

MORTGAGE NOTE SATISFACTION AGREEMENT

Borders, Inc., a Colorado corporation (“Borders”), and Torrance Borders Partners, Ltd., a California limited partnership (“Borrower”) (collectively, the “Parties,” and individually, a “Party”), enter into this Mortgage Note Satisfaction Agreement (“Agreement”) as of September 21, 2011 (the “Execution Date”).

RECITALS

A. During the period of time that Borders was a wholly owned subsidiary of K-Mart Corporation (“K-Mart”), K-Mart entered into a series of agreements with developers and their respective lenders designed to decrease financing costs to develop locations for use by certain of K-Mart’s wholly-owned retail operator subsidiaries, including Borders, as retail stores and (in the instant case) as a distribution center, and correspondingly decrease the cost of rent to such wholly-owned retail operator subsidiaries, including Borders, for those locations. One such location is the retail store located at 3700 Torrance Blvd., in Torrance, California (the “Torrance Property”), currently used as a Borders retail store (the “Torrance Store”).

B. NCC Torrance/B Associates Limited Partnership (“Original Borrower”), as the developer of the Torrance Property, financed the transaction through a mortgage loan (the “Loan”) advanced by National Tenant Finance Corporation (the “Lender”) pursuant to a Loan Agreement dated as of November 10, 1994 (collectively, at times the “Loan Agreement”) and evidenced by two Promissory Notes, each dated as of November 10, 1994, one in the original principal balance of \$3,383,000 (which has been fully amortized and satisfied), and the second in the original principal balance of \$7,049,000 (collectively, the “Mortgage Note”). The Mortgage Note is secured by, among other things, a Deed of Trust dated as of November 10, 1994 (the “Mortgage”) encumbering the Torrance Property. To further induce Lender to enter into the

Loan Agreement, K-Mart and Borders executed a Note Put Agreement dated as of November 10, 1994 (“**Note Put Agreement**”) which required Borders to purchase the Mortgage Note upon the occurrence of certain “Triggering Events” under the Note Put Agreement. The Loan Agreement, Mortgage, Mortgage Note, assigned documents and related security documents are identified in Exhibit A hereto and referred to collectively as the “**Loan Documents**.” Borrower’s obligations to Borders under the Loan Documents are referred to herein as the “**Obligations**.”

C. Borders entered into a Lease dated as of November 10, 1994, as modified pursuant to a certain letter dated March 26, 2003 (the “**Torrance Lease**”), with Original Borrower, as landlord, pursuant to which Borders leases the Torrance Property.

D. The Torrance Lease has an initial term of twenty-five years, expiring on November 9, 2019, with ten successive five-year options.

E. Original Borrower’s interest in the Torrance Property, Mortgage, Mortgage Note and Torrance Lease were assigned to Borrower pursuant to assignment documents dated April 8, 1997.

F. The bankruptcy filing of K-Mart constituted a Triggering Event under the Note Put Agreement and Borders was required to purchase both Promissory Notes, including the Mortgage Note, in March, 2003. Thereafter, consistent with the terms of the Torrance Lease and the Loan Agreement, Borders, as tenant, paid rent due Borrower, as landlord, via a setoff or a credit against the debt service due to it by Borrower under the Mortgage Note.

G. The Mortgage Note has a current approximate unamortized principal balance of \$6,608,000. The Mortgage Note is not scheduled to be fully amortized and satisfied until the conclusion of the initial term of the Torrance Lease on November 9, 2019.

H. On February 16, 2011 (the “**Petition Date**”), Borders and certain of its affiliates (collectively, the “**Debtors**”) each filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101, *et seq.* (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Southern District of New York (the “**Court**”), jointly administered under Case No. 11-10614 (MG).

I. The Debtors are authorized to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

J. The Debtors have notified Borrower that they intend to reject the Torrance Lease pursuant to section 365 of the Bankruptcy Code, after which Borrower will not have the lease payments from the Torrance Store to pay the mortgage payments due under the Mortgage Note.

K. Borrower has offered to fully satisfy the Mortgage Note, inclusive of all accrued but unpaid interest and the unamortized principal balance, with an immediate cash payment at a discounted price. Borders has agreed to accept the discounted payment in full satisfaction of the Obligations upon the terms contained herein, subject to Bankruptcy Court approval.

NOW, THEREFORE, in consideration of the foregoing, and for good and valuable consideration, the receipt of which is acknowledged, the Parties agree to be legally bound, subject to approval of this Agreement by the Court, as follows:

1. **Payment.** Within the later of: (a) three business days of entry of an order by the Bankruptcy Court approving this Agreement (the “**Approval Order**”), or (b) if an objection is filed to the motion to approve this Agreement three business days after the Approval Order becomes a final order and no timely notice of appeal has been filed; or (c) if a notice of appeal from the Approval Order is timely filed, but all requests for a stay of the Approval Order are denied by the Bankruptcy Court and the appellate court, three business days after entry of the last

order denying the stay; or (d) if a notice of appeal has been filed and a request for stay has been granted, three business days after all appeals have been resolved and the Approval Order is affirmed; or (e) if a notice of appeal has been filed, three business days after entry of an order of the Bankruptcy Court determining that Borrower is entitled to (i) a waiver of the effects of Bankruptcy Rule 6004(h) or (ii) the benefits of 11 U.S.C. § 363(m) and the denial of any request to stay the Approval Order pending appeal -- with the latest date from clauses (a) through (e) above being hereinafter referred to as the “**Effective Date**” -- Borrower will pay to Borders the sum of \$3,925,000 (less a credit of \$500,000 for the “Deposit”, as defined below) in immediately available U.S. funds (the “**Satisfaction Amount**”) by wire transfer pursuant to instructions provided by Borders. In the event that Borrower fails to timely pay the Satisfaction Amount on or before the Effective Date, or if the Satisfaction Amount is dishonored, reversed, or otherwise not available to Borders for any reason due to the fault of Borrower, then Borders may, in its sole discretion, declare this Agreement entirely void and of no effect and retain the \$500,000 Deposit. Upon receipt of the Satisfaction Amount, either: (i) the Satisfaction Amount shall be applied to the Obligations (in such manner as Borders determines in its sole discretion) in full satisfaction of the Obligations; or (ii) at Borrower’s request, Borders shall assign the Loan Documents to Borrower’s appointee. In the event that the Loan Documents are assigned to Borrower’s appointee, the Parties shall execute such additional documentation as necessary or reasonably requested by either Party to effectuate the assignment of the Loan Documents to Borrower’s appointee. Upon receipt of the Satisfaction Amount, Borders shall immediately deliver to Borrower or Borrower’s appointee the original executed Mortgage, and the Mortgage Note (the two Promissory Notes, dated as of November 10, 1994, for \$3,383,000 and \$7,049,000).

2. **Deposit.** Upon execution of this Agreement, Borrower will deposit the sum of \$500,000 (the “**Deposit**”) into escrow with Dickinson Wright PLLC (the “**Escrow Agent**”), to be held in trust by Escrow Agent in its IOLTA client trust account with Chase Bank, or similarly financially strong institution which is mutually satisfactory to Escrow Agent and Borrower, subject to the following three sentences. The Deposit shall be paid by Escrow Agent to Borders and applied to the Satisfaction Amount on the Effective Date. If the transaction does not close on the Effective Date through the default of Borrower, the Deposit shall be released to Borders as liquidated damages and Borrower shall have no further rights in the Deposit. On the other hand, the Escrow Agent shall promptly return the Deposit to Borrower, via wire transfer pursuant to wire transfer instructions to be provided by Borrower at that time, following either Borders’ or Borrower’s request to terminate this Agreement, in the event that: (i) the Court does not approve this Agreement at the scheduled October 18, 2011 hearing (or sooner); or (ii) the Effective Date has not occurred by November 1, 2011. In the event of a dispute between Borders and Borrower related to the Deposit, Escrow Agent may turn over the Deposit to the Bankruptcy Court for disposition.

3. **Termination of the Torrance Lease.** Effective as of the Effective Date, Borders shall be deemed to have surrendered the Torrance Property to Borrower in “as is, where is” condition and the Torrance Lease shall be deemed terminated. Borrower will not object to Borders' motion (if any) requesting court authority to terminate the Torrance Lease pursuant to the terms of this Agreement. As further consideration for this Agreement, Borrower waives any allowable claim in the bankruptcy estate against the Debtors for damages arising from: the termination of the Torrance Lease; the condition of the Torrance Property on the Surrender Date; or the failure to comply with any terms of the Torrance Lease, Loan Agreement, or law.

Notwithstanding the foregoing, Borrower shall retain non-recourse claims against Borders as necessary to prosecute insured claims under applicable insurance contracts; Borrower will not retain any allowable claim against the Debtors' bankruptcy estates.

4. **Abandonment of Personal Property.** Any and all personal property of Borders remaining at the Torrance Property on the Effective Date will be deemed abandoned by Borders and all such abandoned property will become property of Borrower to do with as Borrower sees fit in its sole discretion. To the extent necessary or desirable, Borders agrees that it will execute an assignment or bill of sale to evidence Borrower's title to such abandoned property.

5. **Satisfaction of the Mortgage Note and Release of the Mortgage.** Upon the Effective Date and payment of the Satisfaction Amount, the Mortgage Note will be deemed satisfied in full. A reconveyance of the Mortgage will be prepared by Borrower's counsel and executed and acknowledged by Borders on or before the Effective Date, delivered to Borrower's counsel, and held in escrow by Borrower's counsel. Upon written confirmation from Borders of receipt by Borders of the Satisfaction Amount, Borrower will discharge the Mortgage by recording the reconveyance.

6. **Borrower Release.** Upon the Effective Date, Borrower (on behalf of itself and its respective agents, parties in interests, employees, officers, shareholders, members, subsidiaries, parent companies, predecessors, affiliates, successors, assigns and any other related entities) releases, waives and forever discharges Debtors (and their respective bankruptcy estates, agents, parties in interests, employees, officers, shareholders, members, subsidiaries, parent companies, predecessors, affiliates, successors, assigns and any other related entities) from all past or present actions, causes of action, proceedings, claims, administrative expense requests, defenses, demands, damages, costs, liabilities, agreements, promises, warranties, representations,

duties, debts, and obligations of every kind whatsoever in law or equity, whether contingent or matured, whether asserted or unasserted, whether known or unknown, that are based on acts, omissions, or events that occurred on or before the Surrender Date related to the Torrance Lease, Torrance Property, the Loan Agreement, the Mortgage Note, and/or the Mortgage. For avoidance of doubt, this release extends to any and all allowable claims with respect to third party claims and the condition of the Torrance Property. Notwithstanding the foregoing, Borrower shall retain non-recourse claims against Borders as necessary to prosecute insured claims under applicable insurance contracts; Borrower will not retain any allowable claim against the Debtors' bankruptcy estates.

7. **Borders Release.** Upon the Effective Date and after payment of the Satisfaction Amount, Borders (on behalf of itself, Borders Group, Inc., Borders International Services, Inc., Borders Direct, LLC, Borders Properties, Inc., Borders Online, Inc., Borders Online, LLC, BGP (UK) Limited, and their bankruptcy estates, and Borders' respective agents, parties in interests, employees, officers, shareholders, members, subsidiaries, parent companies, predecessors, affiliates, successors, assigns and any other related entities) releases, waives and forever discharges the Borrower (and its agents, parties in interests, employees, officers, shareholders, members, subsidiaries, parent companies, predecessors, affiliates, successors, assigns and any other related entities) from all past or present actions, causes of action, proceedings, claims, administrative expense requests, defenses, demands, damages, costs, liabilities, agreements, promises, warranties, representations, duties, debts, and obligations of every kind whatsoever in law or equity, whether contingent or matured, whether asserted or unasserted, whether known or unknown, including avoiding power claims arising under the Bankruptcy Code and those claims that are based on acts, omissions, or events that occurred on or before the Surrender Date related

to the Torrance Lease, Torrance Property, the Loan Agreement, the Mortgage Note, and/or the Mortgage.

8. **Reinstatement.** Borrower acknowledges and agrees that the Borders Release set forth in Section 7 is made on the express condition that the Satisfaction Amount received by Borders is infeasible. If following Borders' receipt of any Satisfaction Payment, Borders is required as a result of any bankruptcy or other proceeding or cause to refund part or all of such Satisfaction Payment, then, if Borders does not receive payment for the refunded part of the applicable Satisfaction Payment within 30 days of Borders paying (and demanding repayment of) such a refund, Borders' waivers and releases are ineffective and all collateral security therefor, including the Mortgage, Mortgage Note and the Loan Agreement are automatically reinstated effective back to the date waived or released, and Borders will have all rights and remedies permitted under applicable law to seek repayment from Borrower of the amount refunded. Borrower authorizes and appoints Borders as its attorney-in-fact to execute any documents or take any actions on Borders' behalf necessary to perfect Borders' reinstated liens. This appointment is coupled with an interest and is irrevocable while the Loan remains unpaid or unperformed. Notwithstanding, but without limiting, such appointment, Borrower agrees to cooperate fully with Borders to perfect Borders' reinstated liens and Mortgage as and when contemplated by this Agreement, including, without limitation, supplying information and completing and executing such documentation as Borders may reasonably consider necessary or appropriate promptly to perfect Borders' reinstated security interest. Borders' appointment as attorney-in-fact is for Borders' benefit solely. Borders has no duties or obligations to Borrower as attorney-in-fact, including those generally associated with agents, attorneys, and fiduciaries.

9. **No Release of Obligations Under this Agreement.** Notwithstanding any provision to the contrary, the waivers and releases in this Agreement will not release, discharge or waive any covenants, representations, warranties or obligations of the Parties under this Agreement itself.

10. **No Admission of Liability.** Neither this Agreement, nor any of its terms, nor performance of the terms by any Party will constitute or be construed as an admission or acknowledgement of any liability by any Party.

11. **Retention of Jurisdiction.** The Court will retain jurisdiction to resolve any disputes arising under or related to this Agreement.

12. **Representations and Warranties.** Each Party represents and warrants that it: (1) has the authority to enter into this Agreement without the consent of any person or entity, subject to paragraph 15 below; (2) owns the claims being released; and (3) has not assigned or transferred the claims being released.

13. **Representations and Warranties - Brokers.** Other than DJM Realty, Borders represents and warrants that it is not being represented by a broker with respect to the transactions contemplated herein and agrees that it will indemnify and hold harmless Borrower in the event that a broker claiming representation of Borders asserts a claim against Borrower with respect to the transactions contemplated herein. Borrower represents and warrants that it is not being represented by a broker with respect to the transactions contemplated herein and agrees that it will indemnify and hold harmless Borders in the event that a broker claiming representation of Borrower asserts a claim against Borders with respect to the transactions contemplated herein.

14. **Entire Agreement/Freely Negotiated Agreement.** This Agreement constitutes the entire agreement between the Parties with respect to the referenced subject matter set forth herein and may not be altered, modified, or amended in any respect, except upon the written agreement of the Parties. The Parties have freely negotiated this Agreement and each has had the opportunity to consult with counsel and fully understand its terms. The Parties jointly drafted this Agreement and no provision in this Agreement will be construed presumptively against any Party. If any part of this Agreement is found to be illegal or to violate public policy, or for any reason to be unenforceable at law, such finding will not invalidate any other part hereof.

15. **Counterparts.** This Agreement may be executed by facsimile and in one or more counterparts, all of which, when taken together, will constitute an entire Agreement.

16. **Approval By The Bankruptcy Court As Condition Precedent.** This Agreement, and all terms, conditions, releases, waivers, and representations contained herein, is conditioned upon and will be of no force or effect whatsoever unless and until this Agreement has been approved by the Approval Order.

(Signatures contained on next page)