature whatsoever, whether now known or unknown, which Landlord ever had, now has, or may hereafter have, against the Released Tenant Parties, arising out of, based upon, or relating to, any act, omission, event, matter or thing with respect to the Lease, or the Premises, save and except for (A) the rights and claims created or reserved by this Assignment and Assumption Agreement; (B) any indemnification obligations arising from third party claims asserted with respect to or arising from Tenant's use and occupancy of the Premises prior to the Delivery Date for which Tenant had a duty to indemnify Landlord pursuant to the Lease, with respect to which Tenant was required to maintain insurance coverage pursuant to the Lease and which expressly survive the expiration, termination or assignment of the Lease and (C) any amounts agreed by the Debtors (in consultation with the unsecured creditors' committee) and Landlord as post-Petition Date Lease obligations (including without limitation rent obligations) and/or allowed as post-Petition Date claims. For purposes of clarification, Landlord does not waive and expressly retains any and all claims related to the Lease arising, accruing or relating to the period from and including the Petition Date through and including the Delivery Date ("Post-Petition Claims"), including without limitation all claims for unpaid rent, real estate taxes and/or other Lease obligations.
10. Release by Tenant. Conditioned upon (i) the entry of the Bankruptcy Court Order, (ii) the execution and delivery of this Assignment and Assumption Agreement by Landlord, Tenant and Assignee and (iii) the waiver of Landlord of its claim for the Consideration as provided herein, Tenant does hereby release and forever discharge Landlord and its successors and assigns (collectively the "Released Landlord Parties"), of and from any and all claims, demands, damages, debts, liabilities, actions, and causes of action of every kind and nature whatsoever, whether now known or unknown, which Tenant ever had or now has, or may hereafter have, against the Released Landlord Parties, arising out of, based upon, or relating to, any act, omission, event, matter or thing with respect to the Lease or the Premises, including, but not limited to, any obligations of Landlord to refund to Tenant or credit against any base or annual rent, percentage rent (if applicable), or additional rent and charges due under the Lease or any overpayment by Tenant for any common area charges or ad valorem taxes and assessments in accordance with the annual reconciliations of such charges as set forth in the Lease, save and except for (a) the rights created or reserved by this Agreement and (b) any indemnification obligations arising from third party claims asserted with respect to or arising from Landlord's obligations prior to the Delivery Date for which Landlord had a duty to indemnify Tenant pursuant to the Lease and which expressly survive the expiration, termination or assignment of the Lease.

11. Condemnation and Casualty.

(a) Condemnation. If after the full execution and delivery of this Assignment and Assumption Agreement and prior to the Delivery Date, any entity having the power of condemnation initiates proceedings to acquire by eminent domain or condemnation any material portion of or interest in the Demised Premises (a "Taking"), Assignor shall promptly notify Assignee and Assignee shall have the right to terminate this Assignment and Assumption Agreement by notice to Assignor and Landlord given prior to the earlier of (a) twenty (20) days from the date Assignee receives the foregoing notice from Assignor and (b) the Delivery Date. If Assignee does not elect to terminate this Assignment and Assumption Agreement, then this Assignment and Assumption Agreement shall not terminate, and provided that the Delivery Date occurs, Assignee shall be entitled to receive any award payable to Tenant as the result of the Taking, subject to the terms of the Lease.

(b) Casualty. If after the full execution and delivery of this Assignment and Assumption Agreement and prior to the Delivery Date, all or a material portion of the Demised Premises is materially damaged or destroyed by any cause ("Casualty"), Assignor shall promptly notify Assignee and Assignee shall have the right to terminate this Assignment and Assumption Agreement by notice to Assignor given prior to the earlier of (a) twenty (20) days from the date Assignee receives the foregoing notice from Assignor and (b) the Delivery Date. If Assignee does not elect to terminate this Assignment and Assumption Agreement, then this Assignment and Assumption Agreement shall not terminate, and provided that the Delivery Date occurs, Assignor shall pay to Assignee all insurance proceeds payable to Assignor with respect to the Casualty, subject to the terms of the Lease.

12. Cure Costs. Landlord acknowledges that it has waived the payment of all defaults relating to the period prior to the Petition Date that would or might otherwise have to be cured pursuant to section 365(b)(1) of the Bankruptcy Code in connection with the assumption of the Lease.

13. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be given by (a) established express delivery service, such as Federal Express, which maintains delivery records, or (b) certified mail with signed return receipt, or (c) hand delivery to the parties at the following addresses, or to such other or additional persons or at such other address as the parties may designate by notice in the above manner:

To Assignor: Borders, Inc.
100 Phoenix Drive
Ann Arbor, MI 48108
Attn: Legal Department *and* Chief Restructuring Officer

To Assignee: Madonna Lease, L.P.
c/o Schottenstein Property Group
Attn: Tod H. Friedman, Esq.
4300 East Fifth Avenue
Columbus, OH 43219

14. Brokers. Each party represents and warrants that, except for DJM Realty, LLC (whose fee or commission shall be paid by Assignor pursuant to separate agreement), it dealt with no broker or brokers in connection

with the negotiation, execution and delivery of this Assignment and Assumption Agreement. Each party shall, and does hereby, indemnify, defend and save the other parties harmless from and against any losses, damages, penalties, claims or demands of whatsoever nature arising from a breach of its foregoing representation including, without limitation, reasonable attorneys' fees and expenses. The foregoing indemnity shall survive the Assignment and Assumption Agreement and the Delivery Date.

15. Authority. Each of the parties hereto represents and warrants to the other the following: (a) it has the authority to enter into this Assignment and Assumption Agreement; and (b) the person(s) executing this Assignment and Assumption Agreement on its behalf are duly authorized to do so and this Assignment and Assumption Agreement is a legally binding obligation.
16. Entire Understanding. Except as set forth in the Order of the Bankruptcy Court authorizing the Debtors to enter into this Assignment and Assumption Agreement, this Assignment and Assumption Agreement sets forth the entire understanding of the parties in connection with the subject matter hereof. None of the parties hereto has made any statement, representation, or warranty in connection herewith which has been relied upon by any other party hereto or which has been an inducement for any party to enter into this Assignment and Assumption Agreement, except as expressly set forth herein. It is expressly understood and agreed that this Assignment and Assumption Agreement may not be altered, amended, modified, or otherwise changed in any respect whatsoever except by a writing duly executed by authorized representatives of the parties hereto. The parties agree that all agreements are merged into this Assignment and Assumption Agreement which alone sets forth the understanding of the parties, and that they will make no claim at any time that this Assignment and Assumption Agreement has been altered or modified or otherwise changed by oral communication of any kind or character.
17. Binding Effect. The terms and conditions of this Assignment and Assumption Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, successors and assigns.
18. Headings. This section and paragraph heading contained in this Assignment and Assumption Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Assignment and Assumption Agreement.
19. Counterparts. This Assignment and Assumption Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall together constitute one and the same instrument. The parties shall be bound by their signatures transmitted by facsimile or electronic mail (in .pdf format) as if such signatures were original "ink" signatures. They further agree to forward original "ink" signatures promptly following the transmission of facsimile or electronic signatures. This Assignment and Assumption Agreement shall be enforceable with facsimile or electronic signatures if one or more parties does not deliver an original signature.
20. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the state of California without regard to conflicts of law principals thereof, except where governed by the Bankruptcy Code.
21. Consent to Jurisdiction. Each of the parties hereto irrevocably and unconditionally submits, for itself and its properties, to the exclusive jurisdiction of the Bankruptcy Court, in any action or proceeding arising out of or relating to this Assignment and Assumption Agreement.
22. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT

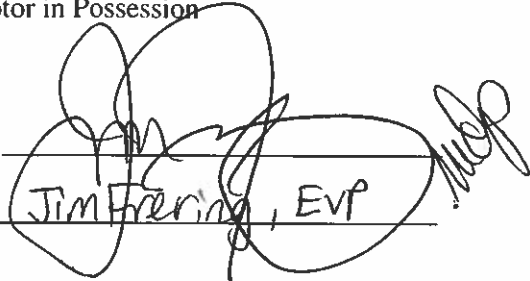
OF, UNDER OR IN CONNECTION WITH THIS ASSIGNMENT AND ASSUMPTION AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS PARAGRAPH 22.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption Agreement to be made this as of the date first written above.

ASSIGNOR:

BORDERS, INC., a Colorado corporation,
Debtor in Possession

By: 
Its: Jim Freering, EVP

ASSIGNEE:

Madonna Lease, L.P.

By: _____

Its: _____

LANDLORD:

(Solely with respect to Paragraphs 6, 9 and 12)

Madonna Plaza SRT L.P.

By: _____

Its: _____

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption Agreement to be made this as of the date first written above.

ASSIGNOR:

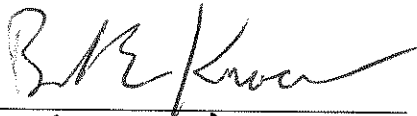
BORDERS, INC., a Colorado corporation,
Debtor in Possession

By: _____

Its: _____

ASSIGNEE:

Madonna Lease, L.P.

By: 

Its: Sr. V.P.

LANDLORD:

(Solely with respect to Paragraphs 6, 9 and 12)

Madonna Plaza SRT L.P.

By: 

Its: Sr. V.P.

EXHIBIT A

LANDLORD'S WIRE INSTRUCTIONS

Wire instructions for Landlord:

Huntington National Bank
Columbus, OH
ABA 044 000 024
Schottenstein Management Company
Acct #0189-9628168