

# **BORDERS** **GROUP, INC.**

## **BOARD OF DIRECTORS**

### **COMPENSATION COMMITTEE CHARTER**

#### **Composition and Term of Office**

The Board of Directors shall designate annually three or more of its independent members to constitute members of the Compensation Committee. The Board shall designate the Chairperson of the Committee.

#### **Purpose**

The purpose of the Compensation Committee shall be to discharge the Board's responsibilities relating to the compensation of the Company's executives, and to produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.

#### **Meetings**

The Committee shall hold meetings as necessary. Compensation Committee meetings are usually scheduled at least twice a year, at the time of the September and March Board Meetings.

#### **Duties and Powers**

The Compensation Committee shall have the following duties and powers:

1. Review and approve periodically a general compensation program and salary structure for management employees of the Company that (i) supports the Company's overall business strategy and objectives; (ii) attracts and retains key executives; (iii) links compensation with business objectives and organizational performance; and (iv) provides competitive compensation opportunities.
2. Review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the Company's CEO in the past.
3. Approve all changes in the compensation of the executive officers of the Company.
4. Administer the compensation plans under which it has been granted administrative responsibility in a manner consistent with the terms of such plans, including, as applicable, approving all stock option grants for executive officers and establishing performance goals under incentive plans and determining whether or not such goals have been attained. The Committee shall have the authority to delegate responsibility in accordance with the terms of the applicable plan for matters relating to employees other than executive officers.

5. Review and make recommendations to the Board of Directors with respect to non-CEO compensation, incentive-compensation, equity based and retirement plans, including material changes to existing plans and any additions or deletions of investment funds under any retirement plan maintained by the Company.
6. Review and approve the Company's disclosure of executive compensation in the Company's proxy statement.
7. Retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of the directors, CEO or executive officers of the Company, including the sole authority to select the consultant and to approve the firm's fees and other retention terms.
8. Obtain advice and assistance from internal or external legal, accounting or other advisors as required for the performance of its duties.
9. Monitor compliance with legal prohibitions on loans to directors and executive officers of the Company.
10. In conjunction with the Nominating and Corporate Governance Committee, undertake an annual evaluation of the Compensation Committee.
11. Report to the Board on its activities after each meeting of the Committee.