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*Counsel to the BGI Creditors' Liquidating
Trust and Curtis R. Smith in his capacity
as the Liquidating Trustee*

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

In re:

**BGI, INC., f/k/a Borders Group, Inc.,

Debtor.**

Chapter 11

Case No. 11-10614 (MG)

Substantively Consolidated

**DECLARATION OF KATE MATSON IN SUPPORT OF THE OBJECTION OF THE
BGI CREDITORS' LIQUIDATING TRUST AND LIQUIDATING TRUSTEE TO (A)
MOTION TO ALLOW AND DEEM TIMELY FILED GIFT CARD CLAIMS AND (B)
MOTION FOR 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**

Kate Matson, pursuant to 28 U.S.C. § 1746, hereby declares as follows:

1. I am a Manager at BDO Consulting, a division of BDO USA, LLP ("BDO"). My business address is 100 Park Avenue, New York, NY 10017. On April 7, 2011, the Court entered an order authorizing the Official Committee of Unsecured Creditors (the "Committee")

to retain BDO as its financial advisor *nunc pro tunc* to February 25, 2011 [Docket No. 554] in conjunction with the chapter 11 bankruptcy of Borders Group, Inc., *et al.* (the “Debtors” or “Borders”). BDO has since been retained as financial advisor to Curtis R. Smith, the Liquidating Trustee (the “Trustee”) and the BGI Creditors’ Liquidating Trust (the “Trust”), successor to the Debtors, that was formed in accordance with the BGI Creditors’ Liquidating Trust Agreement and the *First Amended Joint Plan of Liquidation Pursuant to Chapter 11 Proposed by the Debtors and the Official Committee of Unsecured Creditors* dated November 10, 2011 (the “Plan”) [Docket No. 2110], as confirmed by an order of the Bankruptcy Court dated December 20, 2011 [Docket No. 2384]. The Plan became effective on January 12, 2012 (the “Effective Date”) [Docket No. 2465].

2. I have over nine years of accounting experience in the context of corporate turnarounds and restructurings. I am a Chartered Accountant, a member of the Institute of Chartered Accountants in Australia, a member of the Association of Chartered Accountants in the United States, an International Associate of the American Institute of Certified Public Accountants and a Certified Insolvency and Restructuring Advisor.

3. On behalf of the Trust and Trustee, I submit this declaration (the “Declaration”) in support of the *Objection of the BGI Creditors’ Liquidating Trust and Liquidating Trustee to the Motion to Allow and Deem Timely Filed Gift Card Claims* (the “Late Claim Objection”) and the *Objection of the BGI Creditors’ Liquidating Trust and Liquidating Trustee to the Motion for 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* (the “Certification Objection”).

4. The facts set forth in this Declaration are based upon my personal knowledge, upon information and belief based upon information learned during the term of BDO's retention in the Debtors' chapter 11 cases, or upon the Debtors' records kept in the ordinary course of business that were reviewed by me or others employed by BDO under my supervision and direction. If called and sworn as a witness, I could and would testify competently to the matters set forth herein.

5. In or about 1998, the Debtors instituted an electronic gift card program (the "Gift Card Program") under which they sold Borders gift cards ("Gift Cards")¹ at Borders retail locations, third party retail locations such as Walgreens and Safeway; and, commencing in May 2008, at the Debtors' e-commerce website, www.borders.com (the "Borders Website").²

6. Borders engaged First Data Corporation ("First Data"), a third party database management firm that offers gift card program solutions for merchants worldwide, to monitor and maintain the stored value and redemption history of all Gift Cards in a database on Borders' behalf (the "First Data Database"). The Debtors relied on the First Data Database and considered it the sole source of information regarding the activation, balance, and redemption history of Gift Cards, each of which is assigned a unique 16-digit account number that is printed on the Gift Card itself.

¹ Customers could purchase Gift Cards with cash, personal check or credit/debit card at Borders stores and from third-party retailers, or by credit/debit card at the Borders Website. Borders also issued Gift Cards as store credit in certain situations, such as when customers returned merchandise without a receipt. Gift Cards issued to customers as credit historically accounted for 4%-5% of the Debtors' total outstanding Gift Card liabilities. This Declaration uses the term 'Gift Card' to cover both Gift Cards issued to customers for credit and Gift Cards sold to customers.

² From 2000 to May 2008, the Borders Website was operated by Amazon, Inc., which fulfilled all orders and served as the merchant of record for all transactions. Though a customer could purchase a Gift Card from the Borders Website during this time, holders of Gift Cards could not use their Gift Cards on the Borders Website until May 2008. When Borders ended its relationship with Amazon in May 2008 and Borders assumed operational control over the Borders Website, Amazon did not transfer to Borders any customer contact information regarding e-commerce transactions that occurred while Amazon operated the Borders Website.

7. According to the Debtors' public financial statements filed with the Securities and Exchange Commission (the "SEC"), the Debtors accounted for their outstanding Gift Card obligations by recording a liability for the aggregate face value of all Gift Cards sold and unredeemed within the previous twelve (12) months. For Gift Cards sold before the previous twelve (12) months, the Debtors calculated "breakage" (i.e., the unspent portion of a gift card that Borders expected would never be redeemed) based upon historical redemption rates and thereby recorded an adjusted Gift Card liability that represented a portion of the total outstanding Gift Cards' face value.

8. The 2010 Form 10-K that the Debtors filed with the SEC on April 29, 2011, which is the Debtors' last available audited financial statement, shows a total Gift Card liability on January 29, 2011³ of \$100.7 million, as a component of 'Accrued payroll and other liabilities'.⁴ The Debtors recorded income from the annual "breakage" as a component of 'Other revenue' in the consolidated statements of operations. Borders' treatment of the Gift Card liability and "breakage", as outlined above, is in accordance with U.S. Generally Accepted Accounting Principles, and was consistently applied.

9. Each month Borders determined its Gift Card liability and the amount of "breakage" by downloading certain files from the First Data Database via the First Data website as part of Borders' month-end accounting close. These files contained monthly aggregate Gift Card activations and redemptions from the inception of the Gift Card Program, which, when combined, yielded the outstanding total unredeemed balance on all Gift Cards that Borders sold. Borders used this data to calculate "breakage" based on unredeemed Gift Cards sold before the

³ Borders' fiscal year operated on a 4-4-5 accounting calendar and, as such, the 2010 fiscal year end was on January 29, 2011. Therefore, each fiscal month end did not necessarily coincide with the calendar month end.

⁴ The relevant pages of Borders' 2010 Form 10-K are annexed hereto as Exhibit A.

previous twelve (12) months, and then reconciled against the Gift Card liability account in Borders' general ledger to determine the appropriate Gift Card liability balance at the end of each month.

10. The Debtors' internal financial records show a Gift Card liability at the end of August 2011 of approximately \$49 million, which is comprised of individual balances on unredeemed Gift Cards from the inception of the Gift Card Program of approximately \$214 million less \$165 million of "breakage". After the full-chain liquidation of the Debtors' stores and the cessation of all e-commerce transactions at the Borders Website in September 2011, the Debtors recorded \$42 million of outstanding Gift Cards purchased prepetition⁵ as "breakage" (holders of Gift Cards could not redeem the Gift Cards because there was no longer any Borders retail store or e-commerce outlet). The Debtors recorded the \$42 million of outstanding Gift Cards as a component of the \$156.2 million in 'Other revenue' in the Debtors' *Monthly Operating Report of September 2011* [Docket No. 1975], consistent with their previous practice.

11. Upon completion of Borders' full-chain liquidation in September 2011, Borders no longer had access to the First Data Database. Upon request, First Data provided BDO with access to an electronic copy of the files from the First Data Database in early 2012. The information contained in the First Data Database that was received by BDO purports to relate to all Gift Card transactions since October 1998 and contains approximately 249 million records. The First Data Database does not contain any personally identifiable information regarding the purchaser of a Gift Card or the ultimate holder of a Gift Card used in any given transaction, such as name, street address, email address, telephone number, or credit/debit card information. Rather, the First Data Database contains information solely about Gift Card accounts such as the

⁵ Approximately \$3.5 million of Gift Cards were purchased by customers postpetition and remained unredeemed at September 2011. This amount remained on the Debtors' balance sheet as a component of 'Accrued payroll and other liabilities'.

16-digit account number associated with each Gift Card, activation date of the Gift Card, individual transaction amounts, location of individual transactions, dates and times of individual transactions, and remaining Gift Card account balance.

12. BDO extrapolated information from the First Data Database to determine that Borders sold approximately 103 million Gift Cards over the many years the Borders Gift Card Program existed and that today approximately 17.7 million Gift Cards have an outstanding balance greater than zero, for a total unredeemed Gift Card balance of approximately \$210.5 million. As such, the average outstanding balance of each Gift Card is approximately \$11.89.

13. When the Debtors filed for Chapter 11 bankruptcy protection on February 16, 2011 (the “Petition Date”), they issued a press release, annexed hereto as Exhibit B, announcing that they had filed for bankruptcy protection and that store closing sales would be conducted at thirty percent (approximately 200) of Borders’ retail stores. The press release informed the public that additional information about the Debtors’ bankruptcy could be found at the www.bordersreorganization.com website (the “Borders Reorganization Website”), which Garden City Group (“GCG”), the Debtors’ claims and noticing agent, began hosting on the Petition Date.⁶ In addition, the Borders Website informed visitors that the Debtors were in bankruptcy and permitted persons to directly access the Borders Reorganization Website. Soon after the Petition Date, the Debtors added another 26 stores to the store closing list, bringing the total store closures to 226. As part of the store closing process, the Debtors displayed large banners stating that such retail locations were closing, examples of which are shown in Exhibit C.

⁶ The Debtors issued a second press release on the Petition Date as well as a subsequent a press release on June 30, 2011, both of which informed the public that they could find additional information about the Debtors’ bankruptcy at the Borders Reorganization Website. Copies of these press releases are annexed to the Late Claim Motion as Exhibits E and F, respectively.

14. On March 21, 2011, the Committee filed a motion (the “Protocols Motion”) [Docket No. 427], seeking Court approval of certain protocols for implementation of Bankruptcy Code Section 1102(b)(3) including authorization to establish a Committee website (the “Committee Website”) to make certain information available to creditors including “important filings in the chapter 11 cases.” *See* Protocol Motion, ¶ 10. On April 7, 2011, the Court entered an order approving the Protocols Motion. *See* Docket No. 555. On or about March 30, 2011, the Committee Website was activated and became accessible at www.borderscommittee.com, posting relevant information in connection with the chapter 11 cases, including notices, deadlines, pleadings and other documents such as the bar date notice and a proof of claim form.

15. The Debtors’ chapter 11 bankruptcy filing was widely publicized by numerous news outlets recommending that consumers use their Borders’ Gift Cards to avoid the possibility that Gift Cards would not be honored in the future and, in fact, some sources recommended customers use their Borders Gift Cards even before the chapter 11 filing, based on rumors of Borders’ financial distress. A list of representative news articles and/or blogs dating from February 4, 2011 to February 18, 2011 is attached to this Declaration as Exhibit D.

16. Not surprisingly, Gift Card redemptions were higher in February 2011 than in the same month in previous years. Historically, Gift Card redemptions in February hovered at approximately 8% of that month’s net sales, yet increased to approximately 17% of net sales in February 2011. *See* Exhibit E, Chart 1, which shows February historical Gift Card redemptions as a percentage of net sales from 2005 to 2011.

17. On April 22, 2011, GCG created a link on the Borders Reorganization Website entitled “Notice of Deadlines to File Claims and Proof of Claim Form”, which led visitors to a

webpage (the “Bar Date Notice Webpage”)⁷ that provided a link to the court-approved bar date notice, information about filing proofs of claim and the associated deadlines. A copy of the Bar Date Notice Webpage is annexed hereto as Exhibit F.

18. In April, 2011, the Committee posted information in connection with the deadlines for filing proofs of claim on the Committee Website (the “Committee Bar Date Notice Webpage”) including a copy of the bar date notice and a proof of claim form. A copy of the Committee Bar Date Notice Webpage is annexed hereto as Exhibit G.

19. On July 18, 2011, the Debtors issued a press release announcing that Borders would not be sold as a going concern and that store closing sales for all of Borders’ remaining retail stores would commence by July 22, 2011 (the “Liquidation Press Release”). The Liquidation Press Release was also attached to a SEC Form 8-K filed by the Debtors on July 13, 2011 and was publicly available at the SEC website. A copy of the Liquidation Press Release is attached as Exhibit H to this Declaration. Thereafter, on July 21, 2011, Borders’ CEO Mike Edwards, sent an email message (the “Edwards Email”) to Borders Rewards members stating that Borders would be “closing its doors” and stating that “[g]ift cards will be honored during the liquidation sales.” A copy of the Edwards Email is attached hereto as Exhibit L. During the store closing sales, all stores displayed banners and signs indicating that the store was closing and/or that Borders was going out of business, as shown in the examples attached hereto as Exhibit I. The last Borders retail store closed on September 20, 2011.

20. A multitude of national and regional news outlets and numerous Internet blogs publicized the impending store closures from the date of the Liquidation Press Release on July 18, 2011 through September 2011, the date of the last retail store closure. A non-exhaustive list

⁷ See <http://bordersreorganization.com/claim.php> as of May 23, 2012.

of representative articles and/or blogs dating from July 14, 2011 to September 23, 2011 is attached to this Declaration as Exhibit J. Numerous of these articles advised the public that Borders was no longer operating normally but was instead liquidating, and cautioned Borders' customers that Gift Cards would not be redeemable in perpetuity.⁸ These articles explicitly referenced the need for consumers to redeem their Gift Cards as soon as possible, or otherwise quoted customers who had rushed to a Borders retail store upon Borders' announcement of the full chain liquidation in order to use their Gift Cards.⁹

21. The Debtors' sales records indicate that after Borders issued the Liquidation Press Release there was a large increase in the number of Gift Cards redeemed in the period between July 18, 2011 and cessation of all retail sales in September 2011. BDO's analysis of Borders' historical Gift Card redemption trends supports the conclusion that many customers who had not yet redeemed their Gift Cards did so soon after Borders announced the full-chain liquidation on July 18, 2011.

22. Borders' historical Gift Card redemption data for July and August¹⁰ as compared to net sales for those months indicates that Gift Card redemptions increased from approximately 5% of net sales, historically, to over 25% of net sales in July/August 2011. Borders' customers redeemed a total of \$27.5 million in Gift Cards in July/August 2011 as compared to net sales in July/August 2011 of \$108.4 million. Gift Card redemptions for the July/August period had not

⁸ Many news outlets headlined the need to "use it or lose it" in reference to Borders Gift Cards, such as the article published at www.MSNMoney.com on July 19, 2011, entitled "Use your Borders gift card NOW" (emphasis in original), and the article published locally in the Sun Sentinel, a Florida publication, on July 21, 2011, entitled "Borders gift card: Use it before you lose it".

⁹ An article published in the September 5, 2011 issue of *Fortune* magazine, which was also published online at www.CNNMoney.com on August 30, 2011, advised readers to either "scurry to a [Borders] bookstore" or "wait for the lawyers". The article specifically mentions Krislov & Associates, counsel to the Gift Card Holders who filed the Late Claim Motion and Certification Motion. A copy of the *Fortune* article is annexed hereto as Exhibit K.

¹⁰ Given the full-chain liquidation did not start until July 22, 2011, it is appropriate to include August in this analysis because the majority of the results from July 2011 reflect normal business operations.

reached this great a magnitude since July/August of 2008 when Borders' customers redeemed a total of \$29.8 million in Gift Cards out of net sales of \$511.5 million. See Exhibit E, Chart 2, which depicts July and August historical Gift Card redemptions as a percentage of net sales from 2005 to 2011. Also see Exhibit E, Chart 3, which shows historical Gift Card redemptions as a percentage of sales, by month, from February 2007 through September 2011, which illustrates the peak in Gift Card redemptions after both the announcement of the Debtors' chapter 11 filing in February 2011 and the increase in Gift Card usage after the Debtors issued the Liquidation Press Release. In fact, the Debtors' financial results show approximately \$3.7 million in net sales during September 2011 and \$3.5 million in Gift Card redemptions – almost 100% of net sales were due to customers redeeming their Gift Cards in the final days of retail store and e-commerce operations at the Borders Website.¹¹

23. Borders Gift Card redemptions can be analyzed by comparing Gift Card redemptions in any given month to the prior month's activations, given the assumption that most Gift Cards that have not been lost or forgotten will be redeemed shortly after they are received as gifts. Borders' historical Gift Card activation and redemption data supports this analysis, as monthly Gift Card redemptions approach 100% of prior month activations throughout the year (except for a post-December holiday season spike when Gift Card redemptions are higher than 100% of the previous month's Gift Card activations). See Exhibit E, Chart 4, which shows a minor deviation in the monthly trend in the four (4) years before the Debtors' chapter 11 filings.

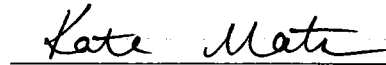
¹¹ Due to the fiscal calendar not equating to the regular calendar, this net sales figure includes sales for both fiscal September 2011, which ended on September 24, 2011 and fiscal October 2011, which included three days of sales from September 25, 2011 through September 27, 2011 when Borders' e-commerce operations at the Borders Website ceased. However, the Gift Card redemption data is from September 1 through September 27, 2011. This has the effect of diluting Gift Card redemptions as a percentage of net sales, as the data contains 31 days of sales versus 27 days of Gift Card usage.

24. Gift Cards were activated at the same time they were purchased. Gift Card activations decreased in 2011 compared to earlier years, which is not surprising given the Debtors' chapter 11 filings in February 2011 and the uncertainty of their future. However, even accounting for the decrease in Gift Card activations in 2011, monthly Gift Card redemptions as a percentage of the prior month's Gift Card activations still track the historical monthly trends until the Debtors' full-chain liquidation was announced in July 2011 and widely publicized thereafter, when Gift Card usage dramatically increased. This is illustrated by Chart 5 on Exhibit E, which shows an increase of approximately *four* times the historical rate in July 2011 Gift Card redemptions as a percentage of June Gift Card activations, as compared to 2005 through 2010.

[Signature page to follow.]

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

Dated: May 25, 2012

A handwritten signature in cursive script, reading "Kate Matson", is positioned above a horizontal line.

Kate Matson

EXHIBIT A

BORDERS GROUP INC

FORM 10-K (Annual Report)

Filed 04/29/11 for the Period Ending 01/29/11

Address	100 PHOENIX DRIVE ANN ARBOR, MI 48108
Telephone	(734) 477-1100
CIK	0000940510
SIC Code	5940 - Miscellaneous Shopping Goods Stores
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)

**T ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934**

For the fiscal year ended January 29, 2011

OR

**£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number 1-13740

BORDERS GROUP, INC.

(Exact name of registrant as specified in its charter)

Michigan
 (State or other jurisdiction of incorporation or organization)

38-3294588
 (I.R.S. Employer Identification No.)

100 Phoenix Drive, Ann Arbor, Michigan
 (Address of principal executive offices)

48108
 (Zip code)

(734) 477-1100
 (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
 None

Securities registered pursuant to Section 12(g) of the Act:

Title of Class

Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒ T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒ T

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ T No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐ ¹

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$65,626,175 based upon the closing sale price of \$1.33 per share of common stock on the New York Stock Exchange as of July 30, 2010, the last business day of registrant's most recently completed second fiscal quarter.

Number of shares of common stock outstanding as of April 15, 2011: 72,004,552

DOCUMENTS INCORPORATED BY REFERENCE

Not applicable.

¹ See disclosure under Part III, Item 10 "Section 16(a) Beneficial Ownership Reporting Compliance."

Our revenues are substantially dependent on discretionary consumer spending, the level of consumer spending via Internet retailers and on eBooks, and the strength of new product releases.

Sales of books, music and movies have historically been dependent upon discretionary consumer spending, which may be affected by general economic conditions, consumer confidence and other factors beyond our control. We believe that 2011 will be a challenging year due to continued uncertainty in the economic environment. We also believe that the increase in consumer spending via Internet retailers and on eBooks may significantly affect our ability to generate sales in our stores. In addition, sales are dependent in part on the strength of new release products which are controlled by vendors. A decline in consumer spending on books, music and movies, or a significant shift to the purchase of eBooks from physical books, could have a material adverse effect on our financial condition and results of operations and our ability to fund our business strategy.

Economic conditions may result in reductions in discretionary consumer spending, which are likely to adversely affect our financial condition and results of operations.

Our financial condition and results of operations are dependent upon discretionary spending by consumers, which may be affected by general economic conditions. Worldwide economic conditions and consumer spending have deteriorated significantly and may remain depressed for some time. Some of the factors that are having an impact on discretionary consumer spending include unemployment, reductions in disposable income as a result of financial market declines over the past several years and declines in residential real estate values, credit availability and consumer confidence.

Competition within the retail book industry is intense and we expect to continue to experience substantial competition from Internet and other non-bookstore retailers as well as from the increasing popularity of eBooks.

We have experienced operating losses over the last several years and such losses may continue. We believe that the losses are attributable to a number of factors, including increased competition from Internet retailers and a greater concentration on the sale of books and music by mass merchants and other non-bookstore retailers. In addition, with respect to music and movies, the downloading of titles has significantly impacted our sale of CDs and DVDs. The increasing popularity of eBooks has the potential to significantly impact our sales of physical books. Also, the overall consumer demand for products that we sell, particularly music and movies, has either declined or not experienced significant growth in recent years.

The retail book business is highly competitive. Competition within the retail book industry is fragmented, with Borders facing competition from the Internet and other superstore operators. In addition, Borders and Waldenbooks compete with other specialty retail stores that offer books in a particular area of specialty, independent single store operators, discount stores, drug stores, warehouse clubs, mail order clubs, mass merchandisers and other non-bookstore retailers. In the future, Borders and Waldenbooks may face additional competition from other categories of Internet and brick and mortar retailers entering the retail book market.

Our business is seasonal and our results of operations depend significantly on the holiday selling season in the fourth quarter.

Our business is seasonal, with sales generally highest in the fourth quarter. In 2010, 32.6% of our sales dollars were generated in the fourth quarter. Our results of operations depend significantly upon the holiday selling season in the fourth quarter. Less than satisfactory net sales for this period could have a material adverse effect on our financial condition or results of operations for the year and may not be sufficient to cover any losses which may be incurred in the first three quarters of the year. Other factors that could affect the holiday selling season include general economic and geopolitical conditions, overall consumer spending patterns, weather conditions and, with respect to our mall business, overall mall traffic. Because of the seasonal nature of our business, our operations typically use cash during the first three quarters of the year and generate cash from operations in the fourth quarter.

We are subject to potential liabilities in connection with our gift card program .

We issue gift cards that may be used to purchase products in our stores. We recognize income from unredeemed cards when we determine that the likelihood of the cards being redeemed is remote. Certain states include gift cards under their abandoned property laws, and require companies to remit to the state cash in an amount equal to all or a designated portion of the unredeemed balance on the gift cards after a specified period of time. We do not remit any amounts relating to unredeemed gift cards to states based upon our assessment of applicable laws.

The analysis of the potential application of the abandoned property laws to our gift cards is complex, involving an analysis of constitutional and statutory provisions and factual issues. In the event that one or more states successfully challenges our position on the application of its abandoned property law to our gift cards, or if the estimates that we use in projecting the likelihood of the cards being redeemed prove to be inaccurate, our cash balances and liquidity may be materially and adversely affected and our liabilities with respect to unredeemed gift cards may be materially higher than the amounts shown in our financial statements. If we are required to materially increase the estimated liability recorded in our financial statements with respect to unredeemed gift cards, our net income could be materially and adversely affected.

Costs Associated With Exit Activities

When we vacate stores and other locations prior to the expiration of the related lease, we record a liability for the difference between our future lease payments and related costs from the date of closure through the end of the remaining lease term, net of expected sublease rental income. This liability is recorded on the date that we cease to use the leased property, and contains estimates of the amount and duration of potential sublease rental income, which are based upon historical experience and knowledge of the relevant real estate markets. We have not made any material changes in our accounting methodology used to establish this reserve during the past three years, and we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use in the future. However, if actual results are not consistent with our estimates and assumptions, we may be exposed to losses or gains that could be material. A 10% difference in our reserve at January 29, 2011 would have affected net loss by approximately \$2 million in 2010.

Self-Insured Liabilities

We are self-insured for certain losses related to health, workers' compensation and general liability claims. However, we obtain third-party insurance coverage to limit our exposure to these claims. Our self-insured liabilities contain estimates, based in part upon historical experience, of the ultimate cost to settle reported claims and claims incurred but not reported at the balance sheet date. We have not made any material changes in our accounting methodologies used to establish these reserves during the past three years, and we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use in the future. However, if actual results are not consistent with our estimates and assumptions, we may be exposed to losses or gains that could be material. A 10% difference in our reserve at January 29, 2011 would have affected net loss by approximately \$2 million in 2010.

Liabilities For Lease Guarantees of Disposed Foreign Businesses

We guarantee five store leases relating to former subsidiaries in the United Kingdom, Ireland, Australia and New Zealand. Our liabilities for these guarantees contain estimates of the likelihood that we would be required to perform under the guarantees, changes in anticipated rental amounts, and the amount and duration of potential sublease rental income. We have not made any material changes in our accounting methodology used to establish these reserves during the past three years, and we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use in the future. However, if actual results are not consistent with our estimates and assumptions, we may be exposed to losses or gains that could be material.

Gift Cards

We sell gift cards to our customers and record a liability for the face value of all cards issued and unredeemed within the last 12 months. For cards older than 12 months, we record a liability for a portion of the cards' face value based upon historical redemption trends. A portion of redemption income from gift card activations older than 12 months is deferred and will be recognized based on historical redemption trends. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate our gift card liability. However, if our estimates are inaccurate, we may be exposed to losses or gains that could be material. A 10% change in our unredeemed gift card breakage rate at January 29, 2011 would have affected net loss by approximately \$16 million in 2010.

Income Taxes

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax issues in the United States and other tax jurisdictions based on an estimate of whether, and to the extent which, additional taxes will be due. These liabilities are calculated in accordance with Accounting Standards Codification Topic 740, "Accounting for Income Taxes" ("ASC 740").

We recognize the tax effects of a position only if it is more-likely-than-not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit.

As of January 29, 2011, refundable obligations related to Borders Rewards Plus memberships totaled \$14.6.

Gift Cards: We sell gift cards to our customers and record a liability for the face value of all certificates issued and unredeemed within the last 12 months. For unredeemed certificates older than 12 months, we adjust the related liability to represent only that amount expected to be redeemed. We recognize the income related to this adjustment as a component of “Other revenue” in our consolidated statements of operations, totaling \$9.1 in 2010, \$10.6 in 2009, and \$9.6 in 2008. We have included the liability for gift cards as a component of “Accrued payroll and other liabilities” on our consolidated balance sheets, totaling \$100.7 and \$115.5 as of January 29, 2011 and January 30, 2010, respectively.

We recognize income from unredeemed gift cards when the likelihood of the cards being redeemed is remote, which begins when unredeemed cards reach 13 months past their issuance date. Income is then recognized in proportion to anticipated redemption patterns over a three year period. No income is recognized on unredeemed gift cards that have been issued within the past 12 months. Our gift cards do not have expiration dates.

A breakage factor, representing the percentage of gift card dollar value expected to never be redeemed, is applied to the total unredeemed gift card dollar value issued beyond the past 12 months. This breakage factor is based upon analysis of historical redemption trends, and is updated annually to reflect recent experience. The historical data that we evaluate to determine the breakage factor ranges from the current date back to 1998, when we first issued electronic gift cards.

We do not believe we are required to remit unredeemed gift card receipts to governmental jurisdictions as abandoned property based upon our assessment of applicable laws, after consultation with external legal counsel.

Advertising Costs: We expense advertising costs as incurred and recorded approximately \$35.0, \$22.5, and \$26.4 of gross advertising expenses in 2010, 2009, and 2008, respectively.

We receive payments and credits from vendors pursuant to co-operative advertising programs, shared markdown programs, purchase volume incentive programs and magazine slotting programs.

Pursuant to co-operative advertising programs offered by vendors, we contract with vendors to promote merchandise for specified time periods. Vendor consideration, which represents a reimbursement of specific, incremental, identifiable costs, is included in the “Selling, general and administrative expense” in our consolidated statements of operations, along with the related costs, in the period the promotion takes place. As a percentage of gross advertising expenses, such consideration totaled approximately (67.2%), (85.2%), and (84.1%) in 2010, 2009, and 2008, respectively. Consideration that exceeds such costs is classified as a reduction of the “Cost of merchandise sold (includes occupancy)” line on the consolidated statements of operations. Additionally, we recorded \$1.1 and \$2.3 of vendor consideration as a reduction to our inventory balance at January 29, 2011 and January 30, 2010, respectively.

We also receive credits from vendors pursuant to shared markdown programs, purchase volume programs, and magazine slotting programs. Credits received pursuant to these programs are classified as the “Cost of merchandise sold (includes occupancy)” in our consolidated statements of operations, and are recognized upon certain product volume thresholds being met or product placements occurring.

Advertising costs not part of the programs listed above are included in the “Selling, general and administrative expenses” in our consolidated statements of operations.

Income Taxes: We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax issues in the United States and other tax jurisdictions based on an estimate of whether, and to the extent which, additional taxes will be due.

We recognize the tax effects of a position only if it is more-likely-than-not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit.

EXHIBIT B

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

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-

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 C



EXHIBIT D

Borders Group, Inc.

News Article & Blog Summary - February 2011

	Publication	State	Date	Title	URL
1	Madison Consumer	Wisconsin	2/4/2011	Use Your Borders Gift Cards Soon	http://madisonconsumer.com/shopping/use-your-borders-gift-cards-soon/
2	Slog	National (Blog)	2/11/2011	Spend Your Borders Gift Cards Now	http://slog.thestranger.com/slog/archives/2011/02/11/spend-your-borders-gift-cards-now
3	Yahoo	National	2/15/2011	Borders Bankruptcy: Five Reasons to Use Your Gift Cards Now	http://voices.yahoo.com/borders-bankruptcy-five-reasons-7865120.html?cat=46
4	The Consumerist	National (Blog)	2/16/2011	Borders Turns The Page To Chapter 11	http://consumerist.com/2011/02/borders-turns-the-page-to-chapter-11.html
5	MSN Money	National	2/16/2011	Is your Borders gift card still good?	http://money.msn.com/saving-money-tips/post.aspx?post=a666ed0a-0824-41cc-b324-240cff975442
6	WFPL News	Kentucky	2/18/2011	Borders Gift Cards Can Be Spent Elsewhere In Louisville	http://www.wfpl.org/2011/02/18/borders-gift-cards-can-be-spent-elsewhere-in-louisville/

EXHIBIT E

Chart 1

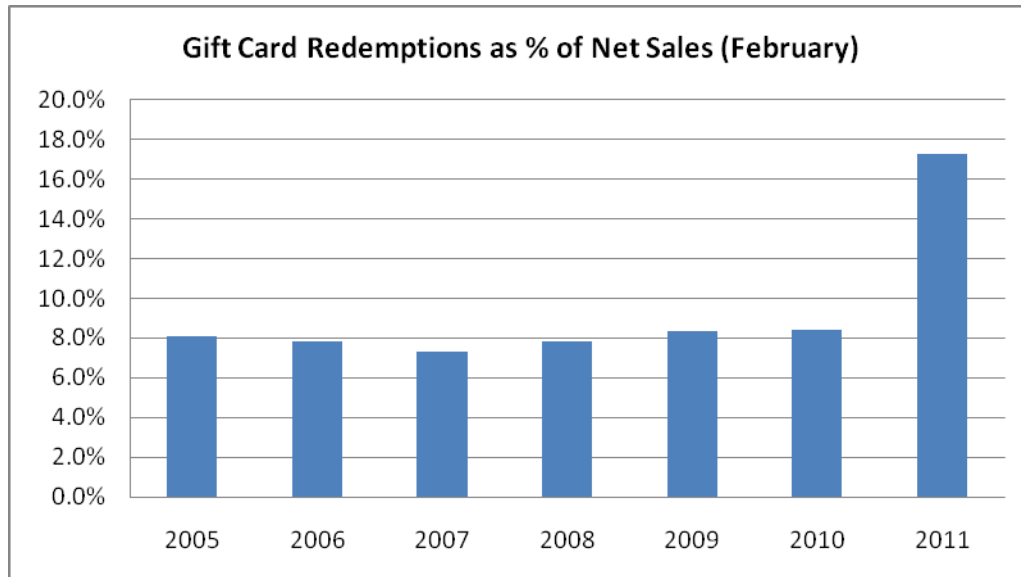


Chart 2

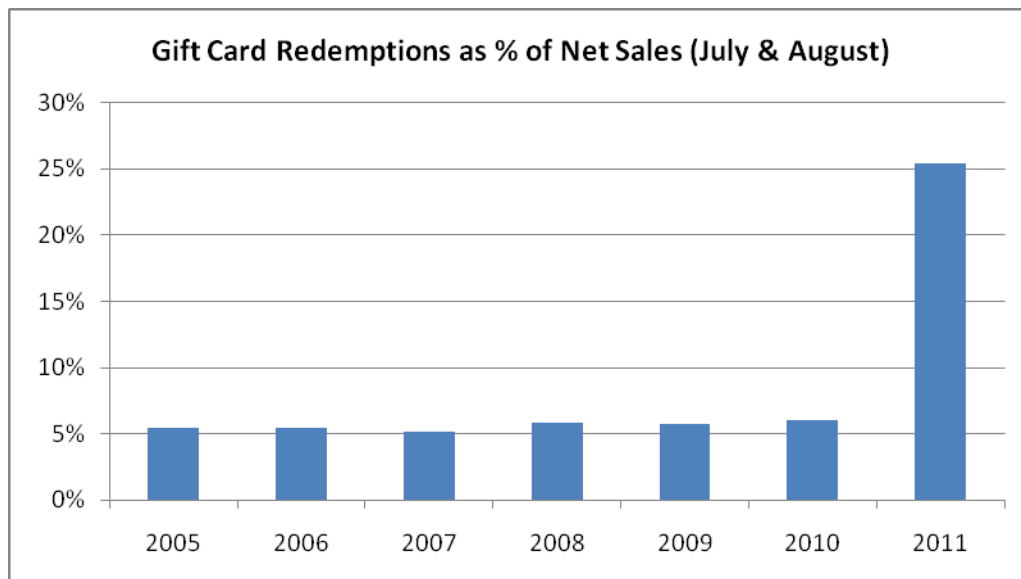


Chart 3

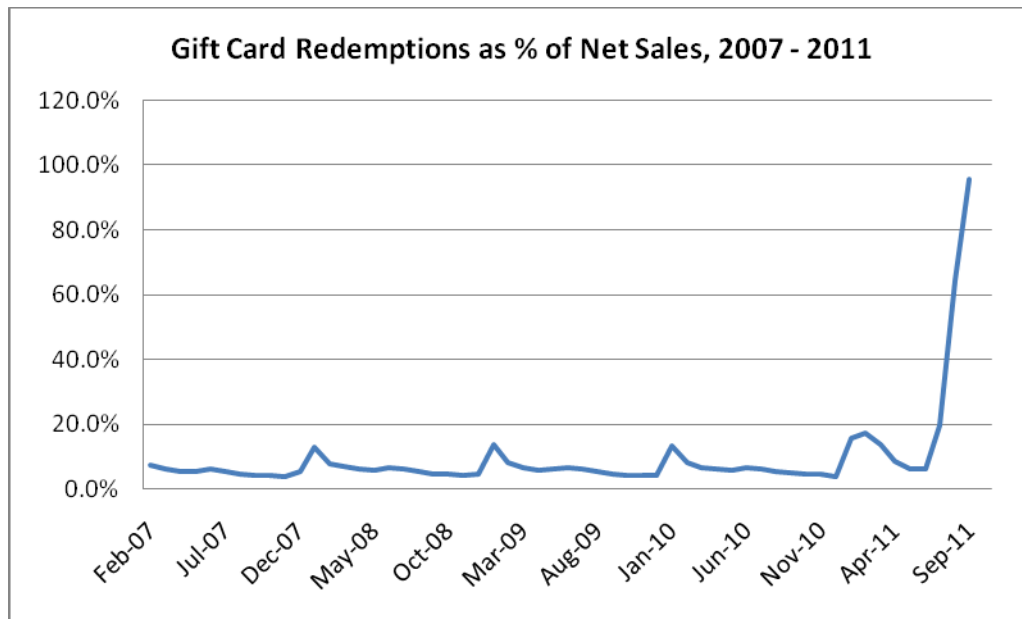


Chart 4

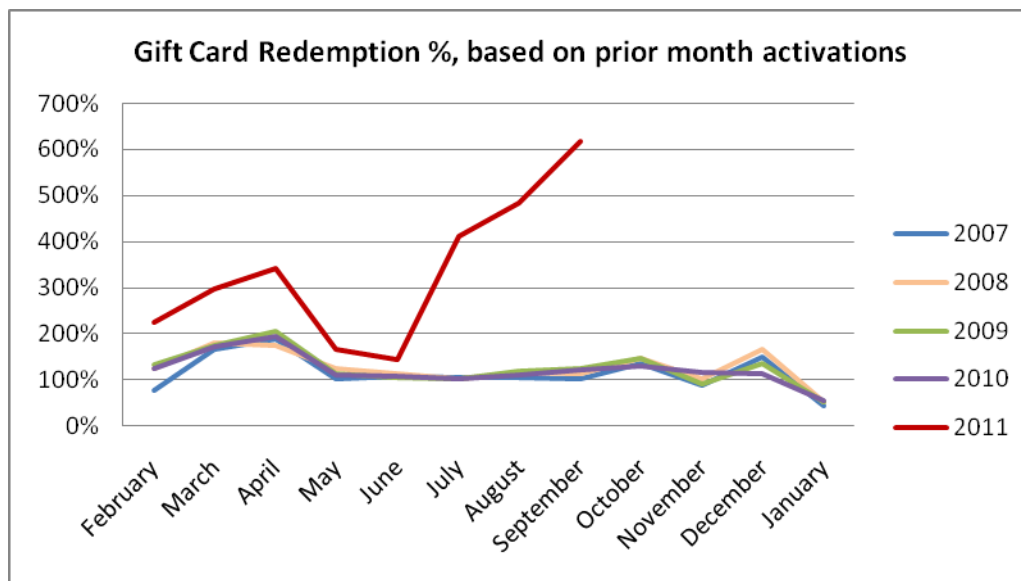


Chart 5

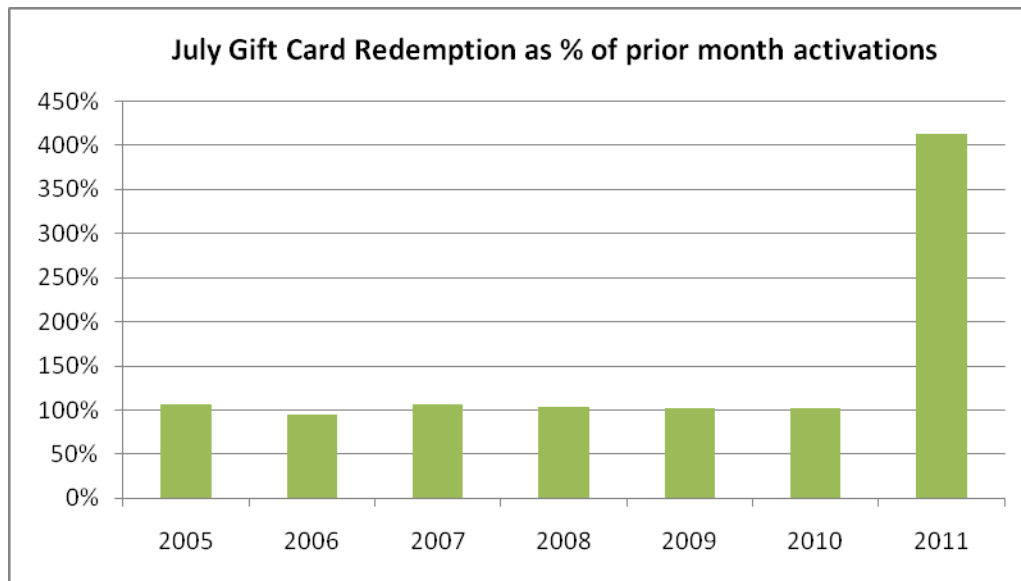


EXHIBIT F

Case Information

Press Releases

Notice of Deadlines to File Claims and Proof of Claim Form

Notice of Deadline for Filing Administrative Expense Claims and Proof of Claim Form

Plan of Liquidation, Disclosure Statement, and Related Documents

Debtors' Form 8-K

Information for Shareholders

Monthly Operating Reports

Scheduled Hearings

Case Management Order / Master Service List

Case Docket

Contact Information

Schedules of Assets and Liabilities & Statements of Financial Affairs

Claims Register/ Creditor Search

Client Login

Disclaimer

Notice of Deadlines to File Claims and Proof of Claim Form

Notice of Deadlines Requiring Filing of Proofs of Claim on or Before June 1, 2011 (General Bar Date) and August 15, 2011 (Governmental Bar Date)	Click Here
Deadline to Submit General Proof of Claim	June 1, 2011 at 5:00 p.m. (Eastern Time)
Deadline to Submit Governmental Proof of Claim	August 15, 2011 at 5:00 p.m. (Eastern Time)


PROOF OF CLAIM FORMS WERE MAILED TO ALL SCHEDULED CREDITORS AND OTHER PARTIES IN INTEREST ON MONDAY, APRIL 18, 2011. A PROOF OF CLAIM FORM CAN ALSO BE OBTAINED BY CLICKING ON THE LINKS BELOW.

Acrobat Reader is Required to download the Claim Form which will be in PDF format. You may already have the Adobe Acrobat Reader on your computer or on disks that came with your computer. If you do, you do not need to download Adobe Acrobat.

If you do not have Acrobat, please [click here to download the Free Adobe Acrobat Reader](#).

Proof of Claim Form (.PDF format)	Click Here
Proof of Claim Form (fillable .PDF format)	Click Here

EXHIBIT G



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CLIENT LOG IN

Borders Group, Inc., et al.
Committee Website

- Home
- Voluntary Petitions
- Court Dockets
- Claims Register
- Submit An Inquiry to the Committee
- Proofs of Claim Deadlines, Instructions & Form
- Debtors' Chapter 11 Website
- US Trustee's Office
- Debtors' Corporate Website

< May 2012 >						
Su	Mo	Tu	We	Th	Fr	Sa
29	30	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2
3	4	5	6	7	8	9

BORDERS.

Chapter 11 Case No. 11-10614
U.S. Bankruptcy Court - Southern
District of New York
Hon. Martin Glenn

Proof of Claim Deadlines, Instructions and Form

The Bankruptcy Court has established the following deadlines by which proofs of claim must be received:

- General Bar Date - June 1, 2011 at 5:00 p.m. Prevailing Eastern Time
- Governmental Bar Date (only for Governmental units) - August 15, 2011 at 5:00 p.m. Prevailing Eastern Time
- Rejection Bar Date - Later of: June 1, 2011 or 45 days after effective date of rejection

All known creditors of the Debtors in these cases should receive via first class mail, a bar date notice and proof of claim form with filing instructions as approved by [order](#) of the Bankruptcy Court. Below is a link to a generic, Court approved proof of claim form.

Proofs of claim will be deemed timely filed only if actually received by the Garden City Group or the Bankruptcy Court at the addresses listed below on or before the applicable deadline.

Signed original proofs of claim along with supporting documentation should be sent to:

If by First-Class Mail:
The Garden City Group, Inc.
Attn: Borders Group, Inc.
P.O. Box 9690
Dublin, Ohio 43017-4990

If by Hand Delivery or Overnight Courier:
The Garden City Group, Inc.
Attn: Borders Group, Inc.
5151 Blazer Parkway, Suite A
Dublin, Ohio 43017

Or
United States Bankruptcy Court, SDNY
One Bowling Green
Room 534
New York, New York 10004

To receive a date-stamped copy of your filed proof of claim, simply submit two signed original copies of your proof of claim with supporting documentation along with a self-addressed, stamped return envelope and cover letter requesting that one copy be date-stamped and returned to you in the envelope provided.

[Generic Proof of Claim Form](#)

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Making Brands Work TM

EXHIBIT H

News Release

Media Contact:

Mary Davis
(734) 477-1374

Borders Group to Submit Hilco and Gordon Brothers Proposal to Court for Approval

Hilco and Gordon Brothers to purchase store assets of the business and administer liquidation process

Borders extends gratitude to dedicated employees and loyal customers

Ann Arbor, July 18, 2011 — Borders Group reported today that, in accordance with the terms of its financing agreement, the Company will submit to the Court for approval the previously-announced proposal from Hilco and Gordon Brothers to purchase the store assets of the business and administer the liquidation process. Borders said that, in the absence of a formal proposal from a going concern bidder, it did not require an auction prior to presenting the proposal to the Court at a scheduled hearing on Thursday, July 21, 2011.

“Following the best efforts of all parties, we are saddened by this development,” said Borders Group President Mike Edwards. “We were all working hard towards a different outcome, but the headwinds we have been facing for quite some time, including the rapidly changing book industry, eReader revolution, and turbulent economy, have brought us to where we are now,” he added.

“For decades, Borders stores have been destinations within our communities, places where people have sought knowledge, entertainment, and enlightenment and connected with others who share their passion. Everyone at Borders has helped millions of people discover new books, music, and movies, and we all take pride in the role Borders has played in our customers’ lives,” Edwards continued, “I extend a heartfelt thanks to all of our dedicated employees and our loyal customers.”

Borders currently operates 399 stores and employs approximately 10,700 employees. Subject to the Court’s approval, under the proposal, liquidation is expected to commence for some stores and facilities as soon as Friday, July 22, with a phased rollout of the program which is expected to conclude by the end of September. Borders intends to liquidate under Chapter 11 of the Bankruptcy Code and, as a result, Borders expects to be able to pay vendors in the ordinary course for all expenses incurred during the bankruptcy cases.

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.

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 I





EXHIBIT J

Borders Group, Inc.
News Article & Blog Summary - Stores Closing, Use Your Gift Cards

	Publication	State	Date	Title	URL
1	Slick Deals	National (blog)	7/14/2011	Use your Borders gift cards today	http://slickdeals.net/f/3111232-Use-your-Borders-gift-cards-today
2	Everyday Tips and Thoughts	National (Blog)	7/18/2011	Borders Books To Close All Stores - Better Use The Gift Cards Now!	http://everydaytipsandthoughts.com/borders-books-to-close-all-stores-better-use-the-gift-cards-now/
3	Technorati	National	7/18/2011	Closing Shop: Losing Your Borders' Gift Cards and Rewards	http://technorati.com/business/article/closing-shop-losing-your-borders-gift/
4	Tucson Weekly	Arizona	7/18/2011	You Might Want to Hurry and Use Your Borders Gift Card	http://www.tucsonweekly.com/TheRange/archives/2011/07/18/you-might-want-to-hurry-and-use-your-borders-gift-card
5	Buxr	National (Blog)	7/19/2011	Borders Book Stores Closing by End of September	http://www.buxr.com/topic/borders-store-closing-by-end-of-september_5322
6	Consumer Reports	National	7/19/2011	Borders closes for good: What consumers need to do next	http://news.consumerreports.org/money/2011/07/borders-closes-for-good-what-consumers-need-to-do-next.html
7	Cleveland.com	Ohio	7/19/2011	Borders to close all 399 bookstores, sending book-lovers reeling	http://www.cleveland.com/business/index.ssf/2011/07/borders-to-close-all-399-bookstores-sending-book-lovers-reeling.html
8	MSN Money	National	7/19/2011	Use your Borders gift card NOW	http://money.msn.com/shopping-deals/article.aspx?post=e39fe03c-ed79-40e9-9350-a13ee7a5e444
9	Cranston Patch	Rhode Island	7/19/2011	With Closure Imminent, Customers Rush to Redeem Borders Gift Cards	http://cranston.patch.com/articles/with-closure-imminent-customers-rush-to-redeem-borders-gift-cards
10	Your West U News	Texas	7/19/2011	Borders closing all stores	http://www.yourhoustonnews.com/west_university/news/article_f453f70b-97a0-5705-90a2-6d0a4a2dc66a.html
11	TheTelegraph.com	Illinois	7/19/2011	Customers sad company closing book on Borders	http://www.thetelegraph.com/articles/edwardsville-56782-book-sad.html
12	Bangor Daily News	Maine	7/19/2011	Borders faithful in Maine mourn pending closure	http://bangordailynews.com/2011/07/19/business/borders-faithful-in-maine-mourn-pending-closure/
13	CT Watchdog	Connecticut	7/20/2011	Borders Accepting Gift Cards And Loyalty Programs Discount, But Read Terms	http://ctwatchdog.com/finance/borders-accepting-gift-cards-and-loyalty-program-discount-but-read-terms
14	More with Less Today	National (Blog)	7/20/2011	Borders Bankruptcy Use Your Gift Card	http://morewithlesstoday.com/borders-bankruptcy-use-your-gift-card/
15	Press of Atlantic City	New Jersey	7/20/2011	Borders' closing will leave Atlantic County with no full-service bookstore	http://www.pressofatlanticcity.com/...hamilton/borders-closing-will-leave-atlantic-county-with-no-full-service/article_d8070fb4-b236-11e0-8ca3-001cc4c002e0.html
16	Wave3.com	Kentucky	7/20/2011	Borders to honor gift cards during closeout sales	http://www.wave3.com/story/15117729/borders-to-honor-gift-cards-during-closeout-sales
17	Kezi.com	Oregon	7/20/2011	Cashing in Borders Gift Cards	http://kezi.com/news/local/218696

Borders Group, Inc.
News Article & Blog Summary - Stores Closing, Use Your Gift Cards

	Publication	State	Date	Title	URL
18	Hawaii News Now	Hawaii	7/20/2011	Expected closure of Borders stores prompts gift card questions	http://www.hawaiinewsnow.com/story/15111833/expected-closure-of-borders-stores-prompts-gift-card-questions
19	Tahoe Daily Tribune	Nevada	7/20/2011	Borders bookstore in Carson closing	http://www.tahoe-dailytribune.com/article/20110720/NEWS/110729984/1005&parentprofile=1056
20	Minyanville	National	7/20/2011	Gift Card Advice As Borders Closes The Book On Business	http://www.minyanville.com/businessmarkets/articles/Borders-borders-closing-gift-cards-bankruptcy/7/20/2011/id/35857
21	Omaha.com	Nebraska	7/20/2011	Borders' closing: End of an era	http://www.omaha.com/article/20110720/MONEY/707209923
22	MSN Money	National	7/20/2011	What's on sale at Borders	http://money.msn.com/saving-money-tips/post.aspx?post=986b1488-0b0b-48e8-9fef-0b689ee5a32c
23	Cheshire Patch	Connecticut	7/20/2011	Meriden Borders Closing Sale Begins Friday	http://cheshire.patch.com/articles/meriden-borders-closing-sale-begins-friday
24	Payments Journal	National (Blog)	7/21/2011	Borders Bankruptcy Strikes Fear in the Hearts of Gift Card Holders	http://www.paymentsjournal.com/Page.aspx?id=6354
25	Sun Sentinel	Florida	7/21/2011	Borders gift card: Use it before you lose it	http://blogs.sun-sentinel.com/consumerblog/2011/07/21/borders-gift-card-use-it-before-you-lose-it/
26	Yahoo.com	National	7/21/2011	Bad Management Tanked Top Bookseller Borders	http://voices.yahoo.com/bad-management-tanked-top-bookseller-8834629.html
27	Yahoo.com	National	7/21/2011	A World Without Borders: Closing a Chapter in Bookstore History	http://voices.yahoo.com/a-world-without-borders-closing-chapter-8838441.html?cat=5
28	Hypervocal	National	7/22/2011	Farewell to Borders: A Heartful Goodbye Email from a 40-Year Bookseller	http://hypervocal.com/culture/2011/farewell-to-borders-a-heartful-goodbye-email-from-a-40-year-bookseller/
29	Hawaii News Now	Hawaii	7/22/2011	Borders closing 6 Hawaii stores, sales begin Friday	http://www.hawaiinewsnow.com/story/15131430/borders-closing-6-hawaii-stores-sales-begin-friday
30	Squirrelers	National	7/22/2011	Gift Cards: Hurry Up and Use Them!	http://squirrelers.com/2011/07/22/gift-cards-hurry-up-and-use-them/
31	Hartford Courant	Connecticut	7/22/2011	Borders Book Stores Closing A Loss for Local Teachers	http://articles.courant.com/2011-07-22/business/hc-borders-closes-competition-20110722_1_smaller-borders-express-outlets-borders-stores-liquidation-sale
32	STL Today	Missouri	7/22/2011	Use Borders gift cards soon, Consumer Reports says	http://www.stltoday.com/entertainment/books-and-literature/book-blog/article_f8a47dfe-b47c-11e0-90e7-0019bb30f31a.html
33	Salt Lake Tribune	Utah	7/22/2011	Borders begins liquidation sales at all stores	http://www.sltrib.com/sltrib/money/52241940-79/borders-stores-books-million.html.csp
34	KSDK.com	Missouri	7/22/2011	Borders announces closing schedule	http://www.ksdk.com/rss/article/268221/3/Borders-announces-closing-schedule

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	Publication	State	Date	Title	URL
35	International Business Times	National	7/22/2011	Borders' Going-Out-Business Sale: Up to 40 Percent Off as Stores Close	http://www.ibtimes.com/articles/185246/20110722/borders-liquidation-giong-out-of-business-barnes-and-noble-discounts.htm
36	MySA	Texas	7/22/2011	An upbeat snippet for Borders store	http://www.mysanantonio.com/business/article/An-upbeat-snippet-for-Borders-store-1539221.php
37	The Christian Post	National	7/22/2011	Borders Group to Begin Liquidation Sales Today	http://www.christianpost.com/news/borders-to-begin-liquidation-sales-today-52679/
38	Huffington Post	National	7/22/2011	Borders Begins Fire Sale of All Its Remaining Books, Products	http://www.huffingtonpost.com/2011/07/22/borders-friday-sale-fire-bankruptcy_n_906707.html
39	News Observer	North Carolina	7/22/2011	Customers lament Borders closing as sales begin	http://www.newsobserver.com/2011/07/22/1362535/local-borders-liquidation-begins.html
40	Gift Card Granny	National (blog)	7/22/2011	Borders To Honor Gift Cards Throughout Liquidation	http://www.giftcardgranny.com/blog/borders-to-honor-gift-cards-throughout-liquidation/
41	ABC24	Tennessee	7/22/2011	Deals are Sparse at Borders Bookstore Liquidation "Sale"	http://www.abc24.com/news/local/story/Deals-are-Sparse-at-Borders-Bookstore-Liquidation/4cTeQMFwdU-E9CMR1al-Tg.csp
42	Birmingham Patch	Michigan	7/22/2011	Borders Closing Sale Begins Today	http://birmingham.patch.com/articles/birmingham-borders-closing-sale-to-begin-today
43	Montgomeryville-Lansdale Patch	Pennsylvania	7/22/2011	Bibliophiles Respond to Borders Closure	http://lansdale.patch.com/articles/bibliophiles-respond-to-borders-closure
44	HackettstownLife	New Jersey	7/22/2011	Borders Books closing	http://www.hackettstownlife.com/forum/312159
45	Mercer Island Patch	Washington	7/23/2011	Borders Gift Cards Expire July 31	http://mercerisland.patch.com/articles/borders-gift-cards-expire-july-31-2
46	The Patriot Ledger	Massachusetts	7/23/2011	FINE PRINT: Liquidation sales begin at Borders	http://www.patriotledger.com/business/x1510861483/FINE-PRINT-Liquidation-sales-begin-at-Borders
47	Winston-Salem Journal	North Carolina	7/23/2011	Customers express sadness over Borders closing as they flock to the store for deals	http://www2.journalnow.com/business/2011/jul/23/wsmain01-customers-express-sadness-over-borders-cl-ar-1231944/
48	Sherman Oaks Patch	California	7/24/2011	Borders 'Going out of Business' Sale in Progress	http://shermanoaks.patch.com/articles/borders-going-out-of-business-sale-begins-today
49	Bon Vivant Blog	National (Blog)	7/25/2011	Borders Going Out of Business	http://www.frugal-bonvivant.com/shopping/borders-going-out-of-business/
50	Buffalo News	New York	7/25/2011	Borders liquidation sale starts today	http://www.buffalonews.com/business/article497557.ece
51	New York Times	New York	7/28/2011	Time to Use Those Borders Gift Cards	http://bucks.blogs.nytimes.com/2011/07/28/time-to-use-those-borders-gift-cards/
52	NY Daily News	New York	7/28/2011	Using gift cards up before they're useless takes careful planning, especially if company liquidates	http://articles.nydailynews.com/2011-07-28/news/29840471_1_gift-cards-exchange-cards-credit-card

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	Publication	State	Date	Title	URL
53	Gift Cards Online	National (Blog)	7/29/2011	Time To Use The Borders Gift Cards	http://giftcardsonline.com/gifts-cards-online/time-to-use-the-borders-gift-cards/
54	Sisters in Crime	National (blog)	7/29/2011	Use all of your Borders Bucks this weekend!	http://sisters-in-crime-sinc.blogspot.com/2011/07/use-all-of-your-borders-bucks-this.html
55	Daily Nebraskan	Nebraska	8/3/2011	MOUNT: Book industry evolves as Borders closes	http://www.dailynebraskan.com/opinion/mount-book-industry-evolves-as-borders-closes-1.2608851
56	Ames Patch	Iowa	8/4/2011	Ames Borders Customers Sad to See Store Close	http://ames.patch.com/articles/ames-borders-customers-sad-to-see-store-close
57	CNN Money / Fortune	National	8/31/2011	What happens to my Borders gift card?	http://features.blogs.fortune.cnn.com/2011/08/30/what-happens-to-my-borders-gift-card/
58	Huffington Post	National	9/18/2011	Bye, Bye Borders: What Customers Had To Say About Last Stores Closing	http://www.huffingtonpost.com/2011/09/19/last-borders-closing_n_969578.html
59	The Advocate	Louisiana	9/23/2011	Bookstore closing part of literature	http://theadvocate.com/utility/homepagestories/909687-98/at-random-for-september-23.html

EXHIBIT K

What happens to my Borders gift card?

August 30, 2011: 5:00 AM ET

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FORTUNE -- You've been meaning to use that Borders gift card Aunt Elma gave you but haven't gotten around to it. Now that the bookstore chain is liquidating, are you up a creek? Maybe not. In 2008 law firm Krislov & Associates filed a claim against the Sharper Image on behalf of gift-card holders after the chain filed for bankruptcy. The result? A settlement, to be allocated later this year, that Krislov believes could bring a full refund for everyone who can produce an unused card by Sept. 1. Borders didn't return calls, but its website says cards will be honored as long as stores are open. Your best advice: Scurry to a bookstore -- or wait for the lawyers. --Josh Dawsey

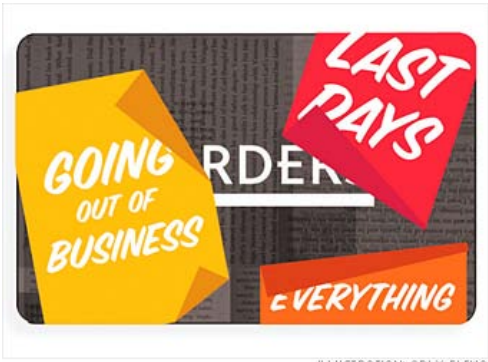


ILLUSTRATION: ADLY ELEWA

This article is from the September 5, 2011 issue of Fortune.

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EXHIBIT L

Dear Borders Rewards Member,

As I'm sure you've heard by now, Borders will be closing its doors after more than 40 years of igniting the love of reading in generations of customers. I am sorry to have to share this news with you as I feel you have been here right along with us as we fought valiantly to save the company. I want to personally thank you for your loyalty and support, whether you were one of the nearly 1.8 million customers who signed up for the Borders Rewards Plus program, shopped in our stores or on Borders.com, or simply took the time to e-mail or call the company to express your support.

You might be asking yourself, what happened? How could it be that there won't be a Borders moving forward? In a nutshell, following continued negotiations and the best efforts from all parties, no bidders presented a formal proposal to keep our company operating as a going concern. Therefore, under the terms of our debtor-in-possession financing agreement, we presented to the court for approval the proposal for firms to purchase our stores' assets and administer the liquidation process.

We had worked very hard toward a different outcome. The fact is that Borders has been facing headwinds for quite some time, including a rapidly changing book industry, the eReader revolution, and a turbulent economy. We put up a great fight, but regrettably, in the end, we weren't able to overcome these external forces.

Going out of business sales begin in stores Friday, July 22. I encourage you to take advantage of this one-time opportunity to find exceptional discounts on your favorite books and other great merchandise. Gift cards will be honored during the liquidation sales, and Borders Rewards Plus members will continue to enjoy their Borders Rewards Plus discounts through August 5. Further, all Borders Bucks will be honored until they expire on July 31.

For decades, Borders stores have been destinations within communities—places where people have sought knowledge, entertainment and enlightenment and connected with others who share their passions. I feel privileged to have had the opportunity to lead Borders and play a role in the true and noble cause of expanding access to books and promoting the joy of reading. As a company, we cannot thank you enough for giving us the opportunity to serve you and the millions of other customers who have shopped our stores over the years. My sincerest hope is that we remain in the hearts of readers for years to come.

Many thanks,

Mike Edwards
CEO of Borders

