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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	Chapter No.
	:	
BORDERS GROUP, INC., <i>et al.</i> , ¹ ,	:	
	:	
Debtors.	:	Case No.: 11-10614 (MG)
	:	(Jointly Administered)
	:	
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**MOTION FOR THE ENTRY OF AN ORDER (I) PURSUANT TO RULE 9014(c)
MAKING RULE 7023 APPLICABLE TO THE ALLOWANCE AND PRIORITY
OF THE CLASS PROOF OF CLAIM (II) CERTIFYING THE CLASS OF
ALL HOLDERS AND PURCHASERS OF GIFT CARDS (III) ALLOWING THE
CLASS CLAIM AND (IV) GRANTING THE CLASS CLAIM PRIORITY STATUS**

Eric Beeman, Jane Freij and Robert Traktman, three holders of the Debtors' consumer
gift cards (the "Gift Cards" and collectively, Mr. Beeman, Ms. Freij and Mr. Traktman, the "Gift

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.

Card Holder(s)") respectfully file this motion with the Court (the "Motion") (I) pursuant to Rule 9014(c) making Rule 7023 applicable to the allowance and priority of the class proof of claim, (II) certifying the class of all holders and purchasers of unredeemed Borders Gift Cards (the "Proposed Class"), (III) allowing the Proposed Class's proof of claim (the "Class Claim"), pursuant to 11 U.S.C. § 502, and (IV) granting the Class Claim priority status, pursuant to 11 U.S.C. § 507(a)(7).

PRELIMINARY STATEMENT

1. Unfortunately, the Gift Card Holders must seek relief during the bankruptcy cases' last stages.² The Bar Date passed and a liquidation plan was confirmed (although it appears to have not yet been consummated). The Gift Card Holders and the Proposed Class's late filing should be excused because the Debtors repeatedly reassured them that all Gift Cards would be honored— making it appear that the Proposed Class need not take action in these cases. The Debtors reassured them by (i) issuing several press releases (before and after the Bar Date) and (ii) seeking a Court order allowing them to honor the Gift Cards in part because they are entitled to priority status under 11 U.S.C. § 507(a)(7). In fact, the Debtors did honor all Gift Cards from the Petition Date, up to and long after the June 1, 2011 Bar Date, and through late September 2011. The only Bar Date notice given to the consumer Gift Card Holders and Proposed Class was done via a one time publication in the New York Times³, and at no point did the Debtors communicate to the Gift Card Holders or the Proposed Class that their rights under

² Gift Card Holders filed a Motion to Allow and Deem Timely Filed Gift Card Claims on January 4, 2012 [Docket No. 2415].

³It does not appear that the Gift Card Holders or members of the Proposed Class were listed on the Debtors' schedules. If they had been listed on the Debtors' schedules then they would have been entitled to Bar Date Notice via regular mail. See Bar Date Order (stating that Bar Date Notice is adequate and sufficient if served via first class mail on "all known creditors and other known holders of claims as of the date of this Order, including all persons or entities listed in the Schedules as holding claims for which the Debtors have addresses . . . ;"). It is not clear if the Debtors considered them to be unknown creditors, or whether they decided it would be cost prohibitive to schedule the Gift Card holders/purchasers. It is not clear whether the Debtors sought Court guidance in failing to schedule the members of the Proposed Class.

the Gift Cards were affected by the Bar Date even while they were being honored. Indeed, the Debtors gave no notice before unilaterally cancelling \$156 million in unredeemed Gift Cards in late September 2011. The Gift Card Holders had no indication that their Gift Cards were no longer valid until this holiday season; in fact, Gift Card Holder Ms. Freij only discovered that her Gift Card was invalid on December 22nd while she was shopping for Christmas gifts. Meanwhile, Gift Card Holder Mr. Beeman called the phone number provided by the Debtors in order to validate the balance on his card in September 2011. The Debtors' automated response validated his balance but gave no warning that his Gift Card was subject to an impending cancellation. He became aware of the cancellation only in late November, while holiday shopping. Since then, the Gift Card Holders were diligent and contacted counsel in an effort to press their rights, and counsel now diligently seeks the relief sought herein.

2. The Gift Card Holders and the Proposed Class are entitled to class certification for the following reasons:

3. First, it is appropriate under the Court's Rule 9014(c) authority to apply Rule 7023 to this proof of claim. Particularly, as described in case law, because doing so will not adversely affect the administration of the bankruptcy cases where the Proposed Class did not receive actual Bar Date Notice, and because it will foster important bankruptcy goals. Unlike many class action cases, the legal and factual issues raised here can be dealt with quickly and uniformly, such that the administration of these cases will not be adversely affected by significant litigation delays. The only effect on allowing the Class Claim to proceed under Rule 7023, will be to alter distribution amounts to the unsecured non-priority creditor class and depending on the number of claims filed the alteration may be *de minimus*. Determining the allowability and priority status of these claims in a single proceeding yields significant benefits over the alternative of handling

numerous claims through the normal claims allowance process, particularly when each claim and objection would raise identical issues. The delay in bringing this Motion are due solely to the improper notice and information provided to the Proposed Class in these cases.

4. Allowing the class to proceed and pursue rights granted by the Bankruptcy Code is consistent with and will foster certain bankruptcy goals. An overarching bankruptcy goal is to afford creditors with notice and an opportunity to be heard, and provide consumer creditors priority treatment in certain circumstances. Importantly, Congress specifically granted consumers special protection under 11 U.S.C. § 507(a)(7), which dictates that consumer claims arising from deposits for consumer goods—such as those of the Proposed Class—are to be given priority status. This protection is being threatened because the Proposed Class never had a meaningful opportunity to assert their priority claims because customers were repeatedly reassured that Gift Cards would be honored and they never received actual Bar Date notice. Even if they had been properly noticed of the Bar Date, the Debtors' reassurances that the Gift Cards would be honored (through press releases, a first day motion and order, and honoring Gift Cards) gave the Gift Card Holders no reason to think that they needed to file proofs of claim. It was only after the Debtors pulled the plug on the Gift Cards, and only after the Gift Card Holders attempted to use their cards during the holiday season and learned that their gift cards were no longer being accepted, did the Proposed Class need to file proof of claims. Additionally, the number of claimants comprising the Proposed Class is numerous; therefore, proceeding in a singular fashion rather than through the normal claims allowance process will be beneficial to all the stakeholders in these bankruptcy cases.

5. Second, the Proposed Class satisfies the Rule 23(a)'s criteria because (i) the Proposed Class is so numerous that joinder is impractical because there are thousands of Gift

Card holders; (ii) each claimant shares common questions of law and fact as the sole issue raised is whether Gift Card holders are entitled to an allowed unsecured priority claim; (iii) each named representative (the Gift Card Holders) asserts claims that are typical (in fact identical—aside from the specific dollar amount) of the entire class; and (iv) the Gift Card Holders adequately represent the interests of the entire class because they share the exact same interest—to have their claims allowed and granted priority treatment, and present adequate experienced counsel to assist and protect the class's interests. Furthermore, the Proposed Class appropriately fits within the (b)(2) and (b)(3) categories thereby meeting the maintainability requirements set forth in Rule 23(b).

JURISDICTION AND VENUE

6. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334(b). The matter is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A) and (B).

7. The case is pending in this District, therefore, it is the appropriate venue for this Motion pursuant to 28 U.S.C. § 1409(a).

BACKGROUND

The Bankruptcy Case

8. On February 16, 2011 (the "Petition Date"), the above captioned debtors (the "Debtors") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code").

9. On the Petition Date, the Debtors filed a first day motion seeking authority to honor, among other things, the Gift Cards (the "Customer Motion"). The Customer Motion provides that the Debtors should be allowed to honor the prepetition debts arising under the Gift Cards in part because the Gift Card claimants are entitled to priority under Bankruptcy Code

§ 507(a)(7), and therefore are entitled to payment in full in any event. The Court entered an order approving the Customer Motion. See Docket No. 63.

10. Subsequent to the Petition Date, the Debtors continued to honor Gift Cards until liquidation in late September 2011. The liquidation entailed closing its retail outlets; the process began in July 2011, and ended on or about September 22, 2011 (the "Liquidation Process"). Prior to beginning the Liquidation Process, this Court entered an order on April 8, 2011 (the "Bar Date Order") setting the bar date for filing proofs of claims for June 1, 2011 (the "Bar Date"). The Bar Date Order required the Debtors to give notice via publication in the national edition of the New York Times (and at the discretion of the Debtors, publication in various other periodicals) at least 28 days prior to the Bar Date. Notice was published only in the New York Times on April 25, 2011. See Affidavit of Publication of the Notice of Deadlines for Filing Proofs of Claim in the New York Times [Docket No. 715].

11. The Debtors continued honoring Gift Cards well past the June 1 Bar Date and only stopped honoring them in late September 2011.

12. On October 3, 2011 the Debtors and the official committee of unsecured creditors (the "Creditors' Committee") filed a Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") that provides for full payment of priority claims, but it does not recognize any claims for Gift Cards. The Plan was confirmed by order entered December 21, 2011, as of this filing, however, it appears the Plan has not been consummated.

The Gift Card Holders

13. The Gift Card Holders were not served with notice of the Bar Date; neither were the other members of the Proposed Class.

14. Mr. Beeman holds a Gift Card he received as a gift prior to the Petition Date. The gift card number is 6024 7184 7085 2500 (see Ex. A).

15. Ms. Freij holds a Gift Card she received as a gift prior to the Petition Date. The gift card number is 6064 7357 6852 2419 (a copy is attached as Ex. B).

16. Mr. Traktman holds a Gift Card he received as a gift prior to the Petition Date. The gift card number is 6042 1738 9771 6658 (see Ex. C).

17. After realizing that their Gift Cards were no longer being honored, the Gift Card Holders contacted the undersigned counsel, Krislov, on December 5, 7 and 22 after reading reports of priority treatment obtained for gift card holders in the Sharper Image bankruptcy by Krislov. Counsel immediately began analyzing the bankruptcy docket (which includes over 2000 docket entries), and found that there was indeed some \$156 million in unredeemed Gift Cards that had been converted as write-on revenue by the Debtors without notice in September 2011. Counsel learned that the Plan had been submitted for vote, without notice to the Gift Card holders.

**The Failure to Notice Gift Card Holders
(or the Purchaser of the Gift Cards) of the Bar Date**

18. The Bar Date notice given to Gift Card Holders and the Proposed Class was insufficient for several reasons. First, the Proposed Class never received direct notice of the Bar Date. Rather, the typical small touchstone notice was published only once in the New York Times. The Debtors did not issue press releases, send emails, send first-class mail, publish on their website, or alert customers in any way that the Bar Date affected their rights arising through ownership or purchase of the Gift Cards.⁴ Correspondingly, unlike typical commercial creditors in a bankruptcy case who are put on notice that they must act because the Debtors are not making good on their agreements with them, here the Gift Card Holders and Proposed Class are typical consumers, who indeed were assured that their Gift Cards would be honored, and, in fact, the

⁴ In contrast, the Sharper Image notice eventually given to gift card holders by internet and print generated more than a thousand bona fide and eventually approved claims now awaiting final distribution.

Debtors were honoring their Gift Card debts online and in stores, with approval from this Court. Gift Card Holder Ms. Freij was not aware of the Bar Date and only became aware that she needed to take actions in these cases after she attempted, to no avail, to use her Gift Card during this past Christmas season.

19. In these cases, there are certainly tens, perhaps hundreds of thousands of potential Gift Card claims. On information and belief, the vast majority of these claims are for \$100 or less, for consumers who typically are not experienced with the process of filing bankruptcy claims, let alone hiring counsel for such claims.

20. The Debtors did not provide any appropriate notice to the Gift Card Holders or the members of the Proposed Class that their rights were being affected by the Bar Date, whether by email, website postings, social media updates or flyers in their stores. Nor did they sufficiently warn the Gift Card Holders or the Proposed Class that the Gift Cards would be subject to an impending cancellation in late September 2001—only delaying the Gift Card Holders' efforts to establish their rights in these bankruptcy cases.

The Gift Cards Entitle the Members of the Proposed Class to Allowed Claims and Treatment as Priority Claim Holders

21. Holders of Gift Cards have claims against the Debtors and their estates. See 11 U.S.C. § 502. The Bankruptcy Code defines "claim" to mean a "right of payment." 11 U.S.C. § 101(5)(A). Here, the Gift Cards confer a right to payment from the Debtors' estates because the Gift Cards entitle holders to purchase items from the Debtors' stores using the amounts deposited on the Gift Cards.

22. In turn, the Gift Card based claims are entitled to priority. 11 U.S.C. § 507(a)(7) provides for priority treatment of claims, "to the extent of \$2,600, for each such individual, arising from the deposit, before the commencement of case, of money in connection with the

purchase, lease, or rental of property . . . for the personal, family, or household use of such individuals, that were not delivered or provided."

23. The Gift Card Holders and members of the Proposed Class are entitled to a priority unsecured claim in these bankruptcy cases. See 11 U.S.C. § 507(a)(7); In re WW Warehouse, 313 B.R. 588 (Bankr. D. Del. 2004) (holding that gift cards as entitled priority); In re TSIC., f/k/a Sharper Image Corporation, 08-10322, (J. Gross) (Orders entered that (1)certified a gift card class; (2); recognized its priority classification, and (3) approved consumer appropriate noticing, claims and distributions procedures). A copy of each of these orders is annexed hereto as Ex. D.

24. Claims arising from the Gift Cards fall squarely within the language of 11 U.S.C. § 507(a)(7). Gift Card purchasers deposited money with the Debtors before the Petition Date in order to purchase property for personal or family use. Clearly the property was never delivered or provided. For these reasons, the Proposed Class is entitled to have the monies deposited and accounted for on the gift card treated as a priority claim. Apparently, the Debtors agree that Gift Card holders are entitled to priority claims, as they cited WW Warehouse Inc., in support of their Customer Motion seeking Court approval to continue honoring Gift Cards.

The Conflict Between the Bar Date Notice and the Customer Motion

25. On February 16, 2011, the Debtors filed the previously mentioned Customer Motion. See Docket No. 18.

26. The Customer Motion requested authority, among other things, to continue the Gift Card program. See Customer Motion at ¶ 7. The Debtors sought to provide customers confidence the Gift Cards would be honored.

(a) The Customer Motion states that "[t]he Debtors believe they must quickly assure customers that goods and services they have come to expect under the Customer Programs

will not be interrupted or otherwise changed as a result of the Debtors' restructuring efforts." Id. at ¶ 8.

(b) The Customer Motion explicitly states that if the Gift Cards are not honored, they will likely be paid anyway as priority claims in accordance with 11 U.S.C. § 507(a)(7) and in accordance with the treatment afforded to Gift Card holders in In re WW Warehouse, 313 B.R. 588 (Bankr. D. Del. 2004). Customer Motion ¶ 30.

(c) The Customer Motion states it only affects the timing of the Debtors' performance of their obligations to honor Gift Cards (as payment through the claims administration process would simply delay the inevitable payment) and will not prejudice the rights of general unsecured creditors or other parties in interest. Id.

27. The Gift Card Holders and the Proposed Class submit the Debtors must abide by the promises made in their filings.

The Debtors Publicize That Gift Cards Will Be Honored

28. Not only did the Debtors fail to notice the Gift Card Holders and Proposed Class that they would be required to file proofs of claim, the Debtors actively issued press releases indicating that it was business as usual and the Gift Cards were valid.

29. On February 16, 2011, the Debtors issued a press release, annexed as Ex. E, announcing that the Debtors would "Continue to Conduct Business in the Ordinary Course." The press release quotes Mike Edward, the Debtors' Group President, stating that the Debtors were reorganizing and repositioning themselves for the "long term."

30. The press release emphasizes that, even after the bankruptcy filing, the Debtors were implementing a strategy to be a "vibrant national retailer." It goes on to state that the business will continue in the "normal course, including honoring its Borders Reward program, gift cards and other customer programs." (Emphasis added).

31. After this Court's First Day Hearing, on February 16, 2011, the Debtors issued another press release which highlights the Court's approval of the Debtors "First Day Motions" and that "ongoing business will not be disrupted" because the Court approved, among other things, honoring the Gift Cards. See Ex. F.

32. This assurance continued beyond the Bar Date. On June 30, 2011, one month after the Bar Date, the Debtors issued a press release stating that they were continuing to honor Gift Cards and that "[d]uring the sale process, Borders is continuing to conduct business and serve customers in the ordinary course, including honoring its Borders rewards program, gift cards and other customer programs." Emphasis Added. See Ex. G.

33. These press releases had the desired effect and resulted in furthering Gift Card Holders' impressions that their Gift Cards were valid and there was no action that needed to be taken on their part. Moreover, the press releases echo the sentiments of the Gift Card Motion, i.e., one way or the other the Gift Card Holders will not be left behind. Unfortunately, the Gift Card Holders have not received any notice or payment. This Motion seeks to remedy that and make the Gift Card Holders whole.

The Debtors' Cancellation of Unredeemed Gift Cards Without Notice

34. On September 23, 2011, that Debtors, without notice to the Gift Card Holders or the Proposed Class, essentially converted the \$156.2 million outstanding unredeemed Gift Cards for its own benefit as "[o]ther revenue", which included the "write-on of all unredeemed gift cards issued prior to" the company's Chapter 11 bankruptcy filing in February. See Monthly Operating Report for the Period from August 28, 2011 to September 24, 2011 (Docket No. 1975 October 19, 2011) (a copy is attached as Ex. H).

35. The Debtors essentially pulled the carpet from underneath the Gift Card Holders and the Proposed Class, in contrast with the prior early and continuous assurances from the

Petition Date through September, 2011. They represented to the Court that in order to maximize value they needed to honor the Gift Cards, and represented that it was likely that the amounts owed under the Gift Cards were entitled to priority treatment. See Customer Motion. On several occasions they communicated to Gift Card holders that they would honor their obligations, through the issuance of press releases. They honored their gift card obligations through the Bar Date and for several months after the Bar Date. The only notice of the Bar Date to the Proposed Class was through a one time publication in the New York Times—but long after that the Debtors without sufficient notice, stopped honoring the Gift Cards and declared them converted from a liability to an asset of the Debtors. The Gift Card holders became aware that the Gift Cards were cancelled only several months later. At that point, they acted quickly to locate appropriate counsel, and counsel has moved quickly to press the Gift Card Holders (and Proposed Class's) rights. In such a situation, a class action is necessary and appropriate, and furthers the purposes of the Bankruptcy Code, especially Congress' expressed interest in protecting unfulfilled consumer deposits.

ARGUMENT FOR RELIEF

36. The Gift Card Holders move this Court, (I) pursuant to Rule 9014(c) making Rule 7023 applicable to the allowance and priority of the class proof of claim, (II) certifying the class of all holders and purchasers of unredeemed Borders Gift Cards (III) allowing the Proposed Class's proof of claim pursuant to 11 U.S.C. § 502, and (IV) granting the Class Claim priority status, pursuant to 11 U.S.C. § 507(a)(7).

I. A CLASS CLAIM IS APPROPRIATE

A. Bankruptcy Case Law Supports Certifying a Class Claim

37. Under similar circumstances, now Chief Bankruptcy Judge Gross for the District of Delaware, certified a gift card class, recognized its priority classification, and approved

consumer appropriate noticing, claims and distributions procedures. In re TSIC, f/k/a The Sharper Image Co. A copy of each of these orders is annexed hereto as Ex. D.

38. The overwhelming weight of decisions favor permitting a class claim to be filed in bankruptcy court. See In re Ephedra Products Liability Litigation, 329 B.R. 1 (S.D.N.Y. 2005). A few, early decisions concluded that class claims were not permissible in bankruptcy. See In re Standard Meals Corp., 817 F.2d 625 (10th Cir. 1987). However, in Matter of American Reserve Corp., 840 F.2d 487, 489 (7th Cir. 1988), the Seventh Circuit ruled that class claims in bankruptcy are permissible. Subsequent courts have followed suit and allowed class claims. See, e.g., In re The Charter Co., 876 F.2d 866 (11th Cir. 1989); Reid v. White Motor Corp., 886 F.2d 1462 (6th Cir. 1989); Validity of class proofs of claim under Bankruptcy Code of 1978, 99 ALR Fed 858, §4.

39. Courts in this district have followed the trend, stating that class claims are appropriate in bankruptcy cases. See, e.g. In re Chateaugay Corp., 104 B.R. 626 (S.D.N.Y. 1989)(overturning a bankruptcy court decision that expunged a class claim, holding that a class proof of claim is permissible because Rule 9014 gives it discretion to apply Rule 7023 to proofs of claim).

40. Since Chateaugay, the decisions in this district uniformly accept the notion that class claims may proceed, albeit subject to standards that are satisfied here. Several courts within this district have followed the Chateaugay lead acknowledging that class claims are appropriate if the class claim proponents meet the standard.

41. The standard that the proponent of a class claim must meet are: (1) make a motion to extend the application of Rule 23 to a proof of claim (or contested matter), (2) satisfy the requirements of Rule 23, and (3) show that the benefits derived from the use of the class claim

device are consistent with the goals of bankruptcy. See, e.g. In re Musicland Holding Corp., 362 B.R. 644, 651 (Bankr. S.D.N.Y. 2007)(summarizing the standard); In re Motors Liquidation Co., 447 B.R. 150, 157 (Bankr. S.D.N.Y. 2011)(following the standard set forth in Musicland).

It is Appropriate to apply Rule 7023 pursuant to Rule 9014 to the Proof of Claim (or Contested Matter)

42. As a preliminary matter, Rule 7023 does not automatically apply to a proof of claim; however, courts have authority to extend the application of Rule 7023 to a proof of claim or (or a contested matter) pursuant to 9014(c). 11 U.S.C. § 9014(c) (granting discretion to courts by providing that "[e]xcept as otherwise provided in this rule, and unless the court directs otherwise"); see, e.g. In re Motors Liquidation Co., 447 B.R. at 156.

43. In determining whether to extend Rule 7023 to a proof of claim, courts look to several factors including: (1) whether the class was certified pre-petition; (2) whether the proposed class members received notice of the bar date; and (3) whether class certification is consistent with bankruptcy goals and whether it will adversely affect the administration of the case. See, e.g., Musicland Holding Corp., 362 B.R. at 654.

44. Under the first factor, naturally the Proposed Class was not certified pre-petition as they had suffered no injury until they discovered their Gift cards were cancelled by the Debtors in late September 2011, many months after the Petition Date and the Bar Date. This factor is inapplicable.

45. The second factor inquires whether the class members received notice of the Bar Date. As described earlier, they did not. The Debtors published (just once) the Bar Date Notice in the New York Times. They did not serve the Bar Date Notice on members of the Proposed Class via regular mail; they did not publish notice that gift cards would no longer be accepted; they did not alert Gift Card holders through email or social media that there was a Bar Date

and/or that it affected them. Moreover, the members of the Proposed Class were repeatedly assured that their Gift Cards would be honored. Given these factors, even if they had read the New York Times the day the Bar Date was published, the consumer Gift Card holders would have little reason to think that it needed to take action. For these reasons, the Proposed Class did not receive proper Bar date Notice.

46. The third factor examines whether class certification is consistent with bankruptcy goals and whether it will adversely affect the administration of the bankruptcy cases. The proposed class certification has no adverse affect on the cases; rather it brings positive affects. While it is true that the Plan has been confirmed recently, it is also true that this is merely a liquidating plan. A class claim will merely affect distribution. The costs in allowing the class claim to proceed are negligible, as the issues raised are very simple – determining the allowability and priority status of Gift Card claims. Other costs include providing appropriate notice to members of the Proposed Class, but these costs are negligible, and necessary. The legal issues and related factual basis underlying the Proposed Class claims are simple. Every single factual issue underlying the claims of the Proposed Class is identical (besides dollar amount). The only legal issue to be determined is whether the members of the Proposed Class are entitled to an allowed unsecured claim that is granted priority under 11 U.S.C. § 507(a)(7). The resolution of that issue does not appear to be complex either. The Debtors themselves represented that the Gift Card claims were entitled to priority. See Customer Motion. Adjudicating the issues surrounding the Debtors' treatment of the Proposed Class in a global and singular fashion will benefit the administration of these bankruptcy cases, as it provides the quickest and most efficient mechanism to address the issues raised herein.

47. It is appropriate to use the authority granted by Rule 9014(c) to apply Rule 7023 to the class claim. As discussed throughout, the Proposed Class received poor notice, and allowing the class to proceed will benefit the administration of the estate. It benefits the estate because it yields the quickest resolution, and its impact on plan issues is minimal as it only effects the precise amount of a future distribution of claims to non-priority unsecured creditors. The existence of the Gift Card claimants was known to all from the Petition Date onwards. There is no unfair prejudice to any party in interest providing the Proposed Class with the treatment that Congress mandated they receive pursuant to 11 U.S.C. § 507(a)(7)..

The Proposed Class Satisfies Rule 23

48. The proponents of the class are in compliance with Rule 23. Rule 23 requires that each factor under Rule 23(a) is met and that one of the class types under Rule 23(b) applies. See, e.g., Johnston v. HBO Film Mgmt., 265 F.3d 178, 183 ((3d Cir. 2001); Partsearch, 453 B.R. at 93-94)(J. Glenn). The Proposed Class and Gift Card Holders satisfy all of the Fed. R. Civ. P. Rule 23(a) prerequisites and is maintainable under both 23(b)(2) for a declaratory judgment and (b)(3) for separate monetary recoveries.

49. The proposed class is defined as all holders/purchasers of Gift Cards, as of the Petition Date.

50. The class seeks equitable relief: a declaration that these Gift Card holders are entitled to priority unsecured claims under §507(a)(7), as well as monetary relief in satisfaction of the amounts on the Gift Cards. The legal question applicable to all class members is a determination of allowance of an unsecured priority claim. The allowance and priority given to the Gift Cards holders is a question that should be answered uniformly for one and all members of the class.

Rule 23(a)

51. Pursuant to Fed. R. Civ. P. 23 in ordering class certification, the Court first consider Rule 23(a)'s four preliminary prerequisites: numerosity, commonality, typicality, and adequacy of representation; or more specifically: (1) the class is so numerous that joinder of all members is impracticable, (2) there are questions of law or fact common to the class, (3) the claims or defenses of the class representatives are typical of the claims or defenses of the other class members, and (4) the class representatives are able to protect the interests of the class fairly and adequately. Fed. R. Civ. P. 23(a)

Rule 23(a)'s Prerequisites Are Satisfied.

a. Numerosity Is Satisfied.

52. Under Rule 23(a)(1), a class must be so numerous that joinder is impracticable. Fed. R. Civ. P. 23(a)(1). The Proposed Class includes thousands of card holders and individuals, who are readily identifiable in Debtors' computer records. In any event, the Gift Card Holders need not specify the exact size of the class. In re Partsearch Technologies, Inc., 453 B.R. 84, 93-4 (2011)(J. Glenn)(stating "[n]or must class actions plaintiffs specify the exact size of the class as a prerequisite to satisfy the numerosity requirement."). Furthermore, "[i]n the Second Circuit, courts presume that joinder is impracticable when the prospective class consists of forty or more members." Id. at 94 (citing authority). Here, the Proposed Class certainly numbers in the thousands. Therefore, the Proposed Class is so numerous that joinder of all class members is impracticable.

b. Commonality Is Met.

53. Under Rule 23(a)(2) there must be questions of law or fact that are common to the class. Here, all gift card holders present a single question of law – gift card holders' entitlement to a priority claim under 11 U.S.C. §507(a)(7), the only individual issues are the fact of each

card's remaining amount. A common nuclei of fact or law is present here where the Debtors issued numerous identical gift cards—differentiated only in the dollar amount allocated to each gift card. Each Proposed Class member also faced the same facts regarding the Debtors actions in these bankruptcy cases, whether it be related to the Customer Motion, the Bar Date Notice, the Press Releases, the cancellation of Gift Cards without sufficient notice. Similarly, the questions of law raised by each member of the Proposed Class are identical—namely whether they are entitled to an unsecured priority claim pursuant to 11 U.S.C. § 507 at this juncture of these cases. As a result, the Proposed Class satisfies the critical inquiry in evaluating whether Rule 23(a)(2) is satisfied; the "critical inquiry is whether common questions are at the core of the cause of action alleged." Partsearch, 453 B.R. at 94. In addition, the claims of each member of the Proposed Class, would be subject to the same common objections to be raised by the Debtors. Id. (stating, in support of its holding that there existed 23(a)(2) commonality, that "the claims of each Class Member would be subject to the same affirmative defenses raised by the Debtors").

54. The only potential commonality objection arising from the current context are factual. Courts recognize that "[m]inor factual differences will not preclude class certification if there is a common issue of law." Id. (citations omitted). Here there are only minor factual differences – namely that Proposed Class members suffered different levels of damages. Differing damages is no impediment to finding that commonality exists under Rule 23(a)(2). Id. (stating that "courts have recognized that the fact that class members suffered different damages is no bar to class certification")(citations omitted).

c. **The Named Plaintiffs' (Gift Card Holders) Claims are Typical of the Class.**

55. Under the typicality requirement, a plaintiff must show that the “claims or defenses of the representative parties are typical of the claims or defenses of the class.”

Fed.R.Civ.P. 23(a)(3).

56. Typicality is met here because the bases of the claim and relief which the plaintiffs or Gift Card Holders seek arises from the same events or practices or course of conduct that gives rise to the claims of other class members and their claims are based on the same legal theory. Not only are the claims typical—they are identical.

57. As this Court explained, "the Second Circuit has held 'Rule 23(a)(3) is satisfied when each class member's claim arises from the same course of events, and each class member makes the same legal arguments to prove the defendants liability'". Partsearch, 453 B.R. at 95 (citing In re Drexel Burnham Lambert Grp., Inc., 960 F.2d 285, 291 (2d Cir. 1992).

58. Here, each member's claim arises from the same course of events; the members purchased or received standardized Gift Cards prior to the Petition Date, the members had ample reason to believe they would be honored— from the Debtors' debtors conduct during these bankruptcy cases, the Bar Date Notice via publication was insufficient, the Debtors failed to supplement the Bar Date Notice with notification that Proposed Class members' rights arising under their Gift Cards were affected by the Bar Date, the Debtors cancelled the Gift Cards, and the Debtors failed to provide sufficient notice that the Gift Cards were to be cancelled.

59. These events give rise to common legal grounds for establishing the Debtors' liability on each claim asserted by the Proposed Class. The common legal grounds are that each member of the Proposed Class has an allowed unsecured claim, and each of those unsecured claims is entitled to priority under 11 U.S.C. § 507(a)(7).

60. The Gift Card Holders have typical claims because, to pursue their own self-interest in the litigation, they will advance the interests of the class members, because they are aligned with those of the representatives. In other words, the Gift Card Holders meet Rule 23(a)(3)'s typicality requirement because they "suffered the same type of injury as the rest of the class." Id. at 95 (citations omitted).

61. The Gift Card Holders' claims are identical to the rest of the class, seeking the same type of relief—a declaration that they hold unsecured priority claims in full value of the Gift Card (subject to the monetary limits set forth in § 507(a)(7)).

d. Adequacy of Representation Is Also Met.

62. Rule 23(a)(4)'s adequacy inquiry serves to uncover conflicts of interest between named parties and the class they seek to represent. The adequacy test has two parts: first ascertaining that the interests of the representative party will not conflict with the interests of any of the class members; second, that counsel chosen by the representative party is qualified, experienced, and able to vigorously conduct the proposed litigation.

63. Adequacy is fully satisfied in this case. The Gift Card Holders have suffered the same loss of the value of their gift card(s), and the named Gift Card Holders seek relief consistent with, and not antagonistic to, the interests of the other class members. In fact, the relief sought by the Gift Card Holders is exactly the same as sought by the members of the Proposed Class.

64. The class representatives have protected the class's interests because they, like the putative class members, seek declaratory relief that is to their common benefit.

65. The Gift Card Holders' counsel is also qualified to adequately represent the class. For their part, they are experienced class action attorneys, litigation attorneys and have associated with experienced bankruptcy attorneys. The Gift Card Holders' counsel is well

experienced in class litigation and indeed, the Krislov firm has uniquely appropriate experience in successfully pursuing these types of consumer claims in Bankruptcy. Under similar circumstances in the Delaware Bankruptcy court, Krislov represented and certified a class of gift card holders and then established that the class's claims were entitled to priority in *In Re TSCI f/k/a The Sharper Image Corporation*. Ex. D.

Rule 23(b)(2) – Declaratory Judgment Class.

66. After considering and satisfying Rule 23(a)'s prerequisites, the Court must determine if the claim comes within one or more of Rule 23(b)'s three subsections. The class claim here falls within 23(b)(2) and 23(b)(3).

67. Rule 23(b)(2) states that a class may be maintained if "the party opposing the class has acted or refused to act on grounds that apply generally to the class, so that final injunctive relieve or corresponding declaratory relief is appropriate respected the class as a whole"

68. Rule 23(b)(2) "is intended to reach situations where a party has taken action or refused to take action with respect to a class, and final relief of an injunctive nature or of a corresponding declaratory nature, settling the legality of the behavior with respect to the class as a whole, is appropriate." Rule 23, Committee Notes Subdivision (b)(2).

69. The case fits into the Rule 23(b)(2) category because the party opposing the class (the Debtors) acted and/or refused to act on grounds generally applicable to the class, thereby making appropriate declaratory relief with respect to the class as a whole.

70. The Proposed Class and the Gift Card Holders' demand for relief declaring that their claims are deemed allowed and entitled to priority treatment will provide class-wide relief.

Rule 23(b)(3) Monetary Claims of Differing Dollar Amounts.

71. The (b)(3) category generally covers separate but identical monetary claims differing only in their amounts. This is where consumer and securities claims typically reside. In considering whether Rule 23(b)(3) applies, courts must consider "two requirements beyond the Rule 23(a) prerequisites: Common questions must predominate over any questions affecting only individual members; and class resolution must be superior to other available methods for the fair and efficient adjudication of the controversy." Amchem Products, Inc. v. Windsor, 521 U.S. 591, 615 (1997).

72. Here, no individual issues exist that would predominate over class issues, class treatment is superior, and the claims are best managed by a class action.

73. Here the Proposed Class seeks relief wherein common questions predominate over any individual questions. Partsearch 453 B.R. at 96 ("class-wide issues predominate if resolution of some of the legal or factual questions that qualify each class member's case as a genuine controversy can be achieved through generalized proof, and if these particular issues are more substantial than the issues subject only to individualized proof.")(citations omitted). As discussed throughout, the Proposed Class seeks relief based on common facts and under the common legal theories.

74. Class resolution is superior to any other method of adjudicating this dispute. Id. (describing that "the 'predominance' and 'superiority' requirements ensure that a class will only be certified when it would achieve economies of time, effort, and expense, and promote . . . uniformity of decisions as to persons similarly situated, without sacrificing procedural fairness or bringing about other undesirable results." (citing Amchem 521 U.S. at 615)(internal quotations omitted). Here a class resolution is superior to other methods of resolving the issued raised for two primary reasons (1) it is impracticable to individually adjudicate the number of

claims objections that might be required and (2) it is impracticable for these claimants to pursue their claims individually because they are relatively small claims. Id.

75. There are likely thousands of Gift Card claims and it is likely most of these claims are for \$100 or less. Addressing the allowance and priority of each claim separately would be "impracticable and consume significant judicial resources." Id. (citations omitted). The alternative to allowing a class claim to proceed would be for individuals to each file a proof of claim. The volume of such claims would be overwhelming. Presumably, the Debtors would object to each claim, triggering each claimant to respond or appear individually to press their claims. In order to streamline that process and protect the Proposed Class's rights, these claims should be adjudicated in a single proceeding to enable enforcement of the claim allowance and priority on a globally level. The Gift Card claims share common facts and legal issues such that these claims will rise and fall together. Indeed, the only significant issues presented are whether the Proposed Class are entitled to an allowed claim that is given priority treatment under 11 U.S.C. § 507(a)(7). Proceeding as a class is superior to proceeding through an individualized claims allowance process.

76. A class claim is superior here because it is impracticable for claim holders to proceed individually when they each hold small claims, and where many claimants are likely unaware of the existence of a claim. Id. ("Moreover, proceeding individually would likely be impracticable for individual members because each holds a relatively small claim. In such circumstances, as with those before the Court, 'the class action device is frequently superior to individual actions.'") (citing Seijas v. Republic of Argentina, 606 F.3d 53, 58 (2d Cir. 2010); In re United Companies Financial Corp., 276 B.R. 368, 376 (Bankr. D. Del. 2002)(J. Walrath)(holding that a class action was superior because : (1) "it is probable that most

members of the proposed class are unaware of their rights" and (2) "the amount of damages to be recovered by each class member is relatively small, especially in light of the likely recovery for creditors under the confirmed bankruptcy plan, thereby rendering prosecution of an individual claim cost-prohibitive."). Class certification provides a mechanism to notify the Proposed Class members of their rights. For example, in In Re TSCI f/k/a The Sharper Image Corporation, the bankruptcy court for the District of Delaware set the budget for notice at about \$200,000 to effect wide public notice, including publication notice in two national magazines (Sports Illustrated and People) as well as national internet banner teaser adds, including on Facebook with an estimated 11 million views or hits.

The Benefits of Certifying a Class Claim are Consistent with Bankruptcy Goals

77. As mention previously, a class proponent must show that the benefits derived from the use of the class claim device are consistent with the goals of bankruptcy. See, e.g. In re Motors Liquidation Co., 447 B.R. at 157.

78. The bankruptcy code provides creditors with numerous safeguards. One safeguard is that creditors are to receive proper notice so that they are afforded with an opportunity to be heard. As stated throughout this Motion, the Gift Card Holders and Proposed Class were not provided with sufficient notice. They were not properly noticed with the Bar Date. The only notice to them was through a one time publication in the New York Times, but that was while the Debtors were still accepting Gift Cards and assuring Gift Card Holders that they were fully protected. As discussed previously, even if the Proposed Class read the Bar Date Notice, it would still be unclear that they needed to take action in order to preserve their rights. It would be unclear because the Debtors continually reassured them that the Gift Cards would be honored. The benefits of allowing a class claim to proceed will promote bankruptcy goals,

namely that creditors be provided with proper information and notice when their rights are affected.

79. Another bankruptcy goal furthered by allowing a class claim to proceed is that it will ensure that consumers are protected in the way that Congress mandated. 11 U.S.C. § 507(a)(7) protects consumers from the harshness that arises from the placement of deposits in connection for the purchase of consumer goods and services, that are not honored due to bankruptcy filings. Rather than recovering only cents on a dollar, 11 U.S.C. § 507(a)(7) provides for full recovery before any unsecured non-priority claim can be paid. In this case, the Gift Card Holders and members of the Proposed Class have been stripped of this congressional mandated bankruptcy right and goal. Importantly, these claimants acted properly, and are only in this position because of the Debtors actions and inactions.

80. Importantly, the consumer protection afforded under the priority scheme also protect businesses that accept consumer deposits. Section 507(a)(7) provides consumers with confidence that a struggling company will not be able to avoid its obligation arising under deposits (like Gift Cards), should it file bankruptcy. As a result, consumers are less likely to refrain from purchasing from companies that are struggling.

81. In sum, it is appropriate to apply rule 7023 to the Class Claim. The Class Claim satisfies Rule 23 class action requirements. Allowing the Class Claim to go forward is consistent with bankruptcy goals.

NOTICE

This Motion has been served upon the parties on the attached service list.

CONCLUSION

WHEREFORE, the Gift Card Holders respectfully request this Court grant the relief sought herein and grant such other and further relief as it deems just and proper.

Dated: New York, New York
January 9, 2012

Respectfully submitted,

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Via the Court's Electronic Filing System

All parties who receive notice through the
Court's electronic filing system.

EXHIBIT A

Gift Card

2450-1 Filed 01/09/12 Entered 01/09/12 2:
Pg 2 of 3

BORDERS.

6024 7184 7085 2500

BORDERS.

Customer Service

Waldenbooks

Customer Service

Robert Sabuda
pop-ups

Gift card is redeemable for retail merchandise only at U.S. Borders, Waldenbooks, and Brentano's stores, and for new book, music, DVD, and video retail merchandise at www.borders.com and www.waldenbooks.com. Gift card may be redeemable for some additional retail merchandise available online. Items will vary; see websites at time of purchase for details. Not valid for any used merchandise available online. Online purchases require a credit card. Only one gift card redeemable per online transaction. Not returnable or redeemable for cash. Lost, stolen, or damaged gift cards may be canceled and replaced with a new gift card in the amount of the then-remaining balance upon proof as required by Borders, Waldenbooks, or Brentano's. ©2005 Borders, Inc. P1005
Design © 2005 Robert Sabuda.

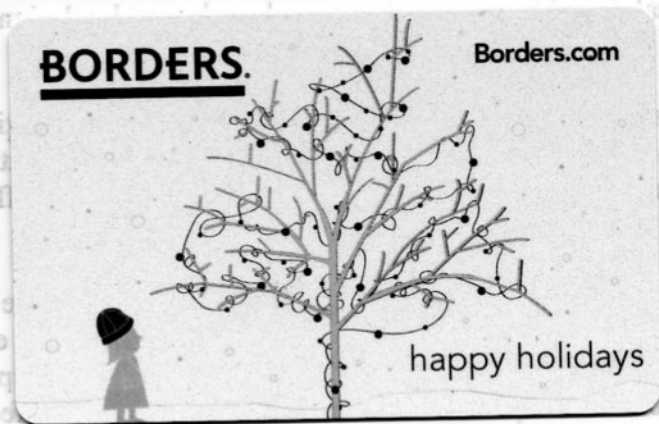
6024718470852500

FOR BALANCE INQUIRIES, CALL 877.728.4000. FOR BORDERS LOCATIONS,
CALL 888.81BOOKS. FOR BORDERS CUSTOMER CARE, CALL 800.566.6616.
FOR WALDENBOOKS LOCATIONS AND CUSTOMER CARE, CALL 800.322.2000.

N

EXHIBIT B

Gift Card



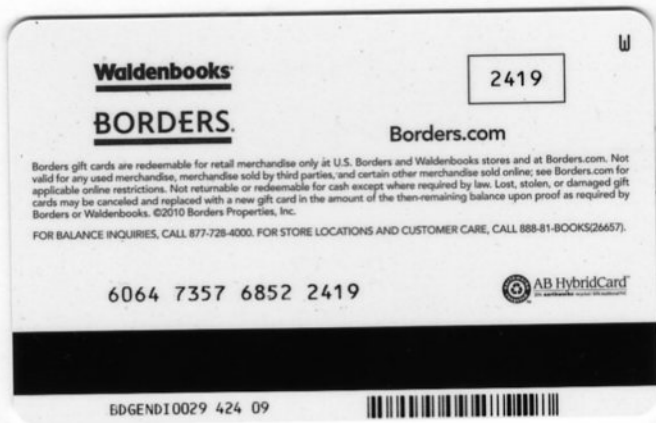


EXHIBIT C

Proof of Claim/ Gift Card



7391588



UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK		PROOF OF CLAIM
<p>Name of Debtor. (Please select the appropriate Debtor from the list of Debtors set forth in the Definitions section on the reverse side of this form and insert that Debtor's name here -- choose only one): BORDERS, INC. 11-10615</p>		
<p>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case, but may be used for purposes of asserting a claim under 11 U.S.C. § 503(b)(9) (see Item # 6). All other requests for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</p>		
<p>Name of Creditor (the person or other entity to whom the debtor owes money or property):</p> <p style="text-align: center;">ROBERT TRAKTMAN</p> <hr/> <p>Name and address where notices should be sent:</p> <p>ROBERT TRAKTMAN</p> <p>820 CONEY ISLAND AVENUE BROOKLYN, NY 11218</p> <p>OFFICE: (718) 941-7600 MOBILE: (347) 446-9135 Telephone number:</p> <p>Email Address: robert@metropolitanheat.com</p>	<p><input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim.</p> <p>Court Claim Number: _____ (If known)</p> <p>Filed on: _____</p>	
<p>Name and address where payment should be sent (if different from above):</p> <p>Telephone number:</p>	<p><input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.</p> <p><input type="checkbox"/> Check this box if you are the debtor or trustee in this case.</p>	<p>Your Claim is Scheduled As Follows:</p> <p>If an amount is identified above, you have a claim scheduled by one of the Debtors as shown. (This scheduled amount of your claim may be an amendment to a previously scheduled amount.) If you agree with the amount and priority of your claim as scheduled by the Debtor and you have no other claim against the Debtor, you do not need to file this proof of claim form, EXCEPT AS FOLLOWS: If the amount shown is listed as any of DISPUTED, UNLIQUIDATED, or CONTINGENT, a proof of claim MUST be filed in order to receive any distribution in respect of your claim. If you have already filed a proof of claim in accordance with the attached instructions, you need not file again.</p>
<p>IMPORTANT: Please list the store number and address of any lease related to your claim (if applicable):</p> <p>Store Number: _____ Store Address: _____</p>		
<p>1. Amount of Claim as of Date Case Filed: <u>\$ 50-100</u></p> <p>If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.</p> <p>If all or part of your claim is entitled to priority, complete item 5.</p> <p><input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.</p>		<p>5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.</p> <p>Specify the priority of the claim.</p> <p><input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).</p> <p><input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier -- 11 U.S.C. § 507(a)(4).</p> <p><input type="checkbox"/> Contributions to an employee benefit plan -- 11 U.S.C. § 507(a)(5).</p> <p><input checked="" type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use -- 11 U.S.C. § 507(a)(7).</p> <p><input type="checkbox"/> Taxes or penalties owed to governmental units -- 11 U.S.C. § 507(a)(8).</p> <p><input type="checkbox"/> Other -- Specify applicable paragraph of 11 U.S.C. § 507(a)().</p>
<p>2. Basis for Claim: <u>Gift Card</u></p> <p>(See instruction #2 on reverse side.)</p>		
<p>3. Last four digits of any number by which creditor identifies debtor: _____</p> <p>3a. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)</p>		
<p>4. Secured Claim (See instruction #4 on reverse side.)</p> <p>Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.</p> <p>Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Equipment <input type="checkbox"/> Other</p> <p>Describe:</p> <p>Value of Property: \$ _____ Annual Interest Rate: % _____</p> <p>Amount of arrearage and other charges as of time case filed included in secured claim,</p> <p>If any: \$ _____ Basis for perfection: _____</p> <p>Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____</p>		
<p>6. Claim Pursuant to 11 U.S.C. § 503(b)(9):</p> <p>Indicate the amount of your claim arising from the value of any goods received by the Debtor within 20 days before February 16, 2011, the date of commencement of the above cases, in which the goods have been sold to the Debtor in the ordinary course of such Debtor's business. Attach documentation supporting such claim.</p> <p style="text-align: right;">\$ _____</p>		<p>Amount entitled to priority:</p> <p><u>\$ 50-100</u></p> <p><small>*Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.</small></p>
<p>7. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.</p>		
<p>8. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction # 8 and definition of "redacted" on reverse side.)</p> <p>DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.</p> <p>If the documents are not available, please explain in an attachment.</p>		
<p>Date: <u>1/9/12</u></p>	<p>Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.</p> <p style="text-align: center;">Robert Traktman, by Clinton A. Kristy, attorney</p>	



3843309227

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, there may be exceptions to these general rules. The attorneys for the Debtors and their court-appointed notice and claims agent, The Garden City Group, Inc. are not authorized to provide you with any legal advice.

PLEASE SEND YOUR ORIGINAL, COMPLETED CLAIM FORM AS FOLLOWS: IF BY MAIL: THE GARDEN CITY GROUP, INC., ATTN: BORDERS GROUP, INC., P.O. BOX 9690, DUBLIN, OHIO 43017-4990; IF BY HAND OR OVERNIGHT COURIER: THE GARDEN CITY GROUP, INC., ATTN: BORDERS GROUP, INC., 5151 BLAZER PARKWAY, SUITE A, DUBLIN, OHIO 43017. ANY PROOF OF CLAIM SUBMITTED BY FACSIMILE OR E-MAIL WILL NOT BE ACCEPTED.

THE GENERAL BAR DATE IN THESE CHAPTER 11 CASES IS JUNE 1, 2011 AT 5:00 P.M. (PREVAILING EASTERN TIME)
THE GOVERNMENTAL BAR DATE IN THESE CHAPTER 11 CASES IS AUGUST 15, 2011 AT 5:00 P.M. (PREVAILING EASTERN TIME)

Court, Name of Debtor, and Case Number:

These chapter 11 cases were commenced in the United States Bankruptcy Court for the Southern District of New York. You should select the Debtor against which you are asserting your claim. A SEPARATE PROOF OF CLAIM FORM MUST BE FILED AGAINST EACH DEBTOR.

Creditor's Name and Address:

Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. Please provide us with a valid email address. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

1. Amount of Claim as of Date Case Filed:

State the total amount owed to the creditor on the date of the bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. Basis for Claim:

State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if the debtor, trustee or another party in interest files an objection to your claim.

3. Last Four Digits of Any Number by Which Creditor Identifies Debtor:

State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As:

Use this space to report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

4. Secured Claim:

Check the appropriate box and provide the requested information if the claim is fully

or partially secured. Skip this section if the claim is entirely unsecured. (See DEFINITIONS, below.) State the type and the value of property that secures the claim, attach copies of lien documentation, and state annual interest rate and the amount past due on the claim as of the date of the bankruptcy filing.

5. Amount of Claim Entitled to Priority Under 11 U.S.C. § 507(a):

If any portion of your claim falls in one or more of the listed categories, check the appropriate box(es) and state the amount entitled to priority. (See DEFINITIONS, below.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. Claim Pursuant to 11 U.S.C. § 503(b)(9):

Check this box if you have a claim arising from the value of any goods received by the Debtor within 20 days before February 16, 2011, the date of commencement of the above cases, in which the goods have been sold to the Debtor in the ordinary course of such Debtor's business. Attach documentation supporting such claim. (See DEFINITIONS, below.)

7. Credits:

An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

8. Documents:

Attach to this proof of claim form redacted copies documenting the existence of the debt and of any lien securing the debt. You may also attach a summary. You must also attach copies of documents that evidence perfection of any security interest. (See DEFINITIONS, below.) Attach a summary. FRBP 3001(c) and (d). If the claim is based on the delivery of health care goods or services, see instruction 2. Do not send original documents, as attachments may be destroyed after scanning.

Date and Signature:

The person filing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2), authorizes courts to establish local rules specifying what constitutes a signature. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. Attach a complete copy of any power of attorney. Criminal penalties apply for making a false statement on a proof of

DEFINITIONS

Debtor

A debtor is the person, corporation, or other entity that has filed a bankruptcy case. The debtors in these cases are:

Borders Group, Inc.	11-10614
Borders, Inc.	11-10615
Borders International Services, Inc.	11-10616
Borders Direct, LLC	11-10617
Borders Properties, Inc.	11-10618
Borders Online, Inc.	11-10619
Borders Online, LLC	11-10620
BGP (UK), Limited	11-10621

Creditor

A creditor is the person, corporation, or other entity owed a debt by the debtor on the date of the bankruptcy filing. See 11 U.S.C. § 101(10).

Claim

A claim is the creditor's right to receive payment on a debt owed by the debtor that arose on the date of the bankruptcy filing. See 11 U.S.C. § 101(5). A claim may be secured or unsecured.

Proof of Claim

A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with The Garden City Group, Inc. as described in the instructions above.

Secured Claim Under 11 U.S.C. § 506(a)

A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car. A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien. A claim also may be secured if the creditor owes the debtor money (has a right to setoff).

Unsecured Claim

An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.

Claim Entitled to Priority Under 11 U.S.C. § 507(a)

Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

Section 503(b)(9) Claim

A Section 503(b)(9) claim is a claim arising from the value of any goods received by the debtor within 20 days before the date of commencement of a bankruptcy case in which the goods have been sold to the debtor in the ordinary course of such debtor's business.

Redacted

A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor should redact and use only the last four digits of any social-security, individual's tax-identification, or financial-account number, all but the initials of a minor's name and only the year of any person's date of birth.

Evidence of Perfection

Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.

INFORMATION

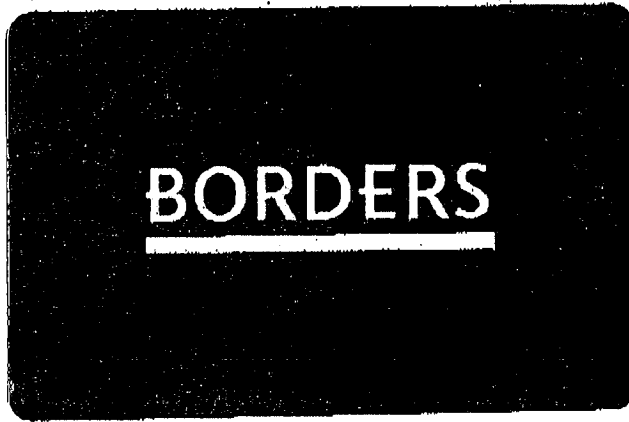
Acknowledgment of Filing of Claim

To receive acknowledgment of your filing, please provide a stamped self-addressed envelope and a copy of this proof of claim when you file the original claim.

Offers to Purchase a Claim

Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(c), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 et seq.), and any applicable orders of the bankruptcy court.

Robert Trakman



6043 1738 9771 6658

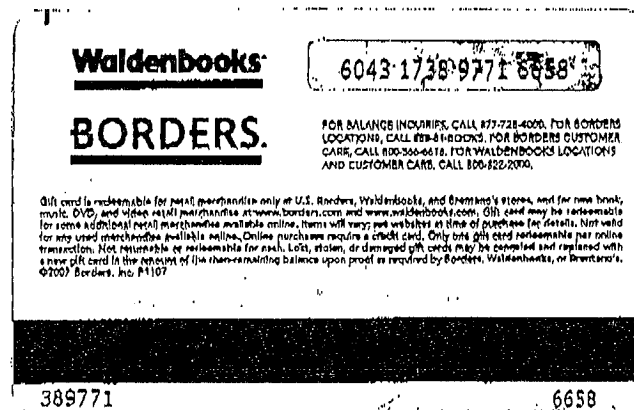


EXHIBIT D

TSIC Orders

THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	CHAPTER 11
)	
TSIC, Inc. f/k/a Sharper Image Corporation,)	
)	Case No. 08-10322 (KG)
)	
Debtor.)	Re Doc. No. 964 <u>and 1260</u>

**ORDER GRANTING THE MOTION OF
FREDERIC B. PROHOV FOR CLASS CERTIFICATION**

Upon consideration of the Motion of Plaintiff Frederic B. Prohov for Class Certification (the "Motion"); and upon concluding that this Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 1334 and 157; and upon finding that notice of the Motion was proper and sufficient; and having considered the relief requested in the Motion and the objections thereto of Sharper Image Corporation ("Debtor") and the Official Committee of Unsecured Creditors (the "Committee"); and the Debtor, the Committee and Mr. Prohov (the "Claimant" or "Movant") having agreed to the form of this Order; and the Court having found that a class should be certified in accordance with the terms of this Order; and having found that the Claimant as moving party has satisfied the requirements of Fed. R. Civ. P. 23 for the certification of a class action as provided herein; it is therefore hereby ORDERED that:

1. The Motion is GRANTED subject to the terms and conditions of this Order.
2. Pursuant to, inter alia, Fed. R. Bankr. P. 7001 and 7023, the gift card claimants may proceed as a Class defined as:

A "Gift Card Claim", for purposes of this Order, shall mean a claim, not to exceed \$2,245, held by an individual, arising from the deposit, before the commencement of the case, of money in connection with the purchase of property or the purchase of services from The Sharper Image Corporation, for the personal, family, or household use of such individual, that were not delivered or provided; and includes any individuals who received and now hold a Sharper Image gift card, but excludes however, any claims (i) based on merchandise certificates and

merchandise credits or (ii) based on gift card received as a result of corporate or other promotions activities, i.e., "Reward Cards". The definition of "Gift Card Claim" set forth herein is without prejudice to the respective rights of parties in interest to object to any such purported claim on any basis deemed appropriate by the objector.

3. In certifying this class, the Court makes the following findings:

(a) Facts as to Claimant:

(i) Claimant received his card as a gift from his father. On March 11, 2008, Claimant, by Krislov & Associates, Ltd., filed a proof of claim regarding his \$50 gift card.

(b) Rule 23(a) Prerequisites:

(i) **Numerosity.** Pursuant to Fed. R. Civ. P. 23(a)(1), the class is so numerous that joinder is impracticable. There are potentially thousands of Gift Card Claims.

(ii) **Commonality.** Under Rule 23(a)(2) there are questions of law or fact that are common to the class. The legal question applicable to all class members is a determination of priority treatment for Gift Card Claims, and that is a question that should be answered uniformly for all members of the defined class.

(iii) **The Named Claimant's Claims are Typical of the Class.** The "claims or defenses of the representative parties are typical of the claims or defenses of the class" pursuant to Fed.R.Civ.P. 23(a)(3). In this case, typicality is met because the relief Movant seeks arises from the same event or practice or course of conduct that gives rise to the claims of other class members.

(iv) **Adequacy of Representation.** Under Rule 23(a)(4)'s adequacy is satisfied. (a) The interests of the Claimant as representative party in determining the treatment of gift card claimants under the Bankruptcy Code do not conflict with the interests of any of the class members; and counsel chosen by the representative party is qualified, experienced, and able

to vigorously conduct the proposed litigation. (b) Claimant's proposed class counsel Clinton A. Krislov (Lead Class Counsel) and Kenneth T. Goldstein KRISLOV & ASSOCIATES, LTD, and Christopher D. Loizides, LOIZIDES, P.A., and are qualified to adequately represent the class as experienced class action attorneys, litigation attorneys and bankruptcy attorneys.

(c) Rule 23(b)(2) categories:

(1) The Class is certified under Rule 23(b)(2), as Claimants demand for declaratory relief as to the treatment of Gift Card Claims under the Bankruptcy Code is a question that should be answered uniformly.

(2) The Class is also certified under Rule 23(b)(3). Questions of law or fact common to class members predominate over any questions affecting only individual members, and that a class action is superior to other available methods for fairly and efficiently adjudicating the controversy because determination of the treatment of Gift Card Claims under the Bankruptcy Code is a question that should be answered uniformly for all members of the class. The Gift Card Claims can be adjudicated far more efficiently and at a much lower cost to all parties if they are addressed in a single proceeding. Class certification is an efficient and superior method to manage the priority issue claimed by the Gift Card Claims and the treatment of Gift Card Claims under the Bankruptcy Code.

(3) To the extent of any adversary proceeding initiated by the Class, it shall constitute a class action case.

4. By this Order, Claimant's previously submitted proof of claim is on behalf of the Gift Card Claim Class.

Dated: September 9, 2008



Hon. Kevin Cross
United States Bankruptcy Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

-----X		
In re:	:	Chapter 11
	:	
TSIC, Inc. f/k/a Sharper Image Corporation, ¹	:	Case No. 08-10322 (KG)
	:	
Debtor.	:	D.1.2218
-----X		

**ORDER PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY CODE
ESTABLISHING PROCEDURES FOR SETTLING CLAIMS OF GIFT CARD HOLDERS**

Upon the motion, dated April 11, 2011 (the "Motion"),² of TSIC, Inc. f/k/a Sharper Image Corporation ("TSIC"), as debtor and debtor in possession, for an order pursuant to section 105(a) of title 11 of the United States Code (the "Bankruptcy Code") establishing a process by which Gift Card holders will receive a distribution on account of their respective Gift Card claims in accordance with section 507(a)(7) of the Bankruptcy Code, as more fully set forth in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided, and it appearing that no other or further notice need be provided; and the relief requested in the Motion being in the best interests of TSIC and its estate and creditors; and the Court having reviewed the Motion and the Gift Card Holder Class Objection to the Motion, and having heard arguments thereon at a hearing on May 20, 2011

¹ The address of the Debtor's principal executive offices is 1255 Treat Blvd, Ste. 300, Walnut Creek, California 94597. The Debtor's EIN is 94-2493558.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

before the Court (the "Hearing"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted, as modified herein; and it is further

ORDERED that TSIC is authorized to implement the following procedures:

(i) TSIC, through the assistance of its claims agent KCC, will engage in both an on-line media campaign and a print publication as follows:

(a) Online media campaign

(1) KCC will engage 24/7 Network, a digital marketing company that has access to over 900 websites, who will place banner--like "teasers" which will contain statements similar to the following: "If you have or had one or more "The Sharper Image" gift cards, you could be entitled to a payment on account of the gift cards" ("Teasers") on websites specifically targeted to reach technology enthusiasts. The 24/7 Network Teasers are expected to create at least 11 million impressions and will run for 30 days.

(2) KCC will also place Teasers on Facebook.com to create 8 million impressions and will run for 30 days.

(b) The Teasers placed on the websites targeted to reach technology enthusiasts and on Facebook.com will facilitate putative Gift Card Class members to click access online to a website which will display a notice (the "Notice"), in substantially the form annexed hereto as Exhibit A, containing additional information about the Gift Card Procedures described herein, and a claim form which class members may download or fill in, print out and mail in.

(c) In addition to the on-line media campaign described in (a) and (b) above, TSIC will place a one-third page advertisement in People magazine and in Sports Illustrated magazine which will provide information to putative Gift Card class members about how to access the Notice, submit a Gift Card Form, and be eligible for a distribution on account of Gift Card balances. The form of advertisement will be substantially similar to the proposed Notice attached as Exhibit A, tailored to conform to print and publication requirements.

- (d) The media campaign (both on-line and print publication) will commence at least 60 days before the date (the "Gift Card Form Submission Deadline") by which putative Gift Card Class members must submit their Gift Card Forms (defined below).
- (e) The total on-line plus print media campaign will not exceed \$200,000 (approximately \$81,000 online and approximately \$100,000 print media), exclusive of claims processing fees, subject to further Order of the Court.
- (ii) The Notice will provide that putative Gift Card Class members must complete the form (the "Gift Card Form"), in substantially the form annexed hereto as Exhibit B, which will be made available on TSIC's claims agent's website. The Gift Card Form will state that the putative claimant must either (a) provide a copy of the front and back of the Gift Card or (b) affirm, under penalty of perjury, that the Gift Card claim fits within the parameters of section 507(a)(7) of the Bankruptcy Code, as explained in detail on the Gift Card Form. For affirmation claims (i.e., claims submitted without a copy of the claimant's Gift Card), claims will be limited to \$100 notwithstanding the fact that the balance of the Gift Card may exceed \$100. If a proof of claim has been previously filed on account of an outstanding Gift Card balance, the individual will not be required to complete a Gift Card Form.
- (iii) The Gift Card Form must be sent to TSIC's claims agent who will maintain a Gift Card Form claims register. TSIC will review the Gift Card Forms and, within 45 days of the Gift Card Form Submission Deadline (the "Gift Card Form Review Deadline"), TSIC will make the determination whether the information provided on each Gift Card Form is sufficient to prove that the putative claimant holds a legitimate Gift Card claim subject to priority under section 507(a)(7) of the Bankruptcy Code. TSIC will collaborate with the attorneys for the Class Representative on its determination with respect to the Gift Card Forms and will make the Gift Card Forms and claims register available to the attorneys for the Class Representative for review, identifying specifically the claims TSIC intends to approve, and those it intends to reject, with reasons therefore. Class Counsel shall have a reasonable period to review and challenge such determinations.
- (iv) As soon as practicable following the Gift Card Form Review Deadline, TSIC will, after reasonably conferring with Class Counsel as described above, file with the Court a summary of the Gift Card Forms received and proposed distribution amounts (the "Distribution Proposal"). TSIC will provide notice of the hearing to consider the Distribution Proposal to claimants who filed a Gift Card Form as well as claimants who filed a proof of claim on account of their Gift Cards. The Distribution Proposal will state the reason for the proposed disallowance of the claim and

claimants will be afforded an opportunity, after the Distribution Proposal is served and prior to the hearing by this Court on approval of the Distribution Proposal, to confer with Class Counsel and the Debtor to determine whether the defects in the proposed disallowed claims can be cured. If Class Counsel and the Debtor agree the defects can be cured, the Debtor will submit a revised Distribution Proposal prior to the approval hearing. Available funds for distribution shall be determined as the aggregate available funds for distribution, after all allowed claims senior in priority to the Gift Card claims have been satisfied and after reduction for the described costs of notice, claims processing costs, and attorneys' fees for Class Counsel.

- (v) The Distribution Proposal shall be structured to make a distribution first to those claimants who filed an allowable Gift Card Form *with a copy of the Gift Card* (the "Gift Card Claimants") in the amount of the remaining unredeemed amount of the Gift Card, not to exceed \$2,245 per Gift Card. To the extent these claims exceed the net distributable proceeds held by TSIC, the claims will be prorated. If available funds are sufficient to satisfy the claims of the Gift Card Claimants, the remaining available funds shall be applied to the claims of those claimants who filed an allowable Gift Card Form *with only an affirmation and no copy of the Gift Card* (the "Affirmation Claimants") to the extent there are sufficient funds in the estate to do so. *To be clear, the Affirmation Claimants (those who do not submit a copy of their Gift Card) will receive a distribution on account of their allowable Gift Card Form only after the claims of the Gift Card Claimants (those who submit a copy of their Gift Card) have been satisfied.* To the extent claims for either group exceed the net distributable proceeds for that group, the claims will be prorated.
- (vi) Due to the costs of processing, payments of less than \$10.00 (ten dollars) will not be paid to claimants individually. Amounts not distributed as a result of the distributable amount totaling less than \$10 will be paid to appropriate *cy pres* recipient organizations proposed by Class Counsel, for approval by this Court.
- (vii) Attorneys for the Class Representative shall petition and may be awarded fees and reimbursement of expenses in connection with its representation of the Gift Card Class as well as an incentive award for the Class Representative upon application to this Court in accordance with the Rule 7023(h) of the Federal Rules of Bankruptcy Procedure. Such fees and expenses, to the extent allowable, will be deducted from the total funds available for distribution to the Gift Card Claimants entitled to distribution pursuant to the Distribution Proposal approved by this Court;

and it is further

ORDERED that this Court shall retain jurisdiction to interpret and enforce the
terms of this Order.

Dated: Wilmington, Delaware

June 8, 2011

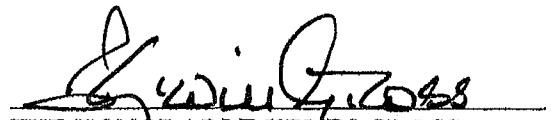

THE HONORABLE KEVIN GROSS
UNITED STATES BANKRUPTCY JUDGE

Exhibit A

Notice

**If You Have a “Sharper Image Corporation” Gift Card
You May be Entitled to Compensation for the Outstanding Balance of the Card**

What this Case is About

On February 19, 2008, TSIC, f/k/a Sharper Image Corporation (“TSIC”) filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), Case No. 08-10322 (KG). On September 9, 2008, the Bankruptcy Court issued an order certifying a class of Gift Card holders (the “Gift Card Class”). TSIC, together with the attorneys for the Gift Card Class, proposes a process by which holders of Gift Cards with outstanding balances may, upon submission of an allowable Claim Form, receive a distribution from TSIC’s bankruptcy estate. Distributions will only be made following approval by the Bankruptcy Court of the Distribution Proposal and after all allowed claims senior in priority to the Gift Card claims have been satisfied.

Submitting a Gift Card Claim Form

If you hold a “Sharper Image Corporation” Gift Card with an outstanding balance, you must submit a Claim Form in order to obtain payment for the outstanding balance of the card. **You may obtain a gift card claim form at the following web address:** [____], or by calling TSIC’s claims agent, Kurtzman Carson Consultants LLC at (888) 647-1743. When signing the claim form, you will be required to affirm that the outstanding balance of your Gift Card does not exceed \$2,245.00; that an individual purchased the Gift Card; that the Gift Card Claim arises from the deposit, before February 19, 2008, of money in connection with the purchase of property or services from TSIC (f/k/a Sharper Image Corporation), for the personal, family, or household use of an individual, that were not delivered or provided (this includes any individual who received and now holds a “Sharper Image Corporation” Gift Card; that the Gift Card claim is not based on a merchandise certificate or merchandise credit; and that the Gift Card was not received as a result of corporate or other promotions activities (including but not limited to Reward Cards purchased using air miles or credit card rewards).

You should submit a copy of the front and back of your Gift Card with the claim form. If you do not have a copy of your Gift Card, you are still eligible to file a Claim Form. Claim Forms submitted without a copy of the Gift Card will be segregated and holders of these claims may receive a distribution only after distributions are made to holders of Gift Card claims who presented copies of their Gift Cards with their Claim Form. If you submit a Claim Form without a copy of your Gift Card, you will only be entitled to a maximum claim of \$100 notwithstanding the fact that the balance of your Gift Card may exceed \$100. Distributions that total less than \$10 will not be made.

If you have already filed a proof of claim on account of your Gift Card in TSIC’s bankruptcy case, you do not have to file a Claim Form as provided herein.

Deadline to Submit Claim Form and Where to Submit the Form

You must either:

- (i) submit an original copy of your Claim Form to the following address: TSIC Claims Processing Center c/o Kurtzman Carson Consultants LLC, 2335 Alaska Ave., El Segundo, CA 90245;
- (ii) upload a copy of your Claim Form to the following address: [____]; or
- (iii) pdf an image of your Claim Form to the following address: [____].

Any claimant who fails to deliver a Claim Form by [____] (the “Claim Form Submission Deadline”) will not be eligible to participate in the Gift Card Class or receive a distribution on account of a Gift Card claim.

Processing of Claim Forms

TSIC will process the Claim Forms within forty-five days following the Claim Form Submission Deadline. A report will be filed with the Bankruptcy Court summarizing TSIC’s proposed distribution plan. Those claimants who

submitted Claim Forms and who filed Gift Card proof of claims will receive notice of the hearing during which time the Bankruptcy Court will consider the proposed distribution plan.

Further Information

For further information regarding the Gift Card claims process, you may contact: Kurtzman Carson Consultants LLC, 2335 Alaska Ave., El Segundo, CA 90245, Telephone: (888) 647-1743, email: [].

DO NOT TELEPHONE THE BANKRUPTCY COURT REGARDING THIS NOTICE.

Exhibit B

Gift Card Claim Form

TSIC, Inc. f/k/a Sharper Image Corporation
Chapter 11 Case No. 08-10322 (KG)
"Sharper Image" Gift Card Claim Form

Name: _____

Address: _____

City/State/Zip Code: _____

Telephone: _____

Email: _____

I have included a copy of the front and back of my Gift Card Yes ☐ No ☐

If yes, the outstanding balance on my Gift Card is _____

If no, the outstanding balance on my Gift Card was _____

I am ☐, or I am not ☐ submitting other documentation in support of my claim without a gift card

Have you previously filed a proof of claim form in this bankruptcy case? To confirm your prior claim number please visit www.kcellc.net/sharperimage and click on Claims RegistryYes ☐ No ☐
My Claim Number is _____

Affirmation:

I affirm that the outstanding balance of my Gift Card does not exceed \$2,245.00; that an individual purchased the Gift Card; that the Gift Card Claim arises from the deposit, before February 19, 2008, of money in connection with the purchase of property or services from TSIC (f/k/a Sharper Image Corporation), for the personal, family, or household use of an individual, that were not delivered or provided (this includes any individual who received and now holds a "Sharper Image Corporation" Gift Card; that my claim is not based on a merchandise certificate or merchandise credit; and that my Gift Card was not received as a result of corporate or other promotions activities (including but not limited to Reward Cards purchased using air miles or credit card rewards).

Under penalty of perjury, I certify that the above facts are true to the best of my knowledge and belief.

Signature _____

Date _____

You should mail your Claim Form to the following address so as to be received on or before []:

TSIC Claims Processing Center
c/o Kurtzman Carson Consultants LLC
2335 Alaska Ave.
El Segundo, CA 90245
Telephone: (888) 647-1743

You may upload your claim form to the following address on or before []:

[]

You may send a pdf of your claim form to the following address on or before []:

[]

Pack No. 95 PRF 40682 Re. TSIC Svc1
KRISLOV & ASSOCIATES LTD
CLINTON A KRISLOV
20 N WACKER DR STE 1350
CHICAGO, IL 60606-

EXHIBIT E

Press Release



News Release

Media Contact:
Mary Davis
(734) 477-1374

Borders Group Files for Reorganization Relief Under Chapter 11

Secures Commitment for \$505 Million in Debtor-in-Possession Financing

Borders to Continue to Conduct Business in Ordinary Course

Chapter 11 Provides Borders with Best Route to Reorganize and Reposition Company for the Long-Term

Ann Arbor, Mich. Feb. 16, 2011 —“It has become increasingly clear that in light of the environment of curtailed customer spending, our ongoing discussions with publishers and other vendor related parties, and the company’s lack of liquidity, Borders Group does not have the capital resources it needs to be a viable competitor and which are essential for it to move forward with its business strategy to reposition itself successfully for the long term. To position Borders to remedy this condition, Borders Group, with the authorization of its board of directors, has filed a petition for reorganization relief under Chapter 11 of the Bankruptcy Code. This decisive action will give Borders the opportunity to achieve a proper infusion of capital in order to have the opportunity to have the time to reorganize in order to reposition itself to be a successful business for the long term,” said Mike Edwards, Borders Group President.

“In this regard, operating under Chapter 11, Borders has received commitments for \$505 million in Debtor-in-Possession (DIP) financing led by GE Capital, Restructuring Finance. This financing should enable Borders to meet its obligations going forward so that our stores continue to be competitive for customers in terms of goods, services and the shopping experience. It also affords Borders the opportunity to move forward in implementing the appropriate business strategy designed to reposition Borders to be a potentially vibrant, national retailer of books and other products,” Mr. Edwards emphasized.

The company said that it is serving customers in the normal course, including honoring its Borders Rewards program, gift cards and other customer programs. Additionally, the company expects to make employee payroll and continue its benefits programs for its employees.

Borders said that it has many strengths upon which to build a solid plan of reorganization and implement a new business model for Borders to address the changing needs of the American reader. “For decades, Borders has been a beacon of engagement — a highly frequented destination for consumers and a significant venue for

-more-

Borders Group Files for Reorganization Relief Under Chapter 11--2

authors and vendors to showcase new books and merchandise. We have the ability, based on our brick and mortar presence nationally; the on-line capabilities we have in place; the loyalty of, and access to, our customers; and the products and services we offer to be an important and easy access destination of exploration and purchase for readers across the country," commented Mr. Edwards.

The company noted that, among other initiatives and subject to court approval, Borders plans to undertake a strategic Store Reduction Program to facilitate reorganization and its repositioning. Borders has identified certain underperforming stores — equivalent to approximately 30 percent of the company's national store network — that are expected to close in the next several weeks. At the same time, the company noted that a major strength of Borders is its national presence, and its extensive network of remaining stores as well as Borders.com, will continue to run in normal course. The company emphasized that the closings were a reflection of economic conditions, cost structures and viability of locations, among other factors, and not on the dedication and productivity of the workforce in these stores.

"We are confident that, with the protection afforded under Chapter 11 and with the support of employees, publishers, suppliers and creditors, and the reading public, a successful reorganization can be achieved enabling Borders to emerge from the process as a stronger and more vibrant book seller," concluded Mr. Edwards.

"We are very pleased to be able to make this commitment to Borders as support for their plan to reorganize the company," said Tim Tobin, Managing Director, Retail Restructuring, GE Capital, Restructuring Finance.

The Chapter 11 petition for relief was filed in the U.S. Bankruptcy Court, Southern District of New York. Completion of the company's DIP financing arrangements is subject to approval of the Bankruptcy Court and the satisfaction of certain conditions provided in the financing commitments received by the company from the lenders providing such financing.

Additional information about the reorganization is available at www.bordersreorganization.com or by telephone at (877) 906-7675.

About Borders Group, Inc.

Headquartered in Ann Arbor, Mich., Borders Group, Inc. (NYSE: BGP) is a leading specialty retailer of books as well as other educational and entertainment items. Online shopping is offered through borders.com. Find author interviews and vibrant discussions of the products we and our customers are passionate about online at facebook.com/borders, twitter.com/borders and youtube.com/bordersmedia. For more information about the company, visit borders.com/media.

-more-

Borders Group Files for Reorganization Relief Under Chapter 11 -- 3

Safe Harbor Statement

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. One can identify these forward-looking statements by the use of words such as “expect,” “believe,” “planning,” “possibility,” “opportunity,” “goal,” “will,” “may,” “intend,” “anticipates,” “working toward” and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are subject to risks and uncertainties that could cause actual results and plans to differ materially from those included in the company’s forward-looking statements.

These risks and uncertainties include but are not limited to (i) the ability of the company to continue as a going concern, (ii) the company’s ability to obtain Bankruptcy Court approval with respect to motions in the Chapter 11 cases, (iii) the ability of the company and its subsidiaries to prosecute, develop and consummate one or more plans of reorganization with respect to the Chapter 11 cases, (iv) the effects of the company’s bankruptcy filing on the company and the interests of various creditors, equity holders and other constituents, (v) Bankruptcy Court rulings in the Chapter 11 cases and the outcome of the cases in general, (vi) the length of time the company will operate under the Chapter 11 cases, (vii) risks associated with third party motions in the Chapter 11 cases, which may interfere with the company’s ability to develop and consummate one or more plans of reorganization once such plans are developed, (viii) the potential adverse effects of the Chapter 11 proceedings on the company’s liquidity or results of operations, (ix) the ability to execute the company’s business and restructuring plan, (x) increased legal costs related to the company’s bankruptcy filing and other litigation, (xi) the company’s ability to maintain contracts that are critical to its operation, to obtain and maintain normal terms with its vendors, landlords and service providers and to retain key executives, managers and employees.

In the event that the risks disclosed in the company’s public filings and those discussed above cause results to differ materially from those expressed in the company’s forward-looking statements, the company’s business, financial condition, results of operations or liquidity, and the interests of creditors, equity holders and other constituents, could be materially adversely affected.

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EXHIBIT F

Press Release



News Release

Media Contact:
Mary Davis
(734) 477-1374

Borders Receives Court Approval for \$505 Million of Debtor-in-Possession Financing

Borders now able to pay for goods and services purchased post-filing

Court also approves additional first day motions, including continuation of customer programs

NEW YORK, Feb. 16, 2011 — Borders Group Inc. today announced that the U.S. Bankruptcy Court for the Southern District of New York has approved its \$505 million in Debtor-in-Possession (DIP) financing led by GE Capital, Restructuring Finance. Borders will use the funds, among other things, to pay vendors, publishers and other suppliers for post-petition goods and services and to operate its day-to-day business.

In addition, Borders announced that the Court has approved additional "First Day Motions" so that ongoing business will not be disrupted. In this regard, Borders received permission from the Court to, among other things:

- Honor its Borders Rewards and Borders Rewards Plus programs, gift cards and other customer programs;
- Pay its employee wages and benefits substantially in the ordinary course of business; and,
- Continue to maintain its cash management systems.

Mike Edwards, President, Borders Group, stated, "We are moving quickly right at the outset of the Chapter 11 process to restore stability to our business and protect our enterprise and its brand. We now have financing to pay our vendors and other related parties in a timely fashion for post-petition goods and services, with the funding and related court approvals to operate our business effectively on a day-to-day basis. We look forward to continuing to meet the needs of our customer base and being a preeminent and innovative retailer in this space."

Borders filed to reorganize its U.S. businesses under Chapter 11 on February 16, 2011 in the U.S. Bankruptcy Court for the Southern District of New York. The case number is 11-10614(MG). The company's international franchised operations were not part of the filing.

Additional information about the recapitalization is available at www.bordersreorganization.com or by telephone at (877) 906-7675.

About Borders Group, Inc.

Headquartered in Ann Arbor, Mich., Borders Group, Inc. (NYSE: BGP) is a leading specialty retailer of books as well as other educational and entertainment items. Online shopping is offered through borders.com. Find author interviews and vibrant discussions of the products we and our customers are passionate about online at facebook.com/borders, twitter.com/borders and youtube.com/bordersmedia. For more information about the company, visit borders.com/media.

Borders Receives Court Approval for \$505 Million of Debtor in Possession Financing -2

Safe Harbor Statement

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. One can identify these forward-looking statements by the use of words such as “expect,” “believe,” “planning,” “possibility,” “opportunity,” “goal,” “will,” “may,” “intend,” “anticipates,” “working toward” and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are subject to risks and uncertainties that could cause actual results and plans to differ materially from those included in the company’s forward-looking statements.

These risks and uncertainties include but are not limited to (i) the ability of the company to continue as a going concern, (ii) the company’s ability to obtain Bankruptcy Court approval with respect to motions in the Chapter 11 cases, (iii) the ability of the company and its subsidiaries to prosecute, develop and consummate one or more plans of reorganization with respect to the Chapter 11 cases, (iv) the effects of the company’s bankruptcy filing on the company and the interests of various creditors, equity holders and other constituents, (v) Bankruptcy Court rulings in the Chapter 11 cases and the outcome of the cases in general, (vi) the length of time the company will operate under the Chapter 11 cases, (vii) risks associated with third party motions in the Chapter 11 cases, which may interfere with the company’s ability to develop and consummate one or more plans of reorganization once such plans are developed, (viii) the potential adverse effects of the Chapter 11 proceedings on the company’s liquidity or results of operations, (ix) the ability to execute the company’s business and restructuring plan, (x) increased legal costs related to the company’s bankruptcy filing and other litigation, (xi) the company’s ability to maintain contracts that are critical to its operation, to obtain and maintain normal terms with its vendors, landlords and service providers and to retain key executives, managers and employees.

In the event that the risks disclosed in the company’s public filings and those discussed above cause results to differ materially from those expressed in the company’s forward-looking statements, the company’s business, financial condition, results of operations or liquidity, and the interests of creditors, equity holders and other constituents, could be materially adversely affected.

###

EXHIBIT G

Press Release

News Release

BORDERS ENTERS INTO PRELIMINARY AGREEMENT WITH DIRECT BRANDS, A PORTFOLIO COMPANY OF NAJAFI COMPANIES

Borders Continuing to Serve Customers in the Ordinary Course

Ann Arbor, Mich., June 30, 2011 – Borders Group, Inc. today announced that it has entered into an asset purchase agreement with Direct Brands, a portfolio company of Najafi Companies, and intends to move forward with submitting the agreement to the Court to serve as the “stalking horse” bid for a Court-supervised auction of the business under Section 363 of the U.S. Bankruptcy Code. Borders believes a sale provides the best path forward to reposition the business for a successful future and to maximize value for the Company’s stakeholders.

Under the terms of the agreement and subject to further due diligence, Direct Brands would purchase substantially all of the Company’s assets for \$215.1 million plus the assumption of approximately \$220 million of liabilities, subject to the auction and Bankruptcy Court approval. Najafi Companies is a Phoenix, Ariz.-based private investment company with extensive experience in several customer-focused businesses. The firm acquired Direct Brands in 2008, including *Book-of-the-Month Club*, Doubleday Book Clubs and Columbia House. The tentative purchase agreement will occur prior to the Court hearing on July 21.

If consummated and under the terms of the agreement, Borders would operate as a wholly owned subsidiary of Direct Brands. As part of the agreement with Direct Brands, Hilco and Gordon Brothers have agreed to acquire any store locations that are ultimately not included in the sale and will close those stores in an orderly manner.

Mike Edwards, Borders Group President, said, “We are pleased to take another important step forward as we position Borders for a vibrant future and sustainable earnings growth. Since the filing, we have made significant progress in reducing our cost structure, refocusing our merchandise offering, and building our eBook business. We look forward to working with a supportive partner as we continue to execute on our turnaround strategy.”

Under its turnaround plan, Borders introduced a revitalized in-store experience particularly with respect to its Kids offering and a new Borders Café program in its superstores featuring a new Café design and tailored menu items. On the digital front, Borders is capturing a larger share of the eBook market through an expanded partnership with Kobo. In addition to providing customers with access to Kobo's vast inventory of digital books, the Company recently introduced the new Kobo eReader Touch Edition to great reviews, and the device will be available in stores in early July.

Mr. Edwards concluded, "We appreciate the continued support of our employees, customers and business partners as we work toward a successful resolution to our restructuring."

During the sale process, Borders is continuing to conduct business and serve customers in the ordinary course, including honoring its Borders Rewards program, gift cards and other customer programs.

In addition to the Company's filing a motion today with the Bankruptcy Court seeking authorization to conduct a Court-supervised auction, the Company also submitted an alternative proposal required under the Company's DIP financing agreement, in the event that a going-concern sale is not consummated, that comprises an orderly sale of all the assets of the business by a joint venture led by Hilco and Gordon Brothers.

The Company anticipates completing the sale process by late July.

Borders legal advisors are Kasowitz, Benson, Torres & Friedman LLP and Baker & McKenzie, and its financial advisor is Jefferies & Company, Inc. Alix Partners is serving as Restructuring Advisor. Advisors for Najafi Companies include Ballard Spahr LLP and New York-based Debevoise & Plimpton LLP.

Additional information about the reorganization is available at www.bordersreorganization.com.

About Borders Group, Inc.

Headquartered in Ann Arbor, Mich., Borders Group, Inc. is a leading specialty retailer of books as well as other educational and entertainment items. Online shopping is offered through borders.com. Find author interviews and vibrant discussions of the products we and our customers are passionate about online at facebook.com/borders, twitter.com/borders and youtube.com/bordersmedia. For more information about the Company, visit borders.com/media.

About Najafi Companies

Najafi Companies is an international private investment firm based in Phoenix, Arizona. The firm makes highly-selective investments up to \$1 billion in size in companies with strong management teams across a

variety of industries, and often in industries out of popular favor. The firm takes a long-term view on its investments and focuses its efforts to create value through growth and superior performance. Najafi Companies funds investments with internally generated capital, not through a fund. Free from the restrictions of a fund, the firm is able to move quickly and decisively when investing, and with no requirements to return capital to outside partners, Najafi Companies is able to make investments that create maximum value for the long-term. For more information about Najafi Companies, visit www.najafi.com.

About Direct Brands

Direct Brands is one of the largest direct-to-consumer distributors of media products in the U.S. The company is home to music, DVD and book club brands such as BMG Music Service, Columbia House DVD, BOMC2.com, Doubleday Book Club, and Book of the Month Club as well as a number of special interest and lifestyle book clubs. The company serves members in the U.S. and Canada through its various club catalogs and online.

Safe Harbor Statement

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. One can identify these forward-looking statements by the use of words such as “expect,” “believe,” “planning,” “possibility,” “opportunity,” “goal,” “will,” “may,” “intend,” “anticipates,” “working toward” and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are subject to risks and uncertainties that could cause actual results and plans to differ materially from those included in the company’s forward-looking statements.

These risks and uncertainties include but are not limited to (i) the ability of the company to continue as a going concern, (ii) the company’s ability to obtain Bankruptcy Court approval with respect to motions in the Chapter 11 cases, (iii) the ability of the company and its subsidiaries to prosecute, develop and consummate one or more plans of reorganization with respect to the Chapter 11 cases, (iv) the effects of the company’s bankruptcy filing on the company and the interests of various creditors, equity holders and other constituents, (v) Bankruptcy Court rulings in the Chapter 11 cases and the outcome of the cases in general, (vi) the length of time the company will operate under the Chapter 11 cases, (vii) risks associated with third party motions in the Chapter 11 cases, which may interfere with the company’s ability to develop and consummate one or more plans of reorganization once such plans are developed, (viii) the potential adverse effects of the Chapter 11 proceedings on the company’s liquidity or results of operations, (ix) the ability to execute the company’s business and restructuring plan, (x) increased legal costs related to the company’s bankruptcy filing and other litigation, (xi) the company’s ability to maintain contracts that are critical to its operation, to obtain and maintain normal terms with its vendors, landlords and service providers and to retain key executives, managers and employees.

In the event that the risks disclosed in the company's public filings and those discussed above cause results to differ materially from those expressed in the company's forward-looking statements, the company's business, financial condition, results of operations or liquidity, and the interests of creditors, equity holders and other constituents, could be materially adversely affected.

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EXHIBIT H

Operating Report

In re BORDERS GROUP INC., et al.
Debtor

Federal Tax I.D. # 38-3294588

REQUIRED DOCUMENTS	FORM NO.	DOCUMENT ATTACHED	EXPLANATION ATTACHED
Schedule of Cash Receipts and Disbursements	MOR-1	x	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1	x	
Copies of bank statements			x
Cash disbursements journals			x
Statement of Operations	MOR-2	x	
Statement of Net Assets (Liabilities) - Liquidation Basis	MOR-3	x	
Status of Post-Petition Taxes	MOR-4	x	
Copies of IRS Form 6123 or payment receipt			x
Copies of tax returns filed during reporting period			x
Summary of Unpaid Post-Petition Debts	MOR-4	x	
Listing of Aged Accounts Payable	MOR-4	x	
Accounts Receivable Reconciliation and Aging	MOR-5	x	
Taxes Reconciliation and Aging (See MOR-7)			x
Payments to Insiders and Professionals	MOR-6	x	
Post-Petition Status of Secured Notes, Leases Payable	MOR-6	x	
Debtor Questionnaire	MOR-7	x	

The results of operations contained herein are not necessarily indicative of results which may be expected for any other period or for the full year and may not necessarily reflect the consolidated results of operations and financial position of the Debtors in the future.

The Debtors have paid certain pre-petition liabilities in accordance with orders approved by the Bankruptcy Court authorizing such payments. The Debtors believe that all undisputed post-petition accounts payable have been and are being paid according to agreed upon terms specific to each vendor and/or service provider. Any aged amounts represent items subject to valid disputes, and certain items which have been paid subsequent to the end of the reporting period.

Notes
1 - Amounts exclude receipts/disbursements made on behalf of the Debtors that did not flow through a Debtor bank account.

- 1 - The Debtors have not included copies of bank statements or cash disbursement journals due to the voluminous nature of these reports.
- 2 - The Debtors reconcile their bank accounts on a monthly basis.
- 3 - The Debtors have excluded accounts with no balance as of the end of the reporting period and have also excluded accounts that receive cash deposits from local stores and corporate/institutional customers which amounts are regularly swept either to the Debtors' primary accounts listed above.
- 4 - The Debtors have excluded the Ad Valorem Reserve Account and the Professional Fee Carve Out Account, which had balances of \$1,343K and \$51K as of September 24, 2011.

In re BORDERS GROUP INC., et al.
 Debtor

Case No. 11-10614
 Reporting Period: 8/28/11 - 9/24/11

STATEMENT OF OPERATIONS
 (\$MM)

	Sep-11
Sales	\$ 3.3
Other revenue ¹	156.2
Total revenue	159.5
Cost of merchandise sold (includes occupancy)	95.1
Gross margin	64.4
Selling, general and administrative expenses	2.8
Operating income (loss)	61.6
Interest expense (income)	0.1
Total interest expense	0.1
Income (loss) before reorganization items and income taxes	61.5
Reorganization items, net	(4.6)
Income (loss) before income taxes	66.1
Income tax provision (benefit)	-
Net income (loss)	\$ 66.1

Notes

1 - Other revenue includes the write-on of all unredeemed gift cards issued prior to February 16, 2011.

	Sep-11
Assets:	
Cash and cash equivalents	\$ 75.0
Merchandise inventories	-
Accounts receivable and other assets	95.6
Property and equipment, held for sale	4.6
Total assets in liquidation	175.2
Liabilities:	
Trade accounts payable	3.2
Accrued payroll and other liabilities	61.1
Taxes, including income taxes	27.0
Liabilities subject to compromise	788.8
Total liabilities in liquidation	880.1
Net assets (liabilities) in liquidation	\$ (704.9)

In re BORDERS GROUP INC., et al.
Debtor

Case No. 11-10614
Reporting Period: 8/28/11 - 9/24/11

STATUS OF POST-PETITION TAXES ^{1,3}
(\$000s)

	Beginning Tax	Amount Withheld and/or Accrued	Amount Paid	Ending Tax
Federal				
Withholding	\$ -	\$ 1,603	\$ 1,599	\$ 4
FICA-Employee	-	691	691	-
FICA-Employer	-	933	933	-
Unemployment ⁴	57	13	-	70
Total Federal Taxes	\$ 57	\$ 3,240	\$ 3,223	\$ 74
State and Local				
Withholding	\$ 78	\$ 463	\$ 433	\$ 108
Sales	-	13,896	13,896	-
Unemployment	48	123	-	171
Business Licenses	-	13	13	-
Real Property ²	-	-	-	-
Personal Property	-	-	-	-
Income/Franchise	-	-	-	-
Total State and Local Taxes	\$ 126	\$ 14,495	\$ 14,342	\$ 279
Total Taxes	\$ 183	\$ 17,735	\$ 17,565	\$ 353

Notes

- 1 - The Debtors have not included copies of Form 6123 and tax returns filed during this period due to the voluminous nature of these reports.
2 - The Debtors do not own any real property. Real estate taxes paid by the Debtors are paid as part of an underlying lease obligation and the failure to pay such lease payments would not result in claims by the taxing authority against the Debtors.
3 - The Debtors believe they are paying all undisputed taxes and preparing and filing all tax returns when due or obtaining extensions where necessary.
4 - The Beginning Tax amount for Federal Unemployment taxes was adjusted to reflect a change in federal unemployment tax rate effective 7/1/2011.

STATUS OF POST-PETITION DEBTS ¹
(\$000s)

Description	Aged by Due Date						Total
	Current	0-30	31-60	61-90	91-120	Over 120	
AP Merchandising ^{2,3}	\$ 1,434	\$ (321)	\$ 7,288	\$ (709)	\$ (7,770)	\$ (231)	\$ (309)
AP Other	620	1,411	446	3,417	(346)	(15)	5,533
Total Post-Petition Debts	<u>\$ 2,054</u>	<u>\$ 1,090</u>	<u>\$ 7,734</u>	<u>\$ 2,708</u>	<u>\$ (8,116)</u>	<u>\$ (246)</u>	<u>\$ 5,224</u>

Explain how and when Debtor intends to pay any past due post-petition debts.

Notes

- 1 - The Debtors believe they are paying all undisputed post-petition obligations according to terms. Aged amounts represent items subject to valid disputes, and certain items which have been paid subsequent to the end of the reporting period.
2 - The amounts in this table include payments made to vendors in advance of our receipt of goods. Because such payments are classified as "Accounts receivable and other assets" in the accompanying Statement of Net Assets (Liabilities) under Form MOR-3, the amounts reported under this table will differ from those reported as "Trade accounts payable" on the Statement of Net Assets (Liabilities). In addition, the "Trade accounts payable" amount includes accruals made for merchandise received prior to the Statement of Net Assets (Liabilities) date, but for which no invoice had been received. Certain of these accruals are not included in the amounts shown under this Form MOR-4.
3 - The Debtors' net debit accounts payable balance for AP Merchandising is primarily due to prepayments made to publishers for post-petition orders.

1 - "Accounts receivable and other assets" in the accompanying Statement of Net Assets (Liabilities) under Form MOR-3 includes certain items not included in this table.

In re BORDERS GROUP INC., et al.
Debtor

Case No. 11-10614
Reporting Period: 8/28/11 - 9/24/11

PAYMENTS TO INSIDERS ¹

Name	Type of Payment	Amount Paid ²	Total Paid to Date
Scott Henry	Employment Agreement Signing Incentive	\$ -	\$ 100,000
Glen Tomaszewski	Employment Agreement Transition Incentive	-	100,000
Michele Cloutier	Employment Agreement Signing Incentive	-	50,000
Total Payments to Insiders		\$ -	\$ 250,000

Notes
1 - Payments to insiders excludes ordinary wages, severance, board fees, benefits and expense reimbursements that occurred during the reporting period.
2 - Represents payments made from August 28, 2011 - September 24, 2011.

PAYMENTS TO PROFESSIONALS

Name	Date of Court Order Authorizing Payment	Amount Approved ¹	Amount Paid ²	Total Paid To Date ¹	Total Incurred & Unpaid
AP Services, LLC	March 16, 2011	\$ 9,335,106	\$ 1,464,007	\$ 9,335,106	\$ -
Baker & McKenzie	March 15, 2011	641,906	90,014	537,477	104,429
BDO USA, LLP	April 7, 2011	2,106,322	232,881	1,811,739	294,583
Deloitte Tax LLP	April 7, 2011	373,287	3,525	328,964	44,323
Deloitte Consulting LLP	April 7, 2011	517,746	31,034	490,563	27,183
Deloitte Consulting LLP	April 7, 2011	767,787	-	680,589	87,198
Dickinson Wright PLLC	March 15, 2011	605,618	45,232	512,604	93,014
DJM Realty Services, LLC	March 16, 2011	498,384	89,960	419,383	79,001
Ernst & Young LLP	April 7, 2011	317,045	7,671	262,919	54,126
The Garden City Group, Inc.	February 17, 2011	1,466,148	276,868	1,442,431	23,717
Jefferies & Company, Inc.	March 16, 2011	1,064,970	161,538	899,970	165,000
Kasowitz, Benson, Torres & Friedman LLP	March 15, 2011	4,319,437	622,259	3,627,433	692,004
Lowenstein Sandler PC	April 7, 2011	1,804,196	303,120	1,510,777	293,419
Mercer (US) Inc.	April 7, 2011	82,471	15,248	63,889	18,582
Total Payments to Professionals		\$ 23,900,423	\$ 3,343,357	\$ 21,923,844	\$ 1,976,579

Notes
1 - Represents amounts approved and payments made from the date of each firm's retention through September 24, 2011.
2 - Represents payments made from August 28, 2011 - September 24, 2011.

**POST-PETITION STATUS OF SECURED NOTES, LEASES PAYABLE
AND ADEQUATE PROTECTION PAYMENTS
(\$000s)**

Name of Creditor	Scheduled Monthly Payment Due	Amount Paid During Reporting Period
DIP Principal - Term Loan ¹	N/A	N/A
DIP Principal - Revolver ¹	N/A	N/A
DIP Interest - Term Loan	N/A	N/A
DIP Interest - Revolver	N/A	N/A
Leases Payable ²	\$ 6,058	7,268
Adequate Assurance Payments - Utilities	N/A	-
Total Payments		\$ 7,268

Notes
1 - The DIP Term Loan and Revolver were paid off in full in July 2011.
2 - Amounts Paid include CAM, Tax, Utility charges not included in Scheduled Monthly Payment Due.

In re: BORDERS GROUP INC., et al.
 Debtor

Case No. 11-10614
 Reporting Period: 8/28/11 - 9/24/11

DEBTOR QUESTIONNAIRE

Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary.

		Yes	No
1	Have any assets been sold or transferred outside the normal course of business this reporting period?	X	
2	Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		X
3	Is the Debtor delinquent in the timely filing of any post-petition tax returns?		X
4	Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?		X
5	Is the Debtor delinquent in paying any insurance premium payment?		X
6	Have any payments been made on pre-petition liabilities this reporting period?	X	
7	Are any post-petition receivables (accounts, notes or loans) due from related parties?		X
8	Are any post-petition payroll taxes past due?		X
9	Are any post-petition State or Federal income taxes past due?		X
10	Are any post-petition real estate taxes past due?	X	
11	Are any other post-petition taxes past due?		X
12	Have any pre-petition taxes been paid during this reporting period?	X	
13	Are any amounts owed to post-petition creditors delinquent?		X
14	Are any wages payments past due?		X
15	Have any post-petition loans been received by the Debtor from any party?		X
16	Is the Debtor delinquent in paying any US Trustee fees?		X
17	Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		X
18	Have the owners or shareholders received any compensation outside of the normal course of business?		X

Explanations

- The Debtors have sold assets pursuant to the *Order Approving Agency Agreement, Store Closing Sales and Related Relief* entered under Docket #91 on February 18, 2011, and the *Order Approving Agency Agreement, Store Closing Sales and Related Relief* entered under Docket #1377 on July 21, 2011.
- The Debtors have made payments on account of pre-petition liabilities in accordance with Orders of the Bankruptcy Court specifically authorizing payment of such liabilities.
- There are post-petition real estate taxes that are past due as a result of certain municipalities not accepting partial payments. The Debtors are working with the appropriate landlords to facilitate payments.
- The Debtors have paid certain pre-petition taxes as permitted under the *Final Order Pursuant to 11 U.S.C. Section 105(a), 363(b), 507(a)(8) and 541 and Fed. R. Bankr. P. 6003 and 6004 Authorizing Debtors to Pay Pre-petition Taxes and Assessments* entered under Docket #388 on March 15, 2011.