

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re

BORDERS GROUP, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 11-10614 (MG)

(Jointly Administered)

**PERIODIC REPORT REGARDING VALUE, OPERATIONS, AND PROFITABILITY  
OF ENTITIES IN WHICH THE DEBTORS' ESTATES HOLD A SUBSTANTIAL OR  
CONTROLLING INTEREST**

This is the report (the “**Periodic Report**”) as of March 30, 2011, on the value, operations, and profitability of those entities in which the estates of Borders Group, Inc. (“**Borders Group**”) and the other above captioned debtors, the “**Debtors**”) hold a substantial or controlling interest, as required by Rule 2015.3 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”). The estates of Borders Group hold a substantial or controlling interest in the following entities:

<b>Name of Entity</b>	<b>% Ownership Interest Held by the Debtors</b>
Borders/JGE Joint Venture, LLC	74%
Borders Fulfillment, Inc.	100%
Borders Bookstore (M) SDN.BHD	100% (Indirect Ownership)
BGI Franchise PTY Limited	100% (Indirect Ownership)
BGI (UK), Limited	100%
Borders Superstores (UK), Limited	100%
Bookshop Acquisitions, Limited	20% (Indirect Ownership)

<sup>1</sup> 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.

This Periodic Report contains reports (“**Entity Reports**”) on the value, operations, and profitability of each entity in which the Debtors own a substantial or controlling interest. The Entity Reports consist of three exhibits. Exhibit A contains a net book value estimate for each such entity as of a date not more than two years prior to the date of this report. Exhibit B contains balance sheets (Exhibit B-1) and statements of income (loss) (Exhibit B-2) for each such entity included in this Periodic Report as of and for the year ended January 29, 2011, along with notes supplementing all of the exhibits (Exhibit B-3). Exhibit C contains a description of the operations for each entity.

The undersigned, having reviewed the above listing of entities in which the Debtors’ estates hold a substantial or controlling interest, and being familiar with the Debtors’ financial affairs, verifies under the penalty of perjury that the listing is complete, accurate, and truthful to the best of his knowledge.

Date: March 30, 2011

By:   
Signature of Authorized Individual

Holly FELDER Etlin  
Name of Authorized Individual

SVP - Restructuring  
Title of Authorized Individual

**Exhibit A**

<b>Name of Entity</b>	<b>% Ownership Interest Held by the Debtors</b>	<b>Net Book Value</b>
Borders/JGE Joint Venture, LLC	74%	\$0
Borders Fulfillment, Inc.	100%	\$0
Borders Bookstore (M) SDN.BHD	100% (Indirect Ownership)	\$0
BGI Franchise PTY Limited	100% (Indirect Ownership)	\$0
BGI (UK), Limited	100%	\$0
Borders Superstores (UK), Limited	100%	\$0
Bookshop Acquisitions, Limited	20% (Indirect Ownership)	\$0

This information is based on the unaudited income statement and balance sheet information dated as of January 29, 2011.

Balance Sheets as of January 29, 2011  
 Unaudited

	Borders/JGH Joint Venture, LLC	Borders Fulfillment, Inc.	Borders Bookstore (M) SDN BHD	BGI Franchise PTY Limited	BGI (UK), Limited	Borders Superstores (UK), Limited	Bookshop Acquisitions, Limited
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 8,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Merchandise Inventories	\$ 92,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-	-	-	-	-
Other Current Assets	-	-	-	-	-	-	-
Total Current Assets	101,011	-	-	-	-	-	-
Property and equipment, net	14,820	-	-	-	-	-	-
Taxes Receivable	10,632	-	-	-	-	-	-
Intercompany Receivables	-	-	-	-	-	-	-
Total non-current assets	25,432	-	-	-	-	-	-
Total Assets	\$ 126,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Liabilities and Members' Capital</b>							
<b>Current Liabilities</b>							
Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes Payable	-	-	-	-	-	-	-
Total Current Liabilities	20,342	-	-	-	-	-	-
Other Long Term Liabilities	90,780	-	-	-	-	-	-
Intercompany Payables	973,509	100	-	-	-	-	-
Total Liabilities	1,064,289	100	-	-	-	-	-
Equity							
Additional Paid in Capital	762,859	-	-	-	-	-	-
Retained Earnings	(1,721,027)	(100)	-	-	-	-	-
Equity	(958,168)	(100)	-	-	-	-	-
Total Liabilities and Equity	\$ 126,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Exhibit B-2

Statement of Operations for the year ended January, 29, 2011  
 Unaudited

	Borders/JGE Joint Venture, LLC	Borders Fulfillment, Inc.	Borders Bookstore (M) SDN BHD	BGI Franchise PTY Limited	BGI (UK), Limited	Borders Superstores (UK), Limited	Bookshop Acquisitions, Limited
<b>Revenues</b>							
Net Sales	1,074,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	792	-	-	-	-	-	-
Total Revenue	1,075,262	-	-	-	-	-	-
<b>Cost of Sales</b>							
Cost of Sales	803,887	-	-	-	-	-	380,816
Gross Margin	871,375	-	-	-	-	-	(380,816)
<b>General and Administrative</b>							
Occupancy	694,628	-	-	-	-	-	-
Store Payroll	256,126	-	-	-	-	-	-
Store Expenses	58,209	-	-	-	-	-	-
G&A Payroll	404	-	(20,916)	-	99	-	83,565
Other Administrative	836	(410,675)	-	52,096	-	-	-
Total General and Administrative	1,010,263	(410,675)	(20,916)	52,096	99	-	83,565
<b>Other Expenses (Income)</b>							
Income Taxes	297,950	(42,632)	-	-	(7,937)	-	(167,388)
Interest expense, net	43,026	(15,775,210)	45,312	-	(1,624,595)	-	(6,176,909)
Total Other Expenses (Income)	340,976	(15,817,842)	48,588	-	(1,632,532)	-	(6,344,297)
<b>Gain (Loss) on Discontinued Operations</b>							
	-	-	13,802	-	144,084,599	-	(9,816,073)
Net income/(loss)	(479,864)	\$ 16,228,517	\$ (13,870)	\$ (62,096)	\$ 145,716,832	\$ -	\$ (3,935,957)

### Exhibit B-3

#### Notes to Periodic Report Required by Bankruptcy Rule 2015.3

The financial statements contained in the Periodic Report are unaudited. While management of the Debtors and their affiliates has made reasonable efforts to ensure that these financial statements are accurate and complete based upon information available at the time of preparation, the subsequent receipt of information may result in material changes in the data contained in these financial statements, and inadvertent errors or omissions may exist.

1. **Reservation of Rights.** Nothing contained in this Periodic Report shall constitute a waiver of any of the Debtors' rights or an admission with respect to their chapter 11 cases under the provisions of chapter 11 of the United States Code (the "**Bankruptcy Code**") including, but not limited to, matters involving objections to claims, substantive consolidation, equitable subordination, defenses, characterization or re-characterization of agreements, assumption or rejection of executory contracts or unexpired leases, and/or causes of action under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable laws to recover assets or avoid transfers.

2. **Basis of Presentation.** The accompanying unaudited financial information presented on **Exhibits B-1** and **B-2** represents the financial position and statements of operations (collectively, the "**Financial Information**") of the non-Debtor entities in which the Debtors hold a substantial or controlling interest (the "**Reporting Entities**").

The Financial Information has been assembled from the general ledgers of the Reporting Entities. The Financial Information has generally been maintained in accordance with U.S. generally accepted accounting principles ("**U.S. GAAP**").

The Financial Information is presented on an unconsolidated, separate legal entity basis (but with the balance sheets for all Reporting Entities on one page and the income statements for all Reporting Entities on another for ease of review). In the ordinary course of business, the Debtors do not record the earnings or losses of the Reporting Entities on their individual general ledgers because the related amounts are reflected through the consolidation process in the preparation of the Debtors' consolidated entity financial statements.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual amounts and results could differ from those estimates.

Given, among other things, the uncertainty surrounding the collection and ownership of certain assets and the valuation and nature of certain liabilities, to the extent that a non-Debtor entity shows more assets than liabilities, this is not an admission that the non-Debtor entity was solvent on February 16, 2011 (the "**Petition Date**") or at any time prior to the Petition Date, including the date as of or for the period of any financial statements or other financial information included in this Periodic Report. Likewise, to the extent that a non-Debtor entity shows more liabilities than assets, this is not an admission that the non-Debtor entity was insolvent at the Petition Date or at any time prior to the Petition Date, including the date as of or for the period of any financial statements or other financial information included in this Periodic Report.

The accompanying Financial Information does not include all footnotes and certain financial presentations normally required by U.S. GAAP.

3. **Current values.** Unless otherwise indicated, the basis for all current values included in this Periodic Report was the net book value from relevant corporate books and records as of the close of business on January 29, 2011. The net book value as of January 29, 2011, may not reflect the current value of the respective assets.

For the reasons discussed above, the Debtors caution readers not to place undue reliance upon the information contained in this Periodic Report.

### Exhibit C

1. The estate of Borders Group, through its Debtor subsidiary, Borders, Inc., owns a 74% ownership interest in Borders/JGA Joint Venture, LLC, an operator of retail outlets located at the Detroit Metro Airport.

2. Borders Group also owns, through its Debtor subsidiary Borders International Service, Inc., a 100% interest in each Borders Bookstore (M) SDN.BHD and BGI Franchise PTY, Limited. Borders Bookstore (M) SDN.BHD is a former retailer based in Malaysia that is implementing a voluntary dissolution. BGI Franchise PTY, Limited provides services to the users of the Debtor's brands in Australia as well as the franchisees in Malaysia and Dubai. It ceased operations as of January, 2011.

3. Borders Group also owns a 100% ownership interest in Borders Fulfillment, Inc., an inactive company.<sup>2</sup>

4. The estate of Borders Group, through its Debtor subsidiary, BGP (UK), Limited, owns a 100% ownership interest in BGI (UK), Limited and Borders Superstores (UK) Limited, two inactive companies that formerly owned UK based retailers.

5. Lastly, BGI (UK), Limited holds a 20% ownership interest in Bookshop Acquisitions, Limited, a former UK retailer that was placed in Administration on November 26, 2009.

6. None of Borders/JGE Joint Venture LLC, Borders Fulfillment, Inc., Borders Bookstore (M) SDN.BHD, BGI Franchise PTY Limited, BGI (UK), Limited, Borders

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<sup>2</sup> In addition, Borders Group owns a 15% interest in KOBO, Inc., a manufacturer and distributor of electronic reading devices. Borders Group does not believe it holds a substantial or controlling interest in KOBO, Inc. pursuant to Rule 2015.3.



Superstores (UK) Limited or Bookshop Acquisitions, Limited is a Debtor in the above-captioned chapter 11 cases.