

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

)	
)	Chapter 11
)	
In re:)	Case No. 11-12005 (PJW)
)	
NEBRASKA BOOK COMPANY, INC., <i>et al.</i> , ¹)	Jointly Administered
)	
Debtors.)	Related Doc. No. 879
)	

**DECLARATION OF BARRY S. MAJOR IN SUPPORT OF
MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER FURTHER EXTENDING
THEIR EXCLUSIVE PERIODS TO FILE A CHAPTER 11 PLAN AND SOLICIT
ACCEPTANCES THEREOF PURSUANT TO SECTION 1121 OF THE BANKRUPTCY
CODE**

I, Barry S. Major, declare as follows:

1. I am Chief Operating Officer and President of Nebraska Book Company, Inc., one of the above-captioned debtors and debtors in possession (collectively, the “Debtors”). I submit this declaration (the “Declaration”) in support of the *Motion Of The Debtors For Entry Of An Order Further Extending Their Exclusive Periods To File A Chapter 11 Plan And Solicit Acceptances Thereof Pursuant To Section 1121 Of The Bankruptcy Code* [Docket No. 879] (the “Second Exclusivity Motion”).²

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal tax identification number include: Nebraska Book Company, Inc. (9819); Campus Authentic LLC (9156); College Bookstores of America, Inc. (9518); NBC Acquisition Corp. (3347); NBC Holdings Corp. (7477); NBC Textbooks LLC (1425); Net Textstore LLC (6469); and Specialty Books, Inc. (4807). The location of the debtors’ service address is: 4700 South 19th Street, Lincoln, Nebraska 68512.

² Capitalized terms used, but not defined, herein shall have the meaning ascribed to them in the Second Exclusivity Motion.



2. Except where specifically noted, the statements in this Declaration are based on either my personal knowledge, information supplied or verified by the Debtors' personnel and third-party advisors, my review of relevant documents, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this Declaration on behalf of the Debtors.

3. The Debtors informed the Court in connection with our first motion for an extension of the Exclusive Periods that various macroeconomic indicators had disrupted the capital markets and made exit financing more difficult to obtain, thereby hindering our efforts to implement our prearranged restructuring. We therefore sought and received a 90-day extension of the Exclusive Periods to assess our proposed post-chapter 11 capital structure in light of the Fall back-to-school rush results and the evolving state of the capital markets and to determine whether it would be necessary to adjust our business plan and potentially modify our proposed plan of reorganization. I believe that we have done that and more.

4. In October and November 2011, we received and began analyzing the financial results from the Fall back-to-school rush period and the results from the consumer surveys they had conducted to detect the latest trends in textbook buyer behavior. On one hand, our results showed that on-campus store operations experienced only a minor decline year-over-year in EBITDA (from \$13.6 million to \$13.5 million) for the six-month period ending September 30, 2011. On the other hand, our off-campus stores experienced an almost 35% decline year-over-year in EBITDA for the same six-month period (from \$20.4 million to \$13.4 million). Given the unfavorable state of the capital markets and the disproportionate decline in the performance of our off-campus stores, we concluded that we needed to reevaluate our

business plan to adapt to recent trends in the textbook industry, including the apparent decline in students' usage of off-campus stores.

5. We undertook a store-by-store analysis of our portfolio of approximately 294 store locations to determine the long-term profitability of our on- and off-campus stores. After careful examination and consultation with our advisors and various creditor constituencies, we decided to use the tools available in chapter 11 to close certain of our unprofitable off-campus stores. To that end, we recently received Court authority to reject seven of our off-campus store leases, resulting in approximately \$1 million in savings. We also moved to assume approximately 90 of our off-campus store leases related to our most profitable store locations, which the Court granted on January 17, 2012. We will continue to analyze 45 additional off-campus store locations where we obtained consensual extensions of the deadline to assume or reject the underlying lease. We intend to make final decisions on whether to assume or reject these off-campus store leases based in part on the results of the ongoing Spring rush period.

6. Having completed our store-by-store analysis, we also finalized our revised business plan and updated our valuation and debt capacity analyses. In light of our revised projections, we anticipated that they would be unable to comply with the Minimum Cumulative EBITDA requirements under our existing debtor-in-possession financing facility (the "DIP") for the months of November and December, 2011, as well as January through June, 2012. We then engaged our DIP lenders in a week of intense negotiations, and, on December 20, 2011, reached an agreement with the requisite threshold of DIP lenders on the terms of modified financial covenants under the DIP Agreement. The Court entered an order approving the proposed DIP amendment on December 28, 2011.

7. The combination of the our revised business plan and inability to obtain sufficient exit financing from uncertain capital markets has caused us to consider amendments to our plan of reorganization. In early January 2012, our advisors circulated a term sheet for an amended plan of reorganization to financial and legal advisors for (a) holders of over 50% of our second lien notes (collectively, the “Second Lien Ad Hoc Group”), (b) certain unsecured noteholders, and (c) the official committee of unsecured creditors appointed in these cases (the “Committee”). The term sheet contemplates a plan structure that distributes value to our creditors in accordance with the absolute priority rule and permits us to raise additional capital, through new debt and a rights offering, to satisfy the second lien noteholders’ claims in full. We continue to negotiate with the Second Lien Ad Hoc Group and certain unsecured noteholders toward our goal of a fully consensual plan. During the week of January 16, 2012, certain holders of our second lien notes signed confidentiality agreements, restricting our ability to trade our securities, and gained access to an online dataroom containing financial forecasts and other material non-public information that will assist in evaluating plan structures.

8. I believe we have continued to conduct a good faith and transparent restructuring process throughout the first extension of the Exclusive Periods. Specifically, we have responded to information requests from the legal and financial advisors for the Committee, the Plan Support Parties, and other key stakeholders, and granted access to information through an online dataroom. In addition, we and our advisors have organized conference calls to discuss numerous aspects of our chapter 11 cases and in response to specific stakeholder questions, including our initial claims analysis, unliquidated claims, and potential rejection damages resulting from our off-campus store analysis.

9. We have also organized numerous in-person meetings with stakeholders to keep them informed of our restructuring efforts and events. In early December, our management team and our advisors met with financial and legal advisors for the Second Lien Ad Hoc Group, certain unsecured noteholders, and the Committee to update these stakeholders on the rush period financial results and forward-looking financial projections, our revised business plan, and preliminary views on valuation and debt capacity. And, on January 12, 2012, we met with certain members of the Second Lien Ad Hoc Group and certain unsecured noteholders, as well as both groups' financial and legal advisors, to provide additional public information regarding our business and financial performance.

10. To facilitate continued discussions with our stakeholders, we negotiated two separate amendments to our prepetition restructuring and support agreement (the "RSA"), among the Debtor entities, holders of an aggregate amount of over 95% of our 8.625% senior subordinated notes due 2012, and holders of over 75% of our 11% senior discount notes due 2013 (such holders, collectively, the "Plan Support Parties"). The Debtors and the Plan Support Parties first negotiated an amendment to the RSA in early November 2011, extending, among other RSA milestones, the deadline for the Debtors to complete our restructuring from November 3, 2011, to December 23, 2011. Then, we negotiated an agreement in principle for a second amendment to the RSA to extend, among other RSA milestones, the December 23, 2011 deadline for the Debtors to complete our restructuring to March 30, 2012.

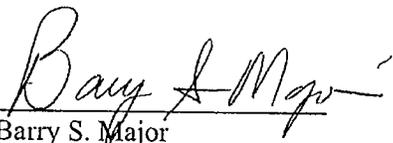
11. Since the Petition Date, the Debtors have paid our bills as they come due, including paying vendors in the ordinary course of business on account of goods and services delivered after the Petition Date.

12. I believe we have demonstrated reasonable prospects for filing a viable plan of reorganization, as we have already filed a fully-consensual plan that we have been unable to confirm for reasons outside of our control. Given the revised business projections, we continue to engage in extensive negotiations with key stakeholders on potential adjustments to the Plan. In addition, we have circulated a term sheet for an amended plan of reorganization to our key stakeholders' advisors. We recognize the need to proactively engage stakeholders on alternative strategies for emerging from chapter 11 and believe we will formulate an alternative plan based on the term sheet circulated in early January 2012 or a different structure in the near future.

13. We commenced these cases on June 26, 2011, or approximately seven months ago. At bottom, seven months is a relatively short amount of time for all that we have accomplished in these chapter 11 cases, especially in light of circumstances beyond our control that have hindered our ability to obtain sufficient exit financing to fund our exit from chapter 11. Since October, we have: (a) analyzed our most recent back-to-school rush results and reevaluated our business plan and financial forecasts; (b) completed an exhaustive analysis of our lease portfolio; and (c) engaged key constituencies in negotiations on alternative plans of reorganization should we be unable to confirm the current Plan.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this January 23, 2012


Name: Barry S. Major
Title: Chief Operating Officer and President