**LEASE GUARANTY AGREEMENT**

**Featured Lease Guarantees**

THIS AGREEMENT dated as of the 2nd day of February, 2001, is made in favor

of BB RAPID CITY ASSOCIATES, L.L.C., an Ohio limited liability company (the "Landlord"),

having an address at 1765 Merriman Road, Akron, Ohio 44313, by BORDERS GROUP, INC.,

a Michigan corporation ("Guarantor"), having its principal office at 100 Phoenix

Drive, Ann Arbor, Michigan 48108.

W I T N E S S E T H:

Contemporaneously herewith, Landlord, as lessor, is entering into a certain

lease of even date herewith with Borders, Inc., a Colorado corporation, as lessee

("Tenant"), with respect to the property located in the City of Rapid City, County

of Pennington, and State of South Dakota (the "Lease"), which property is more particularly

described in Exhibit A thereto. Guarantor owns all of the outstanding capital stock

of Tenant and is executing this agreement as an inducement to Landlord to enter

into the Lease.

NOW THEREFORE, in consideration of the premises, Guarantor, intending

to be legally bound, hereby guarantees as follows:

1. Guarantor hereby absolutely, unconditionally and irrevocably guarantees

to Landlord the full and punctual performance by Tenant of all of the terms, conditions,

covenants, agreements and obligations to be performed and observed by Tenant under

the Lease (the "Obligations"). This is a Guaranty of payment and performance, and

not of collection, and Landlord shall not be obligated to enforce or exhaust its

remedies against Tenant before proceeding to enforce this Guaranty. Guarantor does

hereby become surety to Landlord for and with respect to all of the Obligations.

2. Guarantor hereby covenants and agrees to and with Landlord that if

default shall at any time be made by Tenant in the payment of any such rent or other

sums or charges payable by Tenant under the Lease or in the performance of any of

the covenants, terms, conditions or agreements contained in the Lease, Guarantor

will forthwith pay such rent or other sums or charges to Landlord, and any arrears

thereof, and will forthwith faithfully perform and fulfill all of such covenants,

terms, conditions and agreements and will forthwith pay to Landlord all damages

and all costs and expenses that may arise in consequence of any default by Tenant

under the Lease.

Guarantor's liability hereunder is direct and may be enforced without

Landlord being required to resort to any other right, remedy or security and this

Guaranty shall be enforceable against Guarantor, without the necessity for any suit

or proceedings on Landlord's part of any kind or nature whatsoever against Tenant,

and, for so long as the Tenant under the Lease is

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Border's, Inc., without the necessity of any notice of non-payment, non-performance

or non-observance or the continuance of any such default or of any notice of acceptance

of this Guaranty or of Landlord's intention to act in reliance hereon or of any

other notice or demand to which Guarantor might otherwise be entitled, all of which

Guarantor hereby expressly waives; and Guarantor hereby expressly agrees that the

validity of this Guaranty and the obligations of Guarantor hereunder shall in no

wise be terminated, affected or impaired by reason of the assertion or the failure

to assert by Landlord against Tenant, of any of the rights or remedies reserved

to Landlord pursuant to the provisions of the Lease.

If: (i) the Lease or this Guaranty is placed in the hands of an attorney

for enforcement or collection or is enforced or collected through any legal proceeding;

(ii) an attorney is retained to represent Landlord in any proceeding (including,

without limitation, any bankruptcy, reorganization, receivership or other proceeding

affecting creditors' rights) involving a claim under or related to the Lease or

this Guaranty, then Guarantor shall pay to Landlord upon demand all reasonable attorneys'

fees, costs and expenses, including, without limitation, court costs and filing

fees, and all other reasonable costs and expenses incurred in connection therewith

(all of which are referred to herein as "Enforcement Costs"), in addition to all

other amounts due hereunder.

3. Guarantor hereby assents to all of the provisions of the Lease and

waives demand, protest, notice of any indulgences or extensions granted to Tenant,

any requirement of diligence or promptness on the part of Landlord in the enforcement

of the Lease and any notice thereof, and any other notice whereby to charge Guarantor;

provided, however, Guarantor shall be furnished with a copy of any notice of or

relating to default under or termination of the Lease to which Tenant is entitled

or which is served upon Tenant at the time the same is sent to or served upon Tenant.

Guarantor shall have no liability for any penalties, default interest, or other

charges required to be paid by Tenant to Landlord under the Lease in connection

with such default unless such notice of default has been delivered to Guarantor

as required herein.

4. This Guaranty shall be a continuing Guaranty, and (whether or not Guarantor

shall have notice or knowledge of any of the following) the liability and obligation

of Guarantor hereunder shall be absolute and unconditional and shall remain in full

force and effect without regard to and shall not be released, discharged or in any

way impaired by: (a) the release or discharge of Tenant in any creditors', receivership,

bankruptcy proceeding, reorganization, insolvency, arrangement, readjustment, composition,

liquidation, or similar proceeding relating to Tenant or its properties; (b) any

alteration of or amendment to the Lease or any assignment or transfer thereof; (c)

any permitted sale, assignment, sublease, pledge or mortgage of the rights of Tenant

under the Lease; (d) any application or release of any security or other guaranty

given for the performance and observance of the covenants and conditions in the

Lease on Tenant's part to be performed and observed; (e) any exercise or non-exercise

of any right, power, remedy or privilege under or in respect of the Lease or this

Guaranty or any waiver, consent or approval by Landlord with respect to any of the

covenants, terms, conditions or agreements contained in the Lease or any indulgences,

forbearances or extensions of time for performance or observance allowed to Tenant

from time to time and for any length of time; (f) any limitation on the liability

or obligation of Tenant under the Lease or its estate in bankruptcy or of any remedy

for the

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enforcement thereof, resulting from the operation of any present or future provision

of the federal bankruptcy law or any other statute or from the decision of any court;

(g) any sublease or transfer by Tenant or any assignment, mortgage or pledge of

its interest under the Lease; (h) any termination of the Lease prior to the expiration

of its Term; or (i) any agreement entered into between the Landlord and any assignee

or sublessee.

5. This Agreement shall apply for the primary term of the Lease, and any

extension thereof pursuant to Section 2.2(b) of the Lease for so long as the Project

Loan (as defined in the Lease) and any amounts due and payable under the Project

Loan Agreement are outstanding, but not otherwise.

6. All of Landlord's rights and remedies under the Lease and under this

Guaranty are intended to be distinct, separate and cumulative and no such right

and remedy therein or herein mentioned is intended to be in exclusion of or a waiver

of any of the others. No termination of the Lease or taking or recovering of the

premises demised thereby shall deprive Landlord of any of its rights and remedies

against Guarantor under this Guaranty.

7. Guarantor hereby waives any requirement that Landlord protect, secure,

perfect or insure any security interest or lien or any property subject thereto

or exhaust any right to take any action against any person or any collateral (including

any rights relating to marshaling of assets).

8. The Obligations will be paid strictly in accordance with the terms

of the Lease, regardless of the value, genuineness, validity, regularity or enforceability

of the Obligations, and of any law, regulation or order now or hereafter in effect

in any jurisdiction affecting any of such terms or the rights of the Landlord with

respect thereto. The liability of Guarantor to the extent herein set forth shall

be absolute and unconditional, not subject to any reduction, limitation, impairment,

termination, defense, offset, counterclaim or recoupment whatsoever (all of which

are hereby expressly waived by Guarantor) whether by reason of any claim of any

character whatsoever, including, without limitation, any claim of waiver, release,

surrender, alteration or compromise, or by reason of any liability at any time to

Guarantor or otherwise, whether based upon any obligations or any other agreements

or otherwise, howsoever arising, whether out of action or inaction or otherwise

and whether resulting from default, willful misconduct, negligence or otherwise,

and without limiting the foregoing irrespective of: (a) any lack of validity or

enforceability of the Lease or of any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term

in respect of, all or any of the Obligations, or any other amendment or waiver of

or consent to Obligations, or any other amendment or waiver of or consent to any

departure from the Lease or any other agreement relating to any Obligations; (c)

any increase in, addition to, exchange or release of, or nonperfection of any lien

on or security interest in, any collateral or any release or amendment or waiver

of or consent to any departure from or failure to enforce any other guarantee, for

all or any of the indebtedness; (d) any other circumstance which might otherwise

constitute a defense available to, or a discharge of, Tenant in respect of the obligations

of Guarantor in respect hereof; (e) the absence of any action on the part of the

Landlord to obtain payment for the Obligations from Tenant; (f) any insolvency,

bankruptcy, reorganization or dissolution, or any proceeding of Tenant or Guarantor,

including, without limitation, rejection of the guaranteed Obligations in

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such bankruptcy; or (g) the absence of notice or any delay in any action to enforce

any Obligations or to exercise any right or remedy against Guarantor or Tenant,

whether hereunder, under any Obligations or under any agreement or any indulgence,

compromise or extension granted.

9. Guarantor further agrees that, to the extent that Tenant or Guarantor

makes a payment or payments to the Landlord, which payment or payments or any part

thereof are subsequently invalidated, declared to be fraudulent or preferential,

set aside and/or required to be repaid to Tenant or Guarantor or their respective

estate, trustee, receiver or any other party under any bankruptcy law, state or

federal law, common law or equitable cause, then to the extent of such payment or

repayment, this Guaranty and the advances or part thereof which have been paid,

reduced or satisfied by such amount shall be reinstated and continued in full force

and effect as of the date of such initial payment, reduction or satisfaction occurred.

10. For so long as the Project Loan and any amounts owing by Landlord

to Lender under the Project Loan Documents (as defined in the Lease) remain outstanding,

Guarantor shall have no rights (direct or indirect) of subrogation, contribution,

reimbursement, indemnification or other rights of payment or recovery from any person

or entity (including, without limitation, the Tenant) for any payments made by the

Guarantor hereunder, and Guarantor hereby waives and releases absolutely and unconditionally,

any such rights of subrogation, contribution, reimbursement, indemnification and

other rights of recovery which it may now or hereafter acquire.

11. Guarantor represents and warrants to Landlord that (a) the execution

and delivery of this Guaranty has been duly authorized by the Board of Directors

of Guarantor, (b) the making of this Guaranty does not require any vote or consent

of shareholders of Guarantor and (c) Tenant is a wholly owned subsidiary of Guarantor.

12. This Agreement shall inure to the benefit of Landlord and its successors

and assigns and any assignee of Landlord's interest in the Lease, and shall be binding

upon Guarantor and its successors and assigns and upon Tenant and its successors

and assigns.

13. This Agreement may not be changed or terminated orally, but only by

a written instrument signed by the party against whom enforcement of any change

or termination is sought.

14. Any notice required hereunder to be sent to Guarantor shall be sufficiently

given by mailing by certified or registered mail, postage prepaid, addressed as

follows:

Borders Group, Inc.

100 Phoenix Drive

Ann Arbor, Michigan 48108

Attention: Vice President and General Counsel 5

15. This Agreement shall be governed by and construed in accordance with

the laws of the State of Michigan.

IN WITNESS WHEREOF, Guarantor has duly executed this Agreement by its

duly authorized officer as of the day and year first above written.

BORDERS GROUP, INC., a Michigan corporation

By:/s/ BRUCE A. QUINNELL

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Name: Bruce A. Quinnell

Title: Vice Chairman

STATE OF MICHIGAN )

SS. COUNTY OF WASHTENAW )

The foregoing instrument was executed before me the \_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_,

2001, by Bruce A. Quinnell, Vice Chairman of Borders Group, Inc., a Michigan corporation,

on behalf of the corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official

seal the day and year in this certificate first above written.

/s/

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Notary Public

LEASE GUARANTY

RAPID CITY, SD