

Business Conduct Policy

I. General Statement of Policy

The policy of Borders Group and its subsidiaries (the “Company”) is to comply with all applicable laws and to adhere to the highest ethical standards in the conduct of our business. The Company believes that it is each bookseller’s responsibility to help secure the loyalty of customers, the commitment of booksellers, and the goodwill of the communities in which Borders Group operates.

Because the business and legal environment in which the Company operates is extremely complex, it would be impossible to formulate a single Policy that would govern all possible situations. If booksellers have any questions concerning the application of this Policy to a particular situation, or need additional information concerning an issue not covered by the Policy, they should contact the Legal staff of the Company.

It is each bookseller’s responsibility to acquire and maintain a working knowledge of business law and ethics as applicable to one’s position, both by studying this Policy and other materials provided to booksellers by the Company, and by reading publications and other generally available sources of information about these matters. If booksellers have any questions about the proper application of this Policy or about what is required by the law in any given situation, they must consult with the Legal Staff of the Company.

II. Business Practices and Legal Compliance

A. Conflicts of Interest

As a bookseller of the Company, each individual is an agent of the Company and owes a duty of loyalty to the Company. Therefore, booksellers must use the Company’s property, its business opportunities, and their positions with the Company exclusively for the benefit of the Company. This means, primarily, that booksellers must act so as to maximize the Company’s opportunities for profit, not their own. More generally, it means that booksellers must always seek to advance the goals of the Company as established by Executive Management and the Board of Directors.

It is essential that all booksellers, both professionally and personally, avoid situations that may create a conflict of interest, or the potential for conflict of interest or the appearance of a conflict of interest. A full and timely disclosure of the facts that may give rise to a potential conflict will help the Company and its booksellers avoid problems. In instances where the facts are disclosed and no illegal or unethical conduct is involved, the Company could consent to the proposed activity even though a technical conflict of interest exists. Booksellers must avoid any situation in which their obligations to the Company compete with their own financial interests, obligations to another Company or governmental body, or desire to assist relatives or friends.

Some examples of (but not limited to) potential conflicts of interest are:

1. Investing in any Company that sells products or services similar to the Company’s, or any company doing or seeking to do business with the Company, other than relatively small investments in securities widely held by the general public;
2. Working for, or on behalf of, any such company;
3. Placing Company business with relatives or friends, or working on a company project that will have a direct impact on the financial interests of relatives or friends;
4. Encouraging companies dealing with the Company to buy supplies or services from relatives or friends;
5. Borrowing money from companies doing or seeking to do business with the Company other than on generally available terms;
6. Participating in the regulatory or other activities of a community or governmental body that have a direct impact on the business of the Company;
7. Hiring or supervising a relative or friend;
8. A personal relationship with another bookseller or vendor that affects one’s ability to do one’s job

- or disrupts the workplace;
9. Working for another company which conflicts with one's duties and responsibilities at Borders Group by affecting one's ability to do his/her job, work his/her regularly scheduled shift, or work his/her stated available hours.

Each bookseller is responsible for recognizing situations in which a conflict of interest is present or might arise and for taking appropriate action to eliminate or prevent such conflict, including reporting the situation to the appropriate level of management. Where a bookseller believes it is not possible to avoid any of these situations, or to avoid any other conflict of interest, s/he must inform his/her supervisor and make full written disclosure (in advance whenever possible) to the Legal Staff of the Company.

B. Gifts and Samples

In addition to avoiding actual conflicts of interest, booksellers must also avoid creating any appearance that their judgment as an employee of the Company may have been influenced by personal considerations, or that they are seeking to obtain business or contracts for the Company based on improper considerations.

For this reason booksellers may not accept any gifts from any person doing, or seeking to do, business with the Company or from any competitor of the Company. For this purpose a "gift" includes any gratuitous service, loan, discount, entertainment, money, commissions, bonuses, trips that are less than 80% business-related* and any item valued at greater than \$100. Any exceptions to this policy may be granted by the written authorization of the Chief Legal Council, Chief Financial Officer and/or Chief Executive Officer.

In addition to the above, booksellers must abide by any additional gifts and samples guidelines the department Vice President has established.

The following are allowable under this policy:

- Loans from financial institutions on customary terms
- Holiday gifts of food and similar items that are placed by the recipient in a workplace area where all booksellers at the recipient's location may share in them
- Gifts valued at less than \$100 (Note that gifts valued between \$50-100 must be reported to and approved by a supervisor.)
- Entertainment, such as tickets to sporting events and concert tickets, provided that they are unsolicited
- Meals with vendors or potential vendors of the Company; provided, that if a bookseller accepts meals paid for by a vendor or potential vendor, the bookseller must report the event to a supervisor or manager with respect to the meals received and the business purpose thereof

Should a bookseller receive a gift from a vendor valued at less than \$100 that the bookseller does not intend to use, the bookseller should forfeit the item to his/her respective pyramid head for distribution to BGI employees as recognition or to be donated to the Borders Group Foundation for auction.

Samples of books, music, movies and other items sold or under consideration for sale by the Company should not be considered gifts and may be accepted from vendors or potential vendors. Booksellers may read or otherwise evaluate samples but no samples should be sold or auctioned without the written authorization of the Borders Group Chief Financial Officer, Chief Legal Counsel and/or Chief Executive Officer.

Booksellers may not solicit vendors, or other booksellers for tickets to any event. Store booksellers receiving tickets should notify their manager who then must notify the District Manager or Regional Director. Under no circumstances should tickets be sold.

The same general prohibition and limited exceptions noted above also apply to giving or offering gifts, meals, entertainment, etc., on behalf of the Company to other companies or persons not employed by the Company. Under no circumstances should a bookseller give gifts, meals, or entertainment to any United States or foreign governmental personnel, to any persons employed by the United States or foreign political parties, to any candidates for political office, or to any intermediaries (for example, commission agents, sales representatives, or consultants) who might pass on any gifts to these persons. Giving gratuities to such persons may violate United States and/or foreign statutes.

*If the bookseller chooses to bring a guest with him/her to a trip, then the guest must pay for the full cost of the trip, including, but not limited to meals, flight, entertainment, etc.

C. Confidential Information

All information about the Company's business and its plans that has not been disclosed to the public is a valuable asset that belongs to the Company. Booksellers must never (i) use any confidential information relating to the Company for any purpose other than the performance of their duties to the Company, or (ii) disclose any confidential information/trade secrets relating to the Company to anyone, including relatives, friends, or other persons or companies, without written advance authorization by the Legal Staff of the Company. This obligation survives the bookseller's separation from the Company.

D. Intellectual Property

In the performance of assigned duties, booksellers may develop ideas, inventions, software, or create original works of authorship relating to the business of the Company (herein known as "Intellectual Property"). In consideration of the compensation paid to booksellers by the Company, it is the understanding between the Company and booksellers that the Company shall have certain rights in the Intellectual Property. Where the subject matter of such Intellectual Property (i) results from or is suggested by any activity which booksellers may do for or on behalf of the Company, (ii) is created, invented or developed on the Company time or using the Company's facilities, or (iii) is related to the Company's business, booksellers shall assign all rights in such Intellectual Property to the Company.

At the request of the Company, either during employment or after termination thereof, booksellers shall execute or join in executing all papers or documents required for filing of a patent or copyright applications in the United States and such foreign countries as the Company may elect for the Intellectual Property. Booksellers shall assign such patent and copyright applications to the Company or its nominee and shall provide the Company and its agents or attorneys with all reasonable assistance in the preparation and prosecution of such applications, including drawings, specifications and the like, all at the expense of the Company. Booksellers shall do all things that may be necessary to establish, protect, and maintain the rights of the Company or its nominee in the Intellectual Property in accordance with the intent of this Policy.

E. Securities Law and Insider Trading

It is both illegal and against this Policy for any individual to profit from undisclosed information relating to the Company or any company with which we do business. If a bookseller in possession of material inside information that the Company has not yet disclosed to the public, s/he may not purchase or sell any of the securities of the Company or "tip" others to trade in our stock. Material inside information is defined as facts that have not been disclosed to the public that could influence a reasonable investor's decision to buy or sell a company's stock or other securities. Also, if a bookseller has inside or unpublished knowledge about any of the Company's suppliers, customers or any other company that we do business with, s/he may not purchase or sell securities of those companies or tip others to do so. Examples of inside material information include, but are not limited to, a stock split, a change in the dividend policy, potential mergers, acquisitions or other business opportunities, or financial performance different than from that in relevant prior periods unless previously indicated in public statements.

The securities laws have been amended to provide for penalties not only for those who engage in insider trading, but also for those controlling persons who fail to take appropriate actions when they either knew or should have known that those people within their control were violating these rules. Therefore, it is essential that booksellers be alert to those situations where others within the Company (particularly over those of whom a bookseller has some supervisory authority) may not be observing the rules of insider trading.

F. Antitrust Laws

The United States antitrust laws prohibit agreements or actions in "restraint of trade", defined as restrictive practices that may reduce or hinder competition. These laws require that decisions be made and activities undertaken without any agreement or coordination with competitors. Among those agreements and activities constituting clear violations are agreements and understandings to fix or control prices and other terms of sale; to allocate products, territories or markets (including store locations); or to limit the production or sale of products. Accordingly, booksellers must take great care to avoid any communications with the Company's competitors with respect to these or other business matters.

The antitrust laws also regulate conduct with suppliers and others. For example, resale price agreements are prohibited and the Robinson-Patman Act prohibits price discrimination by suppliers and knowingly inducing or receiving discriminatory pricing by buyers. Individuals involved in pricing discussions with suppliers must be knowledgeable with respect to the price discrimination rules and must consult with the Legal Staff as issues arise.

Because of the complexity of the antitrust laws, it is imperative that advice be sought from the Legal Staff regarding this subject.

G. Political Activity

The Company will not financially support or otherwise endorse or aid any political party or candidate in any state or country. This includes indirect support or endorsement, such as the purchase of advertising space or the provision of goods, services, or facilities.

If booksellers engage in personal political activity on their own time, they must take care not to imply that they are acting on behalf of the Company.

H. Personnel and Other Business Records

A bookseller may not collect or maintain in the Company's files information about booksellers that is not directly related to their employment and only where the bookseller's position requires it. Nor may a bookseller disclose any information about another active bookseller to persons outside the Company. Refer all inquiries relating to verifying employment or providing information to the appropriate HR representative.

Inappropriate access or modifications to, or unauthorized destruction of, accounting or other business records is prohibited. These prohibitions apply to all business records and data, regardless of whether such data and records are in written form or electronically stored.

I. Policy Against Discrimination and Harassment (Including Sexual Harassment)

The Company is committed to a work environment free of any form of sexual harassment. The Company will not tolerate any conduct which constitutes sexual harassment, whether engaged in by supervisory, non-supervisory personnel and third parties. The Equal Employment Opportunity Commission (EEOC) defines sexual harassment as consisting of unwelcome sexual advances, requests for sexual favors, or physical acts of a sexual or gender based nature where:

- Submission to such conduct is made either explicitly or implicitly a term or condition of employment.
- An employment decision is based on an individual's acceptance or rejection of such conduct.
- Such conduct interferes with an individual's work performance or creates a hostile or offensive work environment.

One may not in his/her capacity as a bookseller of the Company discriminate against any individual or group on the basis of race, religion, color, creed, national origin, age, gender, gender identity, sexual orientation, disability, veteran or military status, marital status or citizenship status, and any other characteristic protected by federal, state, and local laws. This policy applies to all elements of the bookseller or perspective bookseller's work life, including, but not limited to, all decisions with respect to hiring, consideration for promotion or advancement and participation in educational and training programs.

Please refer to the *Policy Against Discrimination and Harassment* in this Bookseller Handbook for additional information.

J. Environment

The Company is committed to doing all that it can to assist in minimizing the degradation of our natural environment. Accordingly, booksellers should always take care in disposing of any waste materials or releasing any discharges into the air or water and comply with all applicable regulations and procedures required by law and by company policy. If a bookseller is unclear about what is required, s/he must not dispose of any material or release any discharges until s/he has determined what procedures apply.

K. Contests

Company booksellers may not enter or profit directly or indirectly from any in store contests run by

vendors or by Borders Group, Inc., unless the contest is expressly offered to booksellers. Booksellers may not enter a contest indirectly through a spouse, domestic partner, friend or relative as defined in the Conflict of Interest section.

L. Observance of Authority Limits

The Company has established an approval matrix which sets forth specific authority limits for the most common transactions conducted by officers and booksellers of the Company. Booksellers are required to observe these limits and any action that they take beyond the limits of their authority will be deemed to be a violation of this Policy. If a bookseller has questions concerning whether or not s/he is authorized to take a particular action, s/he should contact the Director of Internal Audit. Approval matrixes are available on Store Documentation and also the Borders Group, Inc. Homepage.

M. No Contractual Rights

All statements contained in this Policy are intended to reflect general policies, principles, and procedures, do not represent contractual commitments on the part of the Company and may be changed at any time without notice. Without limiting the generality of the foregoing, nothing in this Policy should be construed to grant to any bookseller any right to benefits under any bookseller benefit plan, program or arrangement.

III. Dissemination and Enforcement of the Policy

A. Dissemination

A copy of this Policy is to be provided to all booksellers of the Company.

B. Compliance Certification

All booksellers of the Company will be asked to certify this policy upon receipt. By certifying, the bookseller acknowledges that s/he has read and understands the conditions of the policy. Bookseller certifies the Business Conduct Policy by signing and submitting the Bookseller Handbook Acknowledgement form in this Bookseller Handbook.

C. Penalties For Violations Of The Policy

It is each bookseller's responsibility to resolve with the Legal Staff of the Company any potential conflicts with this Policy. Violations of this Policy, even in the first instance, may result in disciplinary action up to and including termination of employment from the Company. In addition, violations of laws applicable to the Company could result in substantial fines to the Company and individual violators and, in certain instances, imprisonment. No improper or illegal behavior will be justified by a claim that it was ordered by someone in higher authority. No one, regardless of their position, is authorized to direct a bookseller to commit a wrongful act.