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

FORM 10-K

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

For the fiscal year ended April 27, 2019

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 1-12302

Barnes & Noble, Inc.
(Exact name of registrant as specified in its charter)

Delaware State or other jurisdiction of incorporation or organization	**06-1196501** (I.R.S. Employer Identification No.)
122 Fifth Avenue, New York, NY (Address of principal executive offices)	**10011** (Zip Code)

Registrant's telephone number, including area code (212) 633-3300

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	BKS	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

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

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 ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 and non-voting stock held by non-affiliates of the registrant was approximately $364,012,301 based upon the closing market price of $6.24 per share of Common Stock on the New York Stock Exchange as of October 27, 2018.

As of May 31, 2019, 73,206,809 shares of Common Stock, par value $0.001 per share, were outstanding, which number includes 169,899 shares of unvested restricted stock that have voting rights and are held by members of the Board of Directors and the Company's employees.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2019 Annual Meeting of Shareholders are incorporated by reference into Part III.

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended April 27, 2019 are incorporated by reference into Parts II and IV.

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FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains certain forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) and information relating to Barnes & Noble that are based on the beliefs of the management of Barnes & Noble as well as assumptions made by and information currently available to the management of Barnes & Noble. When used in this communication, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “will,” “forecasts,” “projections,” and similar expressions, as they relate to Barnes & Noble or the management of Barnes & Noble, identify forward-looking statements.

Such statements reflect the current views of Barnes & Noble with respect to future events, the outcome of which is subject to certain risks, including, among others, risks arising in connection with the Agreement and Plan of Merger dated as of June 6, 2019 by and among Barnes & Noble, Chapters Holdco Inc., a Delaware corporation, and Chapters Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Chapters Holdco Inc., pursuant to which Barnes & Noble expects to become a wholly owned subsidiary of Chapters Holdco Inc., the general economic environment and consumer spending patterns, decreased consumer demand for Barnes & Noble’s products, low growth or declining sales and net income due to various factors, including store closings, higher-than-anticipated or increasing costs, including with respect to store closings, relocation, occupancy (including in connection with lease renewals) and labor costs, the effects of competition, the risk of insufficient access to financing to implement future business initiatives, risks associated with data privacy and information security, risks associated with Barnes & Noble’s supply chain, including possible delays and disruptions and increases in shipping rates, various risks associated with the digital business, including the possible loss of customers, declines in digital content sales, risks and costs associated with ongoing efforts to rationalize the digital business, risks associated with the eCommerce business, including the possible loss of eCommerce customers and declines in eCommerce sales, the risk that financial and operational forecasts and projections are not achieved, the performance of Barnes & Noble’s initiatives including but not limited to new store concepts and eCommerce initiatives, unanticipated adverse litigation results or effects, potential infringement of Barnes & Noble’s intellectual property by third parties or by Barnes & Noble of the intellectual property of third parties, and other factors, including those factors discussed in detail in Item 1A, “Risk Factors,” and in Barnes & Noble’s other filings made hereafter from time to time with the Securities and Exchange Commission (SEC).

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to Barnes & Noble or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. Barnes & Noble undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-K.

PART I

ITEM 1. BUSINESS

General

Barnes & Noble, Inc. (Barnes & Noble or the Company), one of the nation's largest booksellers,[1] provides customers a unique experience across its omni-channel distribution platform. As of April 27, 2019, the Company operates 627 bookstores in 50 states, maintains an eCommerce site, develops digital reading products and operates NOOK, one of the largest digital bookstores. Barnes & Noble is utilizing the strength of its retail footprint in combination with its online and digital businesses to provide an omni-channel experience for its customers, fulfilling its commitment to offer customers any book, anytime, anywhere and in any format.

Barnes & Noble Retail (B&N Retail) operates 627 retail bookstores, primarily under the Barnes & Noble Booksellers® trade name, and includes the Company's eCommerce site. B&N Retail also includes Sterling Publishing Co., Inc. (Sterling or Sterling Publishing), a leader in general trade book publishing. The NOOK segment represents the Company's digital business, offering digital books and magazines for sale and consumption online, NOOK®[2] reading devices, co-branded NOOK® tablets and reading software for iOS, Android and Windows. As of April 27, 2019, the Company employed approximately 24,000 employees (7,000 full-time and 17,000 part-time employees).

The Company's principal business is the sale of trade books (generally hardcover and paperback titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, eBooks and other digital content, NOOK® and related accessories, bargain books, textbooks, magazines, gifts, café products and services, educational toys & games, music and movies direct to customers through its bookstores or on www.barnesandnoble.com.

Barnes & Noble has been experiencing declining sales trends primarily due to lower store traffic. The Company has been able to offset some of the traffic decline through its efforts to increase conversion through higher customer engagement as well as increase average transaction values through better merchandise offerings. Additionally, the Company has been able to partially mitigate the impact of the sales decline on profit levels through cost reductions. Recently, the Company began to reinvest some of its cost savings into initiatives to grow its top line sales, including an advertising campaign and increased promotional offers, which contributed to a comparable store sales increase during the third quarter of the fiscal year ended April 27, 2019 (fiscal 2019). While the Company believes it has lost share on its sales performance, it sees opportunities in an industry that has become more stable.

To improve its performance, the Company's strategic plan is focused on strengthening its core business by enhancing its customer value proposition; improving profitability through an aggressive expense management program, which will be redeployed to fund growth initiatives; and innovating for the future, which will position the Company for long-term growth.

To strengthen its core business, the Company is focused on enhancing its customer value proposition by improving its merchandise offerings, enriching the overall shopping experience, increasing the value of its Membership Program and expanding its omni-channel capabilities. The Company will continue to leverage the strength of its Barnes & Noble brand, knowledgeable booksellers, vast book selection, omni-channel offering and retail footprint to attract customers and grow sales.

1 Based upon sales reported in trade publications and public filings.

2 Any references to NOOK® include the Company's NOOK® Tablets, Samsung Galaxy Tab® A NOOK®, Samsung Galaxy Tab® E NOOK®, NOOK® GlowLight® 3 and NOOK® GlowLight Plus® devices, each of which includes a registered trademark symbol (®) even if such a symbol is not included herein.

Merchandising initiatives are focused on increasing the impact of promotional activities, narrowing product assortments, improving SKU productivity, refining inventory management processes, testing changes to existing store layouts and remerchandising select business units. The Company believes there is opportunity to increase conversion through higher customer engagement and by improving navigation and discovery throughout the store. Additionally, the Company believes its reinvigorated marketing efforts, which include improved email campaigns and new advertising campaigns, can help improve store traffic trends.

In-store events also drive traffic, reinforcing Barnes & Noble as a destination where customers can meet, browse and discover. The Company has launched new events, such as the Barnes & Noble Book Club, which was designed to bring readers in communities across the country together to discuss some of the most compelling books being published. To generate interest in these and other events, the Company is also utilizing social media, where booksellers communicate events, promotions and new product offerings with customers at the local level in order to drive additional traffic.

The Company's Membership Program provides the Company with valuable data and insights into its customer base, enabling the Company to better understand and market to its customers. Members are more productive than non-members, as they spend more and visit more often. The Company continues to test programs to grow sales to both members and non-members, increase membership, improve price perception and enhance its overall customer value proposition.

The Company is focused on simplification throughout its organization to create efficiencies and reinvest resources to support sales growth. The Company is also committed to right sizing its cost structure. At B&N Retail, the Company implemented a new labor model for its stores, increasing store productivity and streamlining store operations. At NOOK, the Company exited non-core businesses and outsourced certain functions. NOOK expects to continue to re-calibrate its cost structure commensurate with sales.

In addition to initiatives focused on growing sales through its existing store base, the Company is innovating for the future and is opening newly designed prototype stores, which it believes could foster sales growth in the future.

The Company was incorporated in Delaware in 1986.

Merger Agreement

On June 6, 2019, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with Chapters Holdco Inc., a Delaware corporation (Parent), and Chapters Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Parent (Merger Sub). Subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company (the Merger), with the Company surviving the Merger as a wholly owned subsidiary of Parent. Parent and Merger Sub were formed by affiliates of Elliott Associates, L.P., a Delaware limited partnership, and Elliott International, L.P., a Cayman Islands limited partnership.

The Board of Directors of the Company approved the Merger Agreement and the transactions contemplated thereby following the recommendation of a special committee consisting solely of independent and disinterested directors, to which the Board of Directors of the Company had delegated authority to consider and negotiate the Merger Agreement and the transactions contemplated thereby (including the Voting Agreement (as described below) and the transactions contemplated thereby).

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the Effective Time), each share of the Company's common stock, par value $0.001 per share (the Company Common Stock) (other than (i) shares of Company Common Stock held by the Company or any of its subsidiaries, including as treasury stock, or by Parent or any of its subsidiaries, including Merger Sub, which will be cancelled and cease to exist, and (ii) shares of Company Common Stock for which stockholders have exercised statutory appraisal rights and which will be entitled to the appraised value thereof, if applicable, pursuant to Section 262 of the General Corporation Law of the State of Delaware (the DGCL)), will be converted into the right to receive cash in the amount of $6.50.

The transaction is expected to close in the third quarter of calendar year 2019, and is subject to certain mutual conditions, including (i) the adoption of the Merger Agreement by the holders of at least a majority of the aggregate voting power of the outstanding shares of Company Common Stock, voting together as a single class, (ii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (iii) the absence of any order or law that has the effect of enjoining or otherwise prohibiting the consummation of the Merger. The obligation of each party to consummate the Merger is also conditioned upon (i) the accuracy of the representations and warranties of the other party as of the date of the Merger Agreement and as of the closing (subject to customary materiality qualifiers) and (ii) the compliance by the other party in all material respects with its pre-closing obligations under the Merger Agreement. Parent's and Merger Sub's respective obligations to consummate the Merger are also conditioned upon the absence of a Company Material Adverse Effect (as defined in the Merger Agreement). Closing of the Merger is not subject to a financing condition.

In connection with the Merger Agreement, on June 6, 2019, Parent, Leonard Riggio, the Company's Founder and Chairman, and certain stockholders affiliated with Mr. Riggio (the Significant Stockholders), and, solely for purposes of certain provisions, the Company entered into a Voting and Support Agreement (the Voting Agreement) pursuant to which the Significant Stockholders agreed, among other things and subject to certain conditions, to, at any meeting of stockholders of the Company called to vote upon the approval of the Merger, vote all shares of Company Common Stock beneficially owned by such Significant Stockholders in favor of the Merger, and to vote against certain other matters, so long as such obligations have not terminated in accordance with the terms set forth therein.

The Company and Parent have agreed to cooperate with each other in good faith to use their reasonable best efforts to negotiate an amendment to the Merger Agreement as promptly as practicable providing for the consummation of the transactions contemplated by the Merger Agreement through a tender offer and merger structure in accordance with Section 251(h) of the DGCL. The amendment to the Merger Agreement is conditioned upon the simultaneous amendment to the Voting Agreement providing that the shares of Company Common Stock held by the Significant Stockholders be tendered in the tender offer.

The foregoing description of the Merger Agreement and the Voting Agreement and each description of the Merger Agreement or Voting Agreement contained herein does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement or Voting Agreement, a copy of which is filed as Exhibit 2.1 or Exhibit 10.1, as applicable, to the Current Report on Form 8-K filed with the SEC on June 7, 2019.

Segments

The Company identifies its operating segments based on the way the business is managed (focusing on the financial information distributed) and the manner in which the chief operating decision maker interacts with other members of management and makes decisions on the allocation of resources. The Company's two operating segments are B&N Retail and NOOK.

B&N Retail

This segment includes 627 bookstores as of April 27, 2019, primarily under the Barnes & Noble Booksellers trade name. These Barnes & Noble stores generally offer a comprehensive trade book title base, a café, departments dedicated to Kids and Young Adults, Toys & Games, DVDs, Music & Vinyl, Gift, Magazine and Bargain products, and a dedicated NOOK® area. The stores also offer a calendar of ongoing events, including author appearances and children's activities. The B&N Retail segment also includes the Company's eCommerce website, www.barnesandnoble.com, and its publishing operation, Sterling Publishing.

Barnes & Noble stores range in size from 2,800 to 60,000 square feet depending upon market size, with an overall average store size of approximately 26,000 square feet. In fiscal 2019, the Company reduced the Barnes & Noble store base by approximately 172,000 square feet, bringing the total square footage to 16.4 million square feet, a net reduction of 1.0% from fiscal 2018.

The Company believes that the key elements contributing to the success of B&N Retail are:

Proximity to Customers. The Company's strategy has been to increase its share of the consumer book market, as well as to increase the size of the market through a market clustering strategy. As of April 27, 2019, Barnes & Noble had stores in 161 of the total 210 Designated Market Area markets. In 68 of the 161 markets, the Company has only one Barnes & Noble store. The Company believes its bookstores' proximity to its customers strengthens its market position and increases the value of its brand. Most Barnes & Noble stores are located in high-traffic areas with convenient access to major commercial thoroughfares and ample parking. Most stores offer extended shopping hours seven days a week.

Extensive Title Selection. Each Barnes & Noble store features an authoritative selection of books, ranging from approximately 19,000 to 133,000 unique titles with an average overall title base of 66,000 per store. The comprehensive title selection is diverse and reflects local interests and regional titles and authors' works. Bestsellers typically represent between approximately 5% and 6% of Barnes & Noble store sales. Complementing this extensive on-site selection, all Barnes & Noble stores provide customers with access to the millions of books available to online shoppers at www.barnesandnoble.com by offering an option to have the book sent to the store or shipped directly to the customer. Additionally, the website allows customers to purchase over three million eBooks, digital magazines and newspapers. The Company believes that its tremendous selection, including many otherwise hard-to-find titles, builds customer loyalty.

Store Design and Ambiance. Many of the Barnes & Noble stores create a comfortable atmosphere with ample public space, a café offering sandwiches, soups and bakery items, among other things, and public restrooms. The cafés, for which the Starbucks Corporation is the sole provider of coffee products, foster the image of the stores as a community meeting place. In addition, the Company continues to develop and introduce new product line extensions, such as proprietary gifts and the B&N Educator Program, providing education tools for teachers, librarians and parents. These offerings and services have helped to make many of the stores neighborhood institutions.

Educational Toys & Games Department. The Educational Toys & Games Department at Barnes & Noble offers parents and gift-givers unique, best in class, learning products from around the world. In addition to an exceptional educational assortment, customers can rely on Barnes & Noble for many of the most requested top toys in any season. Whether customers are browsing Science & Tech, Arts & Crafts or Kids' Games & Puzzles, there is consistently something new to discover. At Barnes & Noble, customers can shop in three distinct ways: by brand, by category and by age. And, by showcasing powerful brands, along with favorite characters, the Company has become a destination for kids and gift-givers across the country.

Games, Puzzles, Trend & Collectibles. Barnes & Noble continues to maintain focus on Games & Puzzles with a thoughtful and deliberate merchandising segmentation. Featuring an assortment of puzzles, family games, strategy games, party games, card games and mind, memory and logic games, Barnes & Noble offers table top gaming products allowing customers to immerse themselves in dynamic game-play. In the ever evolving world of pop culture, Barnes & Noble is proud to offer trend-based merchandise for an array of fans through an inspired collection of products from many of the hottest entertainment properties, featuring many of the latest trends from around the globe and the Company's most revered book franchises.

NOOK® Demonstrations. The Company has utilized its traditional retail bookstores to promote NOOK® within the bookstores. Customers have the ability to see, feel, and experiment with NOOK®, speak to knowledgeable booksellers, and receive pre- and post-sales customer support within the Company's bookstores. The Company offers NOOK® owners free NOOK® support in all of its retail bookstores, as well as free Wi-Fi connectivity to enjoy the Read In Store™ feature to read NOOK Books™ for free within the store. These acclaimed devices, which provide a fun, easy-to-use and immersive reading experience, include the NOOK® Tablets, Samsung Galaxy Tab® A NOOK®, Samsung Galaxy Tab® E NOOK®, NOOK® GlowLight® 3 and NOOK® GlowLight Plus® devices. The NOOK® devices have also opened up an additional market for NOOK®-related accessories such as stands, covers, lights, and other items.

Music and Movies & TV Departments. Many of the Barnes & Noble stores have Music and Movies & TV departments, which offer CDs, Vinyl LPs, DVDs and Blu-ray discs. These departments range in size up to approximately 7,800 square feet and typically stock approximately 7,000 titles. The Company's DVD and Blu-ray selection focuses on current and classic movies, documentaries, fitness and instructional titles, British TV series and movies, and foreign films. The music selection is tailored to the tastes of the Company's customers, centering on classical music, jazz, pop rock, and show tunes. The Company also offers a strong selection of Vinyl titles, available in all stores, along with turntables.

Discount Pricing. Barnes & Noble stores employ an aggressive nationwide discount pricing strategy and offer special promotions throughout the year. The Barnes & Noble Membership Program offers members greater discounts and other benefits for products and services as well as exclusive offers and promotions via email or direct mail. The Company's website, www.barnesandnoble.com, also utilizes a competitive model that includes various promotional offerings designed for members and non-members alike and enables the Company to offer better value to its customers. The Barnes & Noble Kids' Club Program offers free rewards and special offers to participants and invites children to celebrate their birthday within the retail bookstores.

Community Business Development. The Company's retail bookstores host a variety of national and local events, which feature the many products and services it offers. Each store plans its own community-based calendar of events, including author appearances, children's storytimes, poetry readings and book discussion groups. In addition, the Company hosts a number of national campaigns around various themes or audiences such as National Book Club, Summer Reading, My Favorite Teacher Essay Contest, Educator Appreciation Days and the annual Holiday Book Drive, which provides books to at risk children in the communities the stores serve. All of these campaigns increase traffic and sales, and further reinforce Barnes & Noble as a community center.

The Company also provides fund-raising opportunities through its Bookfair program for schools and local non-profit arts and literacy organizations, as well as a Holiday Gift Wrap program, which allows non-profit organizations to gain exposure and raise funds while wrapping gifts inside the stores. The Company believes its community business development programs encourage customer loyalty, drive sales and traffic into its stores and provide positive publicity and media coverage.

Merchandising and Marketing. The Company's merchandising strategy for its Barnes & Noble stores is to be the authoritative community bookstore carrying an extensive selection of titles in all subjects, including an extensive selection of titles from small independent publishers and university presses. Each Barnes & Noble store features an extensive selection of books. Each store is tailored to reflect the lifestyles and interests of the area's customers.

Product Master, the Company's authoritative data repository system, provides each store with comprehensive title selections. By enhancing the Company's existing merchandise replenishment systems, Product Master allows the Company to achieve higher in-stock positions and better productivity at the bookstore level through efficiencies in receiving, cashiering and returns processing. Complementing this extensive on-site selection, all Barnes & Noble stores provide customers with access to the millions of books available to online shoppers at www.barnesandnoble.com by offering an option to have the book sent to the store or shipped directly to the customer.

The Company has an omni-channel eCommerce marketing strategy that deploys various merchandising programs and promotional activities to drive traffic to both its stores and website. At the center of this eCommerce program is the Company's website, www.barnesandnoble.com. The website serves as both the Company's direct-to-home delivery service and as an important broadcast channel and advertising medium for the Barnes & Noble brand. For example, the online store locator at www.barnesandnoble.com receives millions of customer visits each year providing store hours, directions, information about author events and other in-store activities. Similarly, in Barnes & Noble stores, NOOK® customers can access free Wi-Fi connectivity and enjoy the Read In Store™ feature to browse many complete eBooks for free.

The Company has implemented a number of new website features to improve the overall user experience. The Buy Online, Pick up in Store (BOPIS) initiative allows customers to place an order online and pick it up within one hour at the selected store. This option is available in all Barnes & Noble stores around the country and provides customers with a convenient alternative to shop. BN.com is an important component of the Company's omni-channel strategy, and it believes that, in the long-term, the platform will enable it to be more competitive in the marketplace.

Another example of an omni-channel initiative is the Barnes & Noble MasterCard®, a co-brand credit card issued by Barclaycard. Card members earn 5% back on purchases at any Barnes & Noble store or online at www.barnesandnoble.com. They also earn points for every dollar spent on purchases where MasterCard is accepted (excluding Barnes & Noble purchases); when they reach 2,500 points, they automatically earn a $25 Barnes & Noble gift card. Customers can apply in any B&N store or online at BN.com. Upon approval, they can use the new account to receive the 5% statement credit rebate on their B&N purchase, as well as a $25 Barnes & Noble gift card after first use of the account.

The Company believes that its website complements its bookstores in many ways. It not only serves as a marketing tool, it offers convenient shopping alternatives for its customers.

Brand Reputation. In 2018, the Reputation Institute named Barnes & Noble the most reputable retailer in America. The Company attained the #1 position based on its strongest emotional connection and on the key drivers of reputation, such as governance and citizenship. According to the Reputation Institute, the survey quantifies the emotional bond stakeholders have with leading companies and how these connections drive supportive behavior such as the willingness to purchase a company's products, recommend the brand, invest or work for the company.

Store Locations and Properties. The Company's experienced real estate personnel select sites for new Barnes & Noble stores after an extensive review of demographic data and other information relating to market potential, bookstore visibility and access, available parking, surrounding businesses, compatible nearby tenants, competition and the location of other Barnes & Noble stores. Most stores are located in high-visibility areas adjacent to main traffic corridors in strip shopping centers, freestanding buildings and regional shopping malls. The real estate personnel continue to focus on renegotiating leases as they expire.

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The B&N Retail segment includes 627 bookstores as of April 27, 2019, primarily under the Barnes & Noble Booksellers trade name. The number of Barnes & Noble stores located in each state as of April 27, 2019 is listed below:

STATE	NUMBER OF STORES	STATE	NUMBER OF STORES
Alabama	7	Montana	4
Alaska	2	Nebraska	4
Arizona	15	Nevada	4
Arkansas	5	New Hampshire	4
California	69	New Jersey	22
Colorado	15	New Mexico	3
Connecticut	12	New York	38
Delaware	2	North Carolina	21
Florida	39	North Dakota	3
Georgia	19	Ohio	18
Hawaii	2	Oklahoma	5
Idaho	3	Oregon	7
Illinois	26	Pennsylvania	26
Indiana	11	Rhode Island	3
Iowa	7	South Carolina	10
Kansas	4	South Dakota	1
Kentucky	7	Tennessee	8
Louisiana	7	Texas	51
Maine	1	Utah	9
Maryland	12	Vermont	1
Massachusetts	17	Virginia	25
Michigan	19	Washington	16
Minnesota	16	West Virginia	1
Mississippi	3	Wisconsin	11
Missouri	11	Wyoming	1

Sterling Publishing

Sterling Publishing is a leading publisher of non-fiction trade titles. Founded in 1949, Sterling publishes a wide range of non-fiction and illustrated books and kits across a variety of imprints, in categories such as health & wellness, music & popular culture, food & wine, crafts, puzzles & games and history & current affairs, as well as a large children's line. Sterling, with a solid backlist and robust value publishing program, has a title base of approximately 13,000 print books and eBooks. In addition, Sterling also distributes approximately 1,500 titles on behalf of client publishers.

Operations

The Company has seasoned management teams for its retail stores, including those for real estate, merchandising and store operations. Field management includes regional vice presidents and district managers supervising multiple store locations.

During fiscal 2018, the Company implemented a new labor model for its stores, increasing store productivity and streamlining store operations.

The Barnes & Noble management team is led by experienced management in both traditional product lines and in digital eCommerce. The Barnes & Noble management team employs highly skilled professionals with both media expertise and supply chain management skills. This combination ensures a positive customer experience regardless of a customer's preference for a physical product or a digital one.

Each Barnes & Noble store generally employs a store manager, one assistant store manager, two sales and inventory managers, a café manager and on average 31 booksellers (combination of full-time and part-time). Many Barnes & Noble stores also employ a full-time community business development manager. The large bookseller base provides the Company with experienced employees to fill new manager positions in the Company's Barnes & Noble stores. The Company anticipates that a significant percentage of the personnel required to manage its stores will continue to come from within its existing operations.

Field management for all of the Company's bookstores, including regional vice presidents, district managers and store managers, participate in an annual incentive program tied to store sales and profit goals (for regional vice presidents) as well as execution of certain retail initiatives. The Company believes that the compensation of its field management is competitive with that offered by other specialty retailers of comparable size.

Barnes & Noble has in-store training programs providing specific information needed for success at each level, beginning with the entry-level positions of bookseller. District managers participate in annual training and merchandising conferences. Store managers are generally responsible for training other booksellers and employees in accordance with detailed procedures and guidelines prescribed by the Company utilizing a blended learning approach, including on-the-job training, eLearning, facilitator-led training and training aids available at each bookstore.

Purchasing

Barnes & Noble's buyers and vendor management team negotiate costs, marketing funds, promotional discounts, cooperative advertising and showroom allowances with publishers and other suppliers for www.barnesandnoble.com and all of the Company's bookstores. The Company has buyers and allocation managers who specialize in customizing inventory for bookselling in stores and online. Store inventories are further customized by store managers, who may respond to local demand by purchasing a limited amount of fast-selling titles through a nationwide wholesaling network, including the Company's distribution centers.

The Company's B&N Retail segment purchases physical books on a regular basis from over 500 publishers and over 30 wholesalers or distributors. Purchases from the top five suppliers (including publishers, wholesalers and distributors) accounted for approximately 70% of the B&N Retail's book purchases during fiscal 2019, and no single supplier accounted for more than 29% of B&N Retail's book purchases during this period. Consistent with industry practice, a substantial majority of the physical book purchases are returnable for full credit, a practice which substantially reduces the Company's risk of inventory obsolescence.

Distribution

The Company has invested significant capital in its systems and technology by building new platforms, implementing new software applications and building and maintaining efficient distribution centers. This investment has enabled the Company to source a majority of its inventory through its own distribution centers, resulting in direct buying from vendors rather than wholesalers. Using the Company's own distribution centers rather than wholesalers lowers distribution costs per unit, increases inventory turns, and improves product margins. The Company's distribution centers' 3-prong strategy of (1) accelerating speed to market, (2) improving order quality (on-time, complete and damage free) and (3) reducing costs has improved just-in-time deliveries to stores as well as deliveries to the Company's customers on orders placed via the Barnes & Noble website and through the Company's in-store order network.

As of April 27, 2019, the Company has approximately 1,745,000 square feet of distribution center capacity. The Company has an approximately 1,145,000 square foot distribution center in Monroe Township, New Jersey, which ships merchandise to stores throughout the country and to online customers. The Company also has an approximately 600,000 square foot distribution center in Reno, Nevada, which is used to facilitate distribution to stores and online customers in the western United States.

Information Technologies

The Company has focused a majority of its information technology resources on strategically positioning and implementing systems to support store operations, online technology requirements, merchandising, distribution, marketing and finance.

BookMaster, the Company’s proprietary bookstore inventory management system, integrates point-of-sale features with a proprietary data warehouse-based replenishment system. BookMaster enhances communications and real-time access to the Company’s network of bookstores, distribution centers and wholesalers. The Company continues to implement systems to improve efficiencies in back office processing in the human resources, finance and merchandising areas.

The Company plans to continue to invest in technologies that will enable it to offer its customers the more convenient and user-friendly online shopping experience. B&N Retail has licensed existing commercial technology when available and has focused its internal development efforts on those proprietary systems necessary to provide the highest level of service to its customers. The overall mix of technologies and applications allows the Company to support a distributed, scalable and secure eCommerce environment.

The Company uses Intel®-based server technology in a fully redundant configuration to power its current website, which is hosted on two Company-owned data centers in leased facilities. Each of these data centers has sufficient capacity to independently support the volume of traffic directed toward the Company’s website during peak periods. Both hosting data centers are configured with redundant power, Internet telecommunications capacity and cooling to significantly reduce its exposure to downtime and service outages. Additionally, the Company believes its technology investments are scalable to meet the future growth demands of the business.

Competition

The book business is highly competitive in every channel in which the Company operates. The Company competes with mass merchandisers, such as Costco, Target and Wal-Mart. The Company faces competition from many online distributors, notably Amazon.com. The Company also competes with other large bookstores, including Books-A-Million, and smaller format bookstores, including new Amazon retail stores and independent store operators. In addition, the Company faces competition from digital distributors, such as Amazon.com and Apple, including through digital books or “eBooks” and eBook readers. The B&N Retail business’s stores also compete with specialty retail stores that offer books in particular subject areas, variety discounters, drug stores, warehouse clubs, mail-order clubs and other retailers offering books, music, toys, games, gifts and other products in its market segments.

The music and movie businesses are also highly competitive and the Company faces competition from mass merchants, discounters and electronic distribution. The store experience is geared towards the Company’s customer base, including a strong Blu-ray presence as well as a tailored, returnable product assortment.

Seasonality

The B&N Retail business, like that of many retailers, is seasonal, with the major portion of sales and operating income realized during its third fiscal quarter, which includes the holiday selling season.

Employees

The Company cultivates a culture of outgoing, helpful and knowledgeable employees. As of April 27, 2019, the B&N Retail segment had approximately 24,000 employees (7,000 full-time and 17,000 part-time employees). The B&N Retail segment's employees are not represented by unions.

NOOK

This segment represents the Company's digital business, including the development and support of the Company's NOOK® product offerings. The digital business includes digital content such as eBooks, digital newsstand and sales of NOOK® devices and accessories to B&N Retail. The underlying strategy of the NOOK business is to offer customers any digital book, newspaper or magazine, anytime, on any device. The Company remains committed to delivering to customers the best digital bookstore experience, providing easy access to Barnes & Noble's expansive digital collection of over three million eBooks, digital magazines and newspapers, while rationalizing its existing cost structure. As part of this commitment, the Company partners with Samsung to develop co-branded NOOK® tablets that feature the award-winning Barnes & Noble digital reading experience, while continuing to develop and offer its own NOOK® Tablets and E-Ink NOOK® eReaders.

Barnes & Noble's NOOK digital bookstore and Reading Apps™ provide customers the ability to purchase and read their digital content and access their Lifetime Library on a wide range of digital platforms, including Windows PCs and tablets, iPad™, iPhone®, Android™ smartphones and tablets, PC and Mac®. Barnes & Noble has implemented innovative features on its digital platform to ensure that customers can access their NOOK content from almost all of today's most popular devices.

NOOK currently sells a number of different devices to satisfy customers' digital needs, including NOOK® Tablets, Samsung Galaxy Tab® A NOOK®, Samsung Galaxy Tab® E NOOK®, NOOK® GlowLight® 3 and NOOK® GlowLight Plus® devices. The NOOK® and Samsung tablets provide customers access to the millions of books, newspapers and magazines in the NOOK Store and through Google Play, Android apps and games, songs, movies and TV shows, plus popular Google services like the Chrome™ browser, Gmail™, YouTube™, Google Search™ and Google Maps™. NOOK GlowLight® devices provide customers a simple, easy to use, intuitive eReader on an E-Ink display that replicates the experience of reading from physical paper and provides access to the Company's digital content store. Free NOOK support in any of the B&N Retail bookstores provides customers the ability to interact with a knowledgeable bookseller to receive pre- and post-customer sales support. Barnes & Noble stores also provide free Wi-Fi connectivity for NOOK® devices and Read In Store™ access, which allows customers to read NOOK Books™ for free within the store. NOOK also allows for digital lending of a wide selection of books through its LendMe® technology.

Operations

The digital products group has knowledgeable product development and operational management teams in the areas of reading software, digital content retailing and mobile device development. Digital product management oversees product concept, software development, engineering, and user experience. Operational management has historically overseen demand planning, strategic sourcing, manufacturing, return and refurbishment of hardware. The Company expects that digital product management's role will continue to focus on eReading devices and reading platforms, while also managing third-party partner relationships, such as NOOK's partnership with Samsung and Bahwan CyberTek (BCT), a global software products and services company, in which the Company outsourced certain NOOK functions, including cloud management and development support for NOOK® software.

Purchasing/Distribution

NOOK acquires the rights to distribute digital content from publishers and distributes the content on www.barnesandnoble.com, NOOK® devices and other eBookstore platforms. Certain digital content is distributed under an agency pricing model, in which the publishers set fixed prices for eBooks and NOOK receives a fixed commission on content sold through the eBookstore. The majority of the Company's eBooks sold are under the agency model.

NOOK utilizes the Company's purchasing power and its distribution centers to synergistically facilitate the purchasing and shipping of devices and accessories.

Competition

The eReader and tablet businesses are highly competitive. NOOK competes primarily on price, device functionality, consumer appeal and availability of digital content. The importance of price varies depending on the competitor, with some of NOOK's competitors engaging in significant discounting and other promotional activities. NOOK competes with many online digital businesses, notably Amazon.com and Apple. Some of the Company's competitors have substantially greater financial and other resources and may have different business strategies than NOOK does.

Seasonality

The NOOK business, like that of many technology companies, is impacted by the launch of new products and the promotional efforts to support those new products, as well as the traditional retail holiday selling seasonality.

Employees

As of April 27, 2019, NOOK had 38 employees (combination of full-time and part-time). NOOK employees are not represented by unions, and the Company believes that its relationship with its employees is generally excellent.

Trademarks and Service Marks

The trademarks and service marks owned by the Company and its subsidiaries include, but are not limited to, B&N®, Barnes & Noble®, Barnes & Noble.com®, barnesandnoble.com®, Barnes & Noble Booksellers®, Barnes & Noble Kitchen®, Barnes & Noble Press®, Barnsie®, Noble®, Book Graph®, Browsery®, Discover Great New Writers®, Espari®, Kids' Book Hangout®, No Fear Shakespeare®, NOOK®, NOOK Color®, NOOK Tablet®, Reader's Tablet®, NOOK Simple Touch®, GlowLight®, NOOK GlowLight®, The Simple Touch Reader®, NOOK Books®, NOOK Book Enhanced®, The NOOK Book Store®, NOOK Newsstand®, NOOK Newspaper®, Read In Store®, NOOK Friends®, LendMe®, NOOK Boutique®, ArticleView®, Daily Shelf®, Read To Me®, Punctuate!®, Wobblio®, Get Pop-Cultured®, B-Fest®, B&N Readouts®, B&N Recommends®, SparkNotes®, B. Dalton®, Borders®, Borders Books & Music®, and Waldenbooks®, some of which are registered or pending with the United States Patent and Trademark Office.

The Company regards its trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets, proprietary technology and similar intellectual property as important to its operations, and it relies on trademark, copyright and patent law, domain name regulations, trade secret protection and confidentiality or license agreements to protect its proprietary rights. The Company has registered, or applied for the registration of, a number of domain names, trademarks, service marks, patents, and copyrights by U.S. and foreign governmental authorities. Additionally, the Company has filed U.S. and international patent applications covering certain of its proprietary technology. The Company renews its registrations, which vary in duration, as it deems appropriate from time to time.

The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights to third parties. Some of the Company's products are designed to include intellectual property licensed or otherwise obtained from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of the Company's products and business methods, the Company believes, based upon past experience and industry practice, such licenses generally could be obtained on commercially reasonable terms; however, there is no guarantee such licenses could be obtained at all.

Available Information

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, proxy statements and other information with the SEC. The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that issuers (including the Company) file electronically with the SEC. The Internet address of the SEC's website is *https://www.sec.gov*.

The Company makes available on its corporate website at *www.barnesandnobleinc.com* under "Investor Relations" - "SEC Filings," free of charge, all its SEC filings as soon as reasonably practicable after the Company electronically files such material with or furnishes such materials to the SEC.

The Company has adopted Corporate Governance Guidelines, a Code of Business Conduct and Ethics and written charters for the Company's Audit Committee, Compensation Committee and Corporate Governance & Nominating Committee. Each of the foregoing is available on the Company's website at *www.barnesandnobleinc.com* under "Investor Relations" – "Corporate Governance" and in print to any stockholder who requests it, in writing to the Company's Corporate Secretary, Barnes & Noble, Inc., 122 Fifth Avenue, New York, New York 10011. In accordance with SEC rules, the Company intends to disclose any amendment (other than any technical, administrative, or other non-substantive amendment) to either of the above codes, or any waiver of any provision thereof with respect to any of the executive officers, on the Company's website within four business days following such amendment or waiver.

ITEM 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones faced by the Company. Additional risks and uncertainties not presently known or that are currently deemed immaterial also may impair the Company's business operations. Management's strategies are subject to the risks described herein and elsewhere, and may be subject to other risks that have not yet been identified, and management cannot make assurances that its business strategies will be successful. If any of the following risks occur, the Company's business, financial condition, operating results and cash flows could be materially adversely affected.

Unless otherwise specified or the context otherwise requires, references below to (1) "the Company" refer to Barnes & Noble, Inc. and its subsidiaries, (2) "Retail business" refer to the Company's business included in the Retail segment, and (3) "Digital business" refer to the Company's business included in the NOOK segment, including the sales of digital content, devices and accessories.

Risks related to the Merger.

The announcement and pendency of the Merger may have an adverse effect on the Company's business, financial condition, operating results and cash flows.

Uncertainty about the effect of the Merger on our employees, suppliers, customers and other third parties may disrupt our sales, merchandising or other key business activities and may have a material adverse effect on our business, financial condition, operating results and cash flows. Current and prospective employees may experience uncertainty about their roles following the Merger and this may have an effect on our corporate culture. There can be no assurance we will be able to attract and retain key talent, including senior leaders, to the same extent that we have previously been able to attract and retain employees. Any loss or distraction of such employees could have a material adverse effect on our business, financial condition and operating results. In addition, we have diverted, and will continue to divert, significant management and other internal resources towards the completion of the Merger and planning for integration, which could materially adversely affect our business, financial condition, operating results and cash flows. Parties with which we have business relationships may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

The failure to complete the Merger in a timely manner or at all could negatively impact the market price of our common stock as well as adversely affect our business, financial condition, operating results and cash flows.

Completion of the Merger is subject to several conditions beyond the Company's control that may prevent, delay or otherwise adversely affect its completion in a material way, including those described below. The Merger cannot be completed until the conditions to closing are satisfied or (if permissible under applicable law) waived. We cannot guarantee that the closing conditions set forth in the Merger Agreement will be satisfied or, even if satisfied, that no event of termination will take place. In the event that the Merger is not completed for any reason, the holders of Company Common Stock will not receive any payment for their shares of Company Common Stock in connection with the Merger. Instead, we will remain an independent public company and the holders of Company Common Stock will continue to own their shares of Company Common Stock.

The completion of the Merger will be conditioned on certain mutual conditions, including (i) the adoption of the Merger Agreement by the holders of at least a majority of the aggregate voting power of the outstanding shares of Company Common Stock, voting together as a single class; (ii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and (iii) the absence of any order or law that has the effect of enjoining or otherwise prohibiting the consummation of the Merger. The obligation of each party to consummate the Merger is also conditioned upon (i) the accuracy of the representations and warranties of the other party as of the date of the Merger Agreement and as of the closing (subject to customary materiality qualifiers) and (ii) the compliance by the other party in all material respects with its pre-closing obligations under the Merger Agreement. Parent's and Merger Sub's respective obligations to consummate the Merger are also conditioned upon the absence of a Company Material Adverse Effect (as defined in the Merger Agreement). As a result, we cannot assure you that the Merger will be completed, or that, if completed, it will be exactly on the terms set forth in the Merger Agreement or within the expected time frame.

If the Merger is not completed within the expected time frame or at all, we may be subject to a number of material risks. The price of Company

Common Stock may decline to the extent that current market prices reflect a market assumption that the Merger will be completed. We could be required to pay Parent termination fees of up to $17.5 million if the Merger Agreement is terminated under specific circumstances described in the Merger Agreement. The failure to complete the Merger also may result in negative publicity and negatively affect our relationship with our stockholders, employees, collaborators, customers, regulators and other business partners. We may also be required to devote significant time and resources to litigation related to any failure to complete the Merger or related to any enforcement proceeding commenced against us to perform our obligations under the Merger Agreement.

The Merger Agreement contains provisions that could discourage or deter a potential competing acquirer that might be willing to pay more to effect an alternative transaction with us.

Under the Merger Agreement, we are generally not permitted to solicit or discuss takeover proposals with third parties, subject to certain exceptions. The Merger Agreement provides that, during the period from the date of the Merger Agreement until the Effective Time, the Company is subject to certain restrictions on its ability to solicit alternative acquisition proposals from third parties, provide non-public information to third parties and engage in negotiations with third parties regarding alternative acquisition proposals, subject to customary exceptions.

We will incur substantial transaction fees and costs in connection with the Merger Agreement.

We have incurred and expect to continue to incur significant costs, expenses and fees for professional services and other transaction costs in connection with the Merger Agreement. A material portion of these expenses are payable by us whether or not the Merger is completed. There are a number of factors beyond the Company's control that could affect the total amount or the timing of these costs and expenses.

Intense competition, including from the Internet and other retail sources, may adversely affect the Company's businesses.

The book business is highly competitive in every channel in which the Company operates. The Company competes with mass merchandisers, such as Costco, Target and Wal-Mart. The Company faces competition from many online distributors, notably Amazon.com. The Company also competes with other large bookstores, including Books-A-Million, and smaller format bookstores, including new Amazon retail stores and independent store operators. In addition, the Company faces competition from digital distributors, such as Amazon.com and Apple, including through digital books or "eBooks" and eBook readers. The Retail business's stores also compete with specialty retail stores that offer books in particular subject areas, variety discounters, drug stores, warehouse clubs, mail-order clubs and other retailers offering books, music, toys, games, gifts and other products in its market segments.

Some of the Company's competitors may have greater financial and other resources and different business strategies than the Company does. New and enhanced technologies, including new digital technologies and new web services technologies, may increase the Company's competition. Competition may also intensify as the Company's competitors enter into business combinations or alliances or established companies in other market segments expand into its market segments. Increased competition may reduce the Company's sales and profits.

The Retail business's stores compete primarily on the quality of the shopping and store experience and the price and availability of products. The importance of price varies depending on the competitor, with some of the Retail business's competitors engaging in significant discounting and other promotional activities.

Because of shifting consumer preferences and demographic shifts, coupled with the maturity of the market for traditional retail stores, the Company's sales or net income may decline unless it successfully implements its business strategies.

The Company's primary business is its operation of the Retail business's stores across the United States, and it derived a substantial majority of its sales and profits from the Retail business's stores in its most recent fiscal year. Continued increases in consumer spending via the Internet, and the disintermediation of information, may significantly affect its ability to generate sales in the Retail business's stores and the Company's other channels of sale. The Retail business's stores have experienced declining sales trends primarily due to lower traffic. Failure of the Company to implement successful strategies to account for such changing consumer preferences may result in the decline in the Company's sales and/or net income.

The Company's businesses are dependent on the overall economic environment and consumer spending patterns.

A deterioration of the current economic environment could have a material adverse effect on the Company's financial condition and operating results, as well as the Company's ability to fund its growth or its strategic business initiatives.

The Retail and Digital businesses' sales are primarily dependent upon discretionary consumer spending, which is affected by the overall economic environment, consumer confidence and other factors beyond the Company's control. In addition, the Retail and Digital businesses' sales are dependent in part on the strength of new release products, which are controlled by publishers and other suppliers.

The Company faces the risk of disruption of supplier relationships and/or supply chain and/or inventory surplus.

The products that the Company sells originate from a wide variety of domestic and international vendors. During fiscal 2019, the Retail business's five largest suppliers accounted for approximately 70% of the dollar value of merchandise purchased. While the Company believes that its relationships with its suppliers are strong, suppliers may modify the terms of these relationships due to general economic conditions or otherwise. The Company does not have long-term arrangements with most of its suppliers to guarantee availability of merchandise, content, components or services, particular payment terms or the extension of credit limits. If the Company's current suppliers were to stop selling merchandise, content, components or services to it on acceptable terms, including as a result of one or more supplier bankruptcies due to poor economic conditions or otherwise as a result of decisions to exit or decrease its wholesale and/or distribution businesses, the Company may be unable to procure the same merchandise, content, components or services from other suppliers in a timely and efficient manner and on acceptable terms, or at all.

The Retail business is dependent on the continued supply of trade books. A significant disruption in the publishing industry generally could adversely impact the Company's business. A significant unfavorable change in the Company's relationships with key suppliers could materially adversely affect its sales and profits. In addition, any significant change in the payment terms that the Company has with its key suppliers, including payment terms, return policies, the discount or margin on products or changes to the distribution model could adversely affect its financial condition and liquidity. In addition, changes to the Company's merchandise assortment, such as a higher volume of non-returnable non-book categories, may place a strain on its supply chain practices, which are primarily built for book offerings.

The Company has arrangements with third-party manufacturers with respect to digital devices. These manufacturers procure and assemble unfinished parts and components from third-party suppliers based on forecasts provided by the Company. Given production lead times, commitments may be made far in advance of finished product delivery. In addition, certain of our merchandise, including electronic readers and certain book, gift and other non-book product, are sourced, directly or indirectly, from outside the United States, including, without limitation, from suppliers in China. General trade tensions between the U.S. and China began escalating in 2018, with multiple rounds of U.S. tariffs on Chinese goods taking effect. Furthermore, China or other countries may institute retaliatory trade measures in response to existing or future tariffs imposed by the U.S. that could have a negative impact on the Company's business. If any of these events continue as described, the Company may need to seek alternative suppliers or vendors, raise prices, or make changes to its operations, any of which could have a material adverse effect on the Company's sales and profitability, results of operations and financial condition. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, natural disasters, outbreaks of pandemics and other factors relating to foreign trade are beyond our control and could disrupt our supply of foreign-sourced merchandise and/or adversely affect our results of operations.

If the Company is unable to manage its inventory effectively, the Company's merchandise margins could be adversely affected.

The Company's profitability depends upon its ability to manage appropriate inventory levels and respond quickly to shifts in consumer demand patterns. The Company must properly execute its inventory management strategies by appropriately allocating merchandise among its stores and online, timely and efficiently distributing inventory to stores, maintaining an appropriate mix and level of inventory in stores and online, adjusting its merchandise mix, appropriately changing the allocation of floor space of stores among product categories to respond to customer demand and effectively managing pricing and markdowns. If the Company overestimates customer demand for its non-returnable merchandise, it will likely need to record inventory markdowns and sell the excess inventory at clearance prices which would negatively impact its merchandise margins and operating results. If the Company underestimates customer demand for its merchandise, the Company may experience inventory shortages which may result in missed sales opportunities and have a negative impact on customer loyalty. Higher than expected levels of lost or stolen inventory (called shrinkage) could result in write-offs and lost sales, which could adversely impact the Company's profitability.

If the Retail business is unable to renew or enter into new leases on favorable terms, or at all, or fails to maintain the upkeep of its stores, its sales and earnings may decline.

Substantially all of the Retail business's stores are located in leased premises. The Retail business's profitability depends in part on its ability to continue to optimize its store lease portfolio as to the number of retail stores, store locations and lease terms and conditions. Its ability to do so depends on, among other things, general economic and business conditions and general real estate development conditions, which are beyond its control. The Retail business has 341 leases up for renewal by April 30, 2022. If the cost of leasing existing retail stores increases, the Retail business may not be able to maintain its existing store locations as leases expire. In addition, the Retail business may not be able to enter into new leases on acceptable terms, or at all, or it may not be able to locate suitable alternative sites or additional sites for new retail stores in a timely manner. The Retail business's sales and earnings may decline if it fails to maintain existing store locations, enter into new leases, renew leases or relocate to alternative sites, in each case on attractive terms. The Company is opening newly designed prototype stores, which may negatively impact its earnings and cash flows if the performance of such stores falls short of forecasted expectations. In addition, the Retail business' sales and earnings may decline if the Company fails to maintain the upkeep of its stores, such that the Company's stores fail to attract customers to browse and buy the Company's products.

In addition to the bookstores, the Company leases two distribution centers for its B&N Retail operations: one in Monroe Township, New Jersey and the other in Reno, Nevada. The Retail business's profitability depends in part on its ability to continue to optimize its distribution centers. Its ability to do so depends on, among other things, general economic and business conditions and general real estate development conditions, which are beyond its control. The Reno distribution center lease is up for renewal in 2020 and the Monroe distribution center lease is up for renewal in 2025. If the cost of leasing these distribution centers increases, the Retail business may not be able to maintain its existing distribution centers as leases expire. In addition, the Retail business may not be able to enter into new leases on acceptable terms, or at all, or it may not be able to locate suitable alternative sites or in a timely manner. The Retail business's earnings may decline if it fails to maintain existing distribution centers, enter into new leases, renew leases or relocate to alternative sites, in each case on attractive terms.

Harm to the Company's reputation could adversely impact its ability to attract and retain customers and employees.

Negative publicity or perceptions involving the Company or its brands, products, vendors, spokespersons, or marketing and other partners may negatively impact its reputation and adversely impact its ability to attract and retain customers and employees. Failure to detect, prevent, or mitigate issues that might give rise to reputational risk or failure to adequately address negative publicity or perceptions could adversely impact its reputation, business, results of operations, and financial condition. Issues that might pose a reputational risk include an inability to achieve its omni-channel goals, including providing an eCommerce and delivery experience that meets the expectations of consumers; failure of our cyber-security measures to protect against data breaches; product liability and product recalls; changes in executive management; the Company's social media activity; failure to comply with applicable laws and regulations; public stances on controversial social or political issues; and any of the other risks enumerated in these risk factors. Furthermore, the prevalence of social media may accelerate and increase the potential scope of any negative publicity the Company might receive and could increase the negative impact of these issues on its reputation, business, results of operations, and financial condition.

The Company is dependent upon access to capital, including bank credit facilities and short-term vendor financing, for its liquidity needs.

The Company must have sufficient sources of liquidity to fund its working capital requirements and indebtedness. The Company believes that the combination of its cash and cash equivalents on hand, cash flow received from operations, funds available under the Company's credit facility and short-term vendor financing will be sufficient to meet the Company's normal working capital and debt service requirements for at least the next twelve months. If these sources of liquidity do not satisfy the Company's requirements, the Company may need to seek additional financing. The future availability of financing will depend on a variety of factors, such as economic and market conditions, the availability of credit and the Company's credit rating, as well as the Company's reputation with potential lenders. These factors could materially adversely affect the Company's ability to fund its working capital requirements, costs of borrowing, and the Company's financial position and results of operations would be adversely impacted.

The Company's expansion into new products, services and technologies subjects it to additional business, legal, financial and competitive risks.

The Company may require additional capital in the future to sustain or grow the Company's business. The Company's gross profits and margins in its newer activities may be lower than in its traditional activities, and it may not be successful enough in these newer activities to recoup its investments in them. In addition, the Company may have limited or no experience in newer products and services, and its customers may not adopt to any such new product or service offerings. Some of these offerings may present new and difficult challenges. The Company may be subject to claims or recalls if customers of technology offerings experience service disruptions or failures or other quality issues. If any of these were to occur, it could damage the Company's reputation, limit its growth and negatively affect its operating results.

The complexity of the Company's businesses could place a significant strain on its management, operations, performance and resources.

The complexity of the Company's businesses could place a significant strain on its management, operations, technical performance, financial resources, and internal financial control and reporting functions. The Company operates two different businesses: the Retail business and the Digital business. There can be no assurance that the Company will be able to manage the complexity of its businesses effectively. The Company's current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage its future operations, especially as it employs personnel in multiple geographic locations. The Company may not be able to hire, train, retain, motivate and manage the required personnel, which may limit its growth. If any of these were to occur, it could damage the Company's reputation, limit growth, negatively affect operating results and harm its business. Additionally, the Company's inability to maintain recent cost rationalizations in its Digital and Retail businesses, or to further streamline costs in its businesses, may adversely impact the Company's results of operations. Conversely, if the Company was to reduce costs too deeply or too quickly, unintended consequences may adversely impact its operations, resources and financial performance.

The Company's relationship with strategic partners could have adverse impacts on the Company and its business.

The Company relies on third parties to provide certain services for its business. The Company's business may be adversely impacted if such third parties fail to meet their obligations or to provide high levels of service to the Company's customers. Further, the Company could be subject to claims as a result of the activities, products or services provided by these third-party service providers even though the Company was not directly involved in the circumstances leading to those claims. These claims could include, among other things, claims by the Company's customers and claims relating to data security. Even if these claims do not result in liability to the Company, defending and investigating these claims could be expensive and time-consuming, divert personnel and other resources from the Company's business and result in adverse publicity that could harm the Company's business.

The Company's results of operations may fluctuate from quarter to quarter, which could affect the Company's business, financial condition and results of operations.

The Company's results of operations may fluctuate from quarter to quarter depending upon several factors, some of which are beyond its control. These factors include the timing of new product releases, announcements relating to strategic decisions such as the Merger, supply chain execution, the level of success of the Company's product releases, the timing of store openings and closings, weather, shifts in the timing of certain promotions and the effect of impairments on the Company's assets. These and other factors could affect the Company's business, financial condition and results of operations, and this makes the prediction of the Company's financial results on a quarterly basis difficult. The Company's quarterly financial results have been and may in the future be below the expectations of public market analysts and investors.

The Company's sales are generally highest in the third fiscal quarter and lowest in the second and fourth fiscal quarters. Operating results in the Company's businesses depend significantly upon the holiday selling season in the third fiscal quarter.

Less than satisfactory net sales during the Company's peak fiscal quarter could have a material adverse effect on its financial condition or operating results for the year, and the Company's results of operations from those quarters may not be sufficient to cover any losses, which may be incurred in the other fiscal quarters of the year.

The Company faces data security risks with respect to personal information.

The Company's business involves the receipt, storage, processing and transmission of personal information about customers and employees. Personal information about customers is obtained in connection with the Company's membership programs, eCommerce operations, digital media businesses, as well as through retail transactions in stores operated by the Company. The Company's online operations and the Digital business depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments. We may share such information with vendors and third parties that assist with certain aspects of our business.

The Company's handling and use of personal information is regulated at the international, federal and state levels. Privacy and information security laws, regulations, and standards, such as the Payment Card Industry Data Security Standard and the California Consumer Privacy Act, change from time to time, and compliance with them may result in cost increases due to necessary systems changes and the development of new processes and may be difficult to achieve. If the Company fails to comply with these laws, regulations and standards, it could be subjected to legal risk. Also, hardware, software or applications developed or procured internally or from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. In addition, even if the Company fully complies with all laws, regulations, and standards and even though the Company has taken significant steps to protect personal information, the Company could experience a data security breach, and its reputation could be damaged, possibly resulting in lost future sales or decreased usage of credit and debit card products. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement adequate preventative measures. A party that is able to circumvent the Company's security measures could misappropriate the Company's or its users' proprietary information and cause interruption in its operations. Any compromise of the Company's data security could result in a violation of applicable privacy and other laws or standards, significant legal and financial exposure beyond the scope or limits of insurance coverage, increased operating costs associated with remediation, negative publicity, equipment acquisitions or disposal and added personnel, and a loss of confidence in its security measures, which could harm the business or investor confidence. Data security breaches may also result from non-technical means, for example, actions by an employee.

The Company may not be able to adequately protect its intellectual property rights or may be accused of infringing upon intellectual property rights of third parties.

The Company regards its trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology and similar intellectual property as important to its success, and it relies on trademark, copyright and patent law, domain name regulations, trade secret protection and confidentiality or license agreements to protect its proprietary rights. Laws and regulations may not adequately protect its trademarks and similar proprietary rights. The Company may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or diminish the value of its trademarks and other proprietary rights.

The Company may not be able to discover or determine the extent of any unauthorized use of its proprietary rights. The protection of the Company's intellectual property may require the expenditure of significant financial and managerial resources. Moreover, the steps it takes to protect its intellectual property may not adequately protect its rights or prevent third parties from infringing or misappropriating its proprietary rights. The Company also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or other intellectual property rights.

Other parties also may claim that the Company infringes their proprietary rights. Because of the changes in Internet commerce, the electronic reader and digital content business, current extensive patent coverage, and the rapid rate of issuance of new patents, it is possible that certain components of our products and business methods may unknowingly infringe existing patents or intellectual property rights of others. Because the Company's products include complex technology, much of which is acquired from suppliers through the purchase of components or licensing of software, the Company and its suppliers and customers are and have been involved in or have been impacted by assertions, including both requests for licenses and litigation, regarding patent and other intellectual property rights. The Company has been and is currently subject to, and expects to continue to be subject to, claims and legal proceedings regarding alleged infringement by it of the intellectual property rights of third parties. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against the Company prohibiting the Company from marketing or selling certain products or the payment of damages. The Company may need to obtain licenses from third parties who allege that it has infringed their rights, but such licenses may not be available on terms acceptable to the Company, or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property it does not own in providing services to other businesses and individuals under commercial agreements. These risks have been amplified by the increase in third parties whose primary business appears to be to assert such claims. If any infringement or other intellectual property claim made against the Company by any third-party is successful, if the Company is required to indemnify a customer with respect to a claim against the customer, or if the Company is unable to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, the Company's business, operating results, and financial condition could be materially and adversely affected.

The Company's digital content offerings, including NOOK®, depend in part on effective digital rights management technology to control access to digital content. If the digital rights management technology that it uses is compromised or otherwise malfunctions, the Company could be subject to claims, and content providers may be unwilling to include their content in its service.

The concentration of the Company's capital stock ownership with certain executive officers, directors and their affiliates limits its stockholders' ability to influence corporate matters and may involve other risks.

Mr. Riggio is currently the beneficial owner of an aggregate of approximately 19.2% of the Company's outstanding capital stock as of April 27, 2019.

This concentrated control may limit the ability of the Company's other stockholders to influence corporate matters and, as a result, the Company may take certain actions, with which its other stockholders do not agree. In addition, there may be risks related to the relationships Leonard Riggio and other members of the Riggio family have with the various entities with which the Company has related party transactions.

Pursuant to the Voting Agreement, the Significant Stockholders agreed, among other things and subject to certain conditions, to, at any meeting of stockholders of the Company called to vote upon the approval of the Merger, vote all shares of Company Common Stock beneficially owned by such significant stockholders in favor of the Merger, and to vote against certain other matters, so long as such obligations have not terminated in accordance with the terms set forth therein. The Voting Agreement may be amended in connection with an amendment to the Merger Agreement, as discussed above in Item I "Business—Merger Agreement," to provide that the shares of Company Common Stock held by the Significant Stockholders be tendered in any tender offer contemplated by such amendment to the Merger Agreement.

Changes in sales and other tax collection regulations or inability of the Company to utilize tax credits or assets, could harm the Company's businesses or financial performance.

The Retail business and the Digital business collected sales tax on the majority of the products and services that they sold in their respective prior fiscal years that were subject to sales tax, and they generally have continued the same policies for sales tax within the current fiscal year. While management believes that the financial statements included elsewhere herein reflect management's best current estimate of any potential additional sales tax liability based on current discussions with taxing authorities, there can be no assurance that the outcome of any discussions with any taxing authority will not result in the payment of sales taxes for prior periods or otherwise, or that the amount of any such payments will not be materially in excess of any liability currently recorded. In the future, the Company's businesses may be subject to claims for not collecting sales tax on the products and services it currently sells for which sales tax is not collected. There is a risk that existing tax credits and tax assets may not be utilized or may expire.

The Spin-Off of Barnes & Noble Education could result in significant tax liability to the Company and its stockholders.

The Spin-Off was conditioned on the Company's receipt of written opinions from Cravath, Swaine & Moore LLP and KPMG LLP to the effect that the Spin-Off would qualify for non-recognition of gain and loss to the Company and its stockholders, which were received. These opinions do not address any U.S. state or local or foreign tax consequences of the Spin-Off. These opinions assume that the Spin-Off will be completed according to the terms of the Separation Agreement and rely on the facts as stated in the Separation Agreement, the Tax Matters Agreement, the other ancillary agreements, the prospectus for the Spin-Off and a number of other documents. In addition, these opinions are based on certain representations as to factual matters from, and certain covenants by, the Company and Barnes & Noble Education. The opinions cannot be relied on if any of the assumptions, representations or covenants are incorrect, incomplete or inaccurate or are violated in any material respect. The opinions are not binding on the Internal Revenue Service (IRS) or the courts, and we cannot assure you that the IRS or a court will not take a contrary position. If the Spin-Off were determined not to qualify for non-recognition of gain and loss, U.S. holders could be subject to tax. In this case, each U.S. holder who receives the Barnes & Noble Education common stock in the Spin-Off would generally be treated as receiving a distribution in an amount equal to the fair market value of Barnes & Noble Education common stock received, which would generally result in (i) a taxable dividend to the U.S. holder to the extent of that U.S. holder's pro rata share of the Company's current and accumulated earnings and profits; (ii) a reduction in the U.S. holder's basis (but not below zero) in the Company's common stock to the extent the amount received exceeds the stockholder's share of the Company's earnings and profits; and (iii) a taxable gain from the exchange of the Company's common stock to the extent the amount received exceeds the sum of the U.S. holder's share of the Company's earnings and profits and the U.S. holder's basis in its common stock.

If the Spin-Off were determined not to qualify for non-recognition of gain and loss, then the Company would recognize gain in an amount up to the fair market value of the Barnes & Noble Education stock held by the Company immediately before the Spin-Off.

The Company's Shareholder Rights Plan and other anti-takeover defenses could deter acquisition proposals and make it difficult for a third-party to acquire control of the Company. This could have a negative effect on the price of the Company's common stock.

The Company adopted a short-term Shareholder Rights Plan (Rights Agreement) on October 3, 2018, as amended by Amendment No. 1 thereto, dated as of June 6, 2019, expiring on the earliest of (i) the Close of Business (as defined in the Rights Agreement) on October 2, 2019, (ii) the time at which all Rights (as defined in the Rights Agreement) are redeemed, and (iii) immediately prior to the Effective Time of the Merger, and also has other anti-takeover defenses in its certificate of incorporation and by-laws. Additionally, pursuant to the stockholder proposal that was approved at the Company's 2017 annual meeting of stockholders, the declassification of the Company's Board of Directors is being phased in, such that the Class II directors stood for election for a one-year term at the 2018 annual meeting of stockholders, and the Class II directors and the Class III directors will stand for election for a one-year term at the 2019 annual meeting of stockholders, and all directors will stand for election for one-year terms at the 2020 annual meeting of stockholders and at each annual meeting of stockholders thereafter. Until declassification is complete, the Company's classified Board of Directors could serve as an anti-takeover defense. Each of the Company's defenses could discourage potential acquisition proposals and could delay or prevent a change in control of the Company. These deterrents could adversely affect the price of Company common stock and make it difficult to remove or replace members of the Board of Directors or management of the Company.

The Company's businesses could be impacted by changes in international, federal, state or local laws, rules or regulations.

The Company is subject to general business regulations and laws relating to all aspects of its business, including regulations and laws relating to the Internet, online commerce, digital content and products as well as its other lines of business. Changes in international, federal, state or local laws, rules or regulations, including, but not limited to, laws, rules or regulations related to employment, wages, data privacy, information security, intellectual property, taxes, products, product safety, health and safety, imports and exports, anti-corruption, and anti-competition could diminish the demand for the Company's products and services, increase the Company's costs of doing business, decrease the Company's margins or otherwise materially adversely impact the Company's business. Existing and future laws and regulations and their application and/or enforcement may impede the growth of the Internet, digital content distribution or other online services and impact digital content pricing, including requiring modifications or elimination of related pricing models, including the agency pricing model.

The Company faces additional operating risks through the operation of the Digital business and as an Internet retailer.

The Company faces risks related to the operation of the Digital business. The Digital business's content sales decreased during fiscal 2019 and may continue to decline in the future, which could affect the Company's results of operations and liquidity. Also, the sales of digital devices and accessories declined during fiscal 2019, and there is no guarantee that the possible introduction of future NOOK® digital devices will increase future sales of digital devices or content or the earnings of the Digital business. NOOK® competes primarily with other tablets and eBook readers on functionality, consumer appeal, availability of digital content and price. The Digital business faces certain risks associated with its business, including protection of digital rights and uncertainties relating to the regulation of digital content.

Business risks related to the Company's online business include risks associated with the need to keep pace with rapid technological change, risks associated with the adoption of new products or platforms.

Internet security risks, risks of system failure or inadequacy, supply chain risks, government regulation and legal uncertainties with respect to the Internet, risks related to data privacy and collection of sales or other taxes by one or more states or foreign jurisdictions. If any of these risks materializes, it could have an adverse effect on the Company's business.

The Company depends on component and product manufacturing provided by third parties, many of whom are located outside of the U.S.

NOOK® and other Company products are manufactured by third-party manufacturers, many of which are located outside the United States. While the Company's arrangements with these manufacturers may lower costs, they also reduce its direct control over production. It is uncertain what effect such diminished control will have on the quality or quantity of products or services, or the Company's flexibility to respond to changing conditions. Although arrangements with such manufacturers may contain provisions for warranty expense reimbursement, if reimbursement from such manufacturers is unenforceable or insufficient, the Company may remain responsible to the consumer for warranty service in the event of product defects. Any unanticipated product defect or warranty liability, whether pursuant to arrangements with contract manufacturers or otherwise, could materially adversely affect the Company's reputation, financial condition and operating results.

The Company, including the Digital business, may be unable to obtain a sufficient supply of components and parts that are free of minerals mined from the Democratic Republic of Congo and adjoining countries (DRC), which could result in a shortage of such components and parts or reputational damages if the Company is unable to certify that its products are free of such minerals. The Company filed its Conflict Minerals Report for the calendar year 2018 with the SEC on May 31, 2019.

The Company's businesses rely on certain key personnel.

Management believes that the Company's continued success will depend to a significant extent upon the efforts and abilities of certain key personnel of the Company. The loss of the services of any of these key personnel could have a material adverse effect on the Company. The Company does not maintain "key man" life insurance on any of its officers or other employees. On October 3, 2018, the Company announced a review of strategic alternatives. While the Company has implemented measures to retain key employees, such as retention and change in control plans, the uncertainty such a review presents may increase the risk of turnover of key personnel throughout the organization.

The Company relies on third-party digital content and applications, which may not be available to the Company on commercially reasonable terms or at all.

The Company contracts with certain third parties to offer their digital content, including on NOOK® and through its eBookstore. Its licensing arrangements with these third parties do not guarantee the continuation or renewal of these arrangements on reasonable terms, if at all. Some third-party content providers currently or in the future may offer competing products and services, and could take action to make it more difficult or impossible for the Company to license their content in the future. Other content owners, providers or distributors may seek to limit the Company's access to, or increase the total cost of, such content. If the Company is unable to offer a wide variety of content at reasonable prices with acceptable usage rules, its financial condition and operating results may be materially adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

All but one of the active Barnes & Noble stores are leased. The leases typically provide for an initial term of 10 or 15 years with one or more renewal options. Most stores are currently in renewal periods. The terms of the Barnes & Noble store leases for its 627 leased stores as of April 27, 2019 expire as follows:

Lease Terms to Expire During (12 months ending on or about April 30)	Number of Stores[(a)]
2020	106
2021	96
2022	139
2023	95
2024	99
2025 and later	87

(a) Five Barnes & Noble stores are under month-to-month leases. One Barnes & Noble store is a closed store under an existing lease.

In addition to the bookstores, the Company leases two distribution centers for its B&N Retail operations: one in Monroe Township, New Jersey under a lease expiring in 2025 and the other in Reno, Nevada under a lease expiring in 2020. The Company's B&N Retail distribution centers total 1,745,000 square feet.

The Company's principal administrative facilities are situated in New York, New York, and are covered by two leases: 184,000 square feet lease and 9,500 square feet lease, both expiring in 2023.

The Company leases two additional locations in New York, New York for office space: approximately 40,000 square feet lease for eCommerce and NOOK administrative offices and approximately 40,000 square feet lease for Sterling Publishing administrative offices, both expiring in 2020.

The Company also leases approximately 79,000 square feet of office space in Westbury, New York under a lease expiring in 2022, approximately 30,000 square feet of office space in Lyndhurst, New Jersey under a lease expiring in 2021 and approximately 56,000 square feet of office space in Santa Clara, California under a lease expiring in 2019, which office space in Santa Clara, California is sublet.

ITEM 3. LEGAL PROCEEDINGS

The information included in the Company's Annual Report to Shareholders for the fiscal year ended April 27, 2019 included as Exhibit 13.1 to this Annual Report on Form 10-K (the Annual Report) under the section entitled "Notes to Consolidated Financial Statements, Note 14. Legal Proceedings" is incorporated herein by reference.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

The Company Common Stock is traded on the New York Stock Exchange (NYSE) under the symbol "BKS".

Approximate Number of Holders of Common Equity

Title of Class	Approximate Number of Record Holders as of May 31, 2019
Common stock, $0.001 par value	1,596

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The following table provides information with respect to purchases by the Company of shares of Company Common Stock during the fourth quarter of fiscal 2019:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
January 27, 2019 – February 23, 2019	—	$ —	—	$ 50,000,000
February 24, 2019 – March 30, 2019	7,777	$ 6.38	—	$ 50,000,000
March 31, 2019 – April 27, 2019	—	$ —	—	$ 50,000,000
Total	7,777	$ 6.38	—	

(a) The shares on this table above represent shares relinquished by employees in exchange for the Company's agreement to pay federal and state withholding obligations resulting from the vesting of the Company's restricted stock units, which are not drawn against the Company's stock repurchase program. All of the restricted stock units vested during these periods were originally granted pursuant to the Company's 2009 Amended and Restated Incentive Plan. This Incentive Plan provides for the withholding of shares to satisfy tax obligations due upon the vesting of restricted stock units.

On March 15, 2017, the Company's Board of Directors authorized a stock repurchase program of up to $50.0 million of its common shares. Stock repurchases under this program may be made through open market and privately negotiated transactions from time to time and in such amounts as management deems appropriate. The stock repurchase program has no expiration date and may be suspended or discontinued at any time. The Company's repurchase plan is intended to comply with the requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The Company did not repurchase shares under this plan in fiscal 2019 and fiscal 2018. The Company has remaining capacity of $50.0 million under the repurchase program as of April 27, 2019.

As of April 27, 2019, the Company has repurchased 39,745,497 shares at a cost of approximately $1.09 billion since the inception of the Company's current and prior stock repurchase programs. The repurchased shares are held in treasury.

ITEM 6. SELECTED FINANCIAL DATA

The information included in the Annual Report under the section entitled "Selected Consolidated Financial Data" is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information included in the Annual Report under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company limits its interest rate risks by investing certain of its excess cash balances in short-term, highly-liquid instruments with an original maturity of one year or less. The Company does not expect any material losses from its invested cash balances and the Company believes that its interest rate exposure is modest. As of April 27, 2019, the Company's cash and cash equivalents totaled approximately $9.4 million. A 50 basis point increase in annual interest rates would have increased the Company's interest income by $0.0 million in fiscal 2019. Conversely, a 50 basis point decrease in annual interest rates would have reduced interest income by $0.0 million in fiscal 2019.

Additionally, the Company may from time to time borrow money under its credit facility at various interest rate options based on the Base Rate or LIBO Rate (each term as defined in the amended and restated credit agreement described in the Annual Report under the section titled "Notes to Consolidated Financial Statements") depending upon certain financial tests. Accordingly, the Company may be exposed to interest rate risk on borrowings under its credit facility. The Company had borrowings under its credit facility of $203.8 million at April 27, 2019 and $158.7 million at April 28, 2018. A 50 basis point increase in annual interest rates would have increased the Company's interest expense by $1.1 million in fiscal 2019. Conversely, a 50 basis point decrease in annual interest rates would have reduced interest expense by $1.1 million in fiscal 2019.

The Company does not have any material foreign currency exposure as nearly all of its business is transacted in United States currency.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information included in the Annual Report under the sections entitled: "Consolidated Statements of Operations," "Consolidated Statements of Comprehensive Income (Loss)," "Consolidated Balance Sheets," "Consolidated Statements of Changes in Shareholders' Equity," "Consolidated Statements of Cash Flows" and "Notes to Consolidated Financial Statements" are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A.CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The management of the Company established and maintains disclosure controls and procedures that are designed to ensure that material information relating to the Company and its subsidiaries required to be disclosed in the reports that are filed or submitted under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the members of the Office of the Chief Executive Officer of the Company and Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosures. As of the end of the period covered by this report, the Company's management conducted an evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act), under the supervision and with the participation of the principal executive officers and principal financial officer, of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

Based on management's evaluation, the principal executive officers and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officers, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Under the supervision and with the participation of management, including the members of the Office of the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based upon the Company's evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of April 27, 2019.

The effectiveness of internal control over financial reporting was audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included elsewhere herein.

(c) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the most recent quarter ended April 27, 2019 that have materially affected, or are reasonably likely to affect, internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information with respect to directors, executive officers, the code of ethics and corporate governance of the Company is incorporated herein by reference to the Company's definitive Proxy Statement relating to the Company's 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the Company's fiscal year ended April 27, 2019 (the Proxy Statement).

The information with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information with respect to executive compensation is incorporated herein by reference to the Proxy Statement.

The information with respect to compensation of directors is incorporated herein by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table sets forth equity compensation plan information as of April 27, 2019:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a)) (c)
Equity compensation plans approved by security holders	175,169	9.95	5,347,176
Equity compensation plans not approved by security holders	—	—	—
Total	175,169	9.95	5,347,176

The information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information with respect to certain relationships and related transactions and director independence is incorporated herein by reference to the Proxy Statement.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information with respect to principal accountant fees and services is incorporated herein by reference to the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements:

(i) "The Report of Independent Registered Public Accountants" included in the Annual Report is incorporated herein by reference.

(ii) The information included in the Annual Report under the sections entitled "Consolidated Statements of Operations," "Consolidated Statements of Comprehensive Income (Loss)," "Consolidated Balance Sheets," "Consolidated Statements of Changes in Shareholders' Equity," "Consolidated Statements of Cash Flows" and "Notes to Consolidated Financial Statements" are incorporated herein by reference.

2. Schedule:

Valuation and Qualifying Accounts.

For the 52 week period ended April 27, 2019, the 52 week period ended April 28, 2018 and the 52 week period ended April 29, 2017 (in thousands):

	Balance at beginning of period	Charge (recovery) to costs and expenses	Write-offs	Balance at end of period
Allowance for Doubtful Accounts				
April 27, 2019	$ 952	$ 29	$ (300)	$ 681
April 28, 2018	$ 3,831	$ (392)	$ (2,487)	$ 952
April 29, 2017	$ 4,571	$ 464	$ (1,204)	$ 3,831

	Balance at beginning of period	Addition Charged to Costs	Deductions	Balance at end of period
Sales Returns Reserves				
April 27, 2019	$ 6,216	$ 27,456	$(27,511)	$ 6,161
April 28, 2018	$ 6,145	$ 16,385	$(16,314)	$ 6,216
April 29, 2017	$ 5,940	$ 18,558	$(18,353)	$ 6,145

(b) The following are filed as Exhibits to this form:

Exhibit No.	Description
2.1	Stock Purchase Agreement dated as of August 7, 2009 among the Company, Leonard Riggio and Louise Riggio. (8)
2.2	Separation and Distribution Agreement, dated as of July 14, 2015, between Barnes & Noble, Inc. and Barnes & Noble Education, Inc. (incorporated herein by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K dated July 14, 2015). (24)
2.3	Agreement and Plan of Merger, dated as of June 6, 2019, by and among Barnes & Noble, Inc., Chapters Holdco Inc. and Chapters Merger Sub Inc. (44)
3.1	Amended and Restated Certificate of Incorporation of the Company. (36)
3.2	Amended and Restated By-laws of the Company. (36)
3.3	Form of Certificate of Designation, dated as of November 17, 2009. (9)
3.4	Amendment to the Company's By-laws, dated as of June 6, 2019. (44)
4.1	Description of Capital Stock. (46)
10.1	The Company's Amended and Restated 1996 Incentive Plan. (2)
10.2	The Company's 2004 Executive Performance Plan. (3)
10.3	The Company's 2004 Incentive Plan. (3)
10.4	Form of Option Award Agreement of the Company. (4)
10.5	Form of Restricted Stock Award Agreement of the Company. (4)
10.6	Amendment to the Company's 2004 Incentive Plan. (5)
10.7	Amendment to the Company's Amended and Restated 1996 Incentive Plan. (5)
10.8	First Amendment to the Company's 2004 Executive Performance Plan. (6)
10.9	The Company's Amended and Restated Deferred Compensation Plan. (6)
10.10	The Company's 2009 Executive Performance Plan. (7)
10.11	The Company's 2009 Incentive Plan. (7)
10.12	Employment Agreement between the Company and Leonard Riggio, dated May 12, 2010. (10)
10.13	Form of Performance Unit Award Agreement pursuant to the Company's 2009 Incentive Plan. (11)
10.14	Form of Indemnification Agreement between the Company and Company's directors and officers, dated January 5, 2011. (12)
10.15	Investment Agreement between the Company, Morrison Investment Holdings, Inc. and Microsoft Corporation, dated April 27, 2012. (13)

Exhibit No.	Description
10.16	The Company's Amended and Restated 2009 Incentive Plan. (14)
10.17	Commercial Agreement dated as of April 27, 2012, between Barnes & Noble, Inc. and Microsoft Corporation. (16)
10.18	Confidential Settlement and Patent License Agreement dated as of April 27, 2012, among Barnes & Noble, Inc., barnesandnoble.com llc, Microsoft Corporation and Microsoft Licensing GP. (16)
10.19	Form of Option Award Agreement pursuant to the Company's Amended and Restated 2009 Incentive Plan. (15)
10.20	Form of Restricted Stock Award Agreement pursuant to the Company's Amended and Restated 2009 Incentive Plan. (15)
10.21	Form of Restricted Stock Unit Award Agreement pursuant to the Company's Amended and Restated 2009 Incentive Plan. (15)
10.22	Employment Agreement dated December 23, 2013 between Barnes & Noble, Inc. and Allen W. Lindstrom. (18)
10.23	Amendment No. 1 to the Commercial Agreement, dated as of October 4, 2012, between Barnes & Noble, Inc. and Microsoft Corporation. (19)
10.24	Amendment No. 2 to the Commercial Agreement, dated as of March 10, 2014, between Barnes & Noble, Inc. and Microsoft Corporation. (19)
10.25	Commercial Agreement, dated June 4, 2014, between Samsung Electronics America, Inc. and barnesandnoble.com llc. (20)
10.26	Assignment of lease agreement, dated June 5, 2014, between barnesandnoble.com llc and Google, Inc. (20)
10.27	Commercial Agreement Amendment and Termination Agreement and Patent Agreement Amendment, dated December 4, 2014, between Microsoft Corporation and Barnes & Noble, Inc. (21)
10.28	Commercial Agreement Amendment and Termination Agreement and Patent Agreement Amendment between Microsoft Corporation, Barnes & Noble, Inc., NOOK Media LLC, barnesandnoble.com llc and Microsoft Licensing GP, dated December 3, 2014. (22)
10.29	First Amendment to the Commercial Agreement, dated March 7, 2015, made by and between NOOK DIGITAL, LLC f/k/a barnesandnoble.com llc, and SAMSUNG ELECTRONICS AMERICA, INC. (23)
10.30	Temporary Suspension of Trading Under Registrant's Employee Benefit Plans notice given to directors and executive officers, dated July 23, 2015. (25)
10.31	Transition Services Agreement, dated as of August 2, 2015, between Barnes & Noble, Inc. and Barnes & Noble Education, Inc. (26)
10.32	Tax Matters Agreement, dated as of August 2, 2015, between Barnes & Noble, Inc. and Barnes & Noble Education, Inc. (26)

Exhibit No.	Description
10.33	Employee Matters Agreement, dated as of August 2, 2015, between Barnes & Noble, Inc. and Barnes & Noble Education, Inc. (26)
10.34	Trademark License Agreement, dated as of August 2, 2015, between Barnes & Noble, Inc. and Barnes & Noble Education, Inc. (26)
10.35	Credit Agreement, dated as of August 3, 2015, by and among Barnes & Noble, Inc., as borrower, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents party thereto. (26)
10.36	Completion of Spin-Off of Barnes & Noble Education, dated August 6, 2015. (27)
10.37	Stock repurchase program dated December 7, 2015. (28)
10.38	Agreement with Bahwan CyberTek, dated April 7, 2016. (29)
10.39	Second Amendment to the Commercial Agreement, dated May 18, 2016, made by and between NOOK DIGITAL, LLC f/k/a barnesandnoble.com llc, and SAMSUNG ELECTRONICS AMERICA, INC. (30)
10.40	Restricted Stock Unit Award Agreement pursuant to the Company's Amended and Restated 2009 Incentive Plan. (31)
10.41	Performance-Based Stock Unit Award Agreement pursuant to the Company's 2009 Incentive Plan. (31)
10.42	Form of Restricted Stock Unit Award Certificate. (31)
10.43	Form of Performance-Based Stock Unit Award Certificate. (31)
10.44	Letter to David Deason regarding terms and conditions of employment, dated February 11, 2014. (31)
10.45	Retention Bonus Agreement, dated March 4, 2014, between the Company and David Deason. (31)
10.46	First Amendment to Credit Agreement, dated as of September 30, 2016, by and among Barnes & Noble, Inc., as borrower, the other borrowers, guarantors and lenders party thereto from time to time, Bank of America, N.A., as administrative agent, and the other agents party thereto. (32)
10.47	Employment Agreement between the Company and Demos Parneros, dated November 21, 2016. (33)
10.48	Amendment to Employment Agreement between the Company and Demos Parneros, dated April 27, 2017. (34)
10.49	Retention Bonus Agreement, dated February 7, 2014, between the Company and Mary Amicucci. (35)
10.50	Offer of Employment to Mary Amicucci, dated January 7, 2016. (35)
10.51	Barnes & Noble, Inc. 2017 Incentive Compensation Plan, Vice President, Merchandising. (35)
10.52	Consulting Agreement, dated July 18, 2017, between the Company and David Deason. (35)

Exhibit No.	Description
10.53	Form of Performance-Based Stock Unit Award Agreement pursuant to the Company's Amended & Restated 2009 Incentive Plan. (35)
10.54	General Release and Waiver Agreement with Mary Amicucci. (37)
10.55	Second Amendment to Credit Agreement, dated as of July 13, 2018, by and among Barnes & Noble, Inc., as borrower, the other borrowers, guarantors and lenders party thereto from time to time, Bank of America, N.A., as administrative agent, and the other agents party thereto. (38)
10.56	Form of Certificate of Designation of Series K Preferred Stock of Barnes & Noble, Inc. (39)
10.57	Rights Agreement, dated as of October 3, 2018, between Barnes & Noble, Inc. and Computershare Trust Company, N.A., as Rights Agent. (39)
10.58	Letter Agreement, dated February 11, 2014, between the Company and Mary Ellen Keating. (40)
10.59	Offer of Employment to William Wood, dated November 23, 2015. (40)
10.60	Barnes & Noble, Inc. Change in Control Severance Plan, dated December 4, 2018. (41)
10.61	Employment Agreement between the Company and Timothy Mantel, dated March 4, 2019. (42)
10.62	Employment Agreement between the Company and William E. Wood, dated March 4, 2019. (42)
10.63	Employment Agreement between the Company and Mary Ellen Keating, dated March 4, 2019. (42)
10.64	Employment Agreement between the Company and Allen W. Lindstrom, dated March 4, 2019. (42)
10.65	Form of Retention Award Agreement. (42)
10.66	Employment Agreement between the Company and Joseph C. Gorman, dated March 19, 2019. (43)
10.67	Voting and Support Agreement, by and among certain significant stockholders of Barnes & Noble, Inc., Chapters Holdco Inc. and Barnes & Noble, Inc., dated as of June 6, 2019. (44)
10.68	Amendment of Credit Agreement Section 7.04, dated as of June 6, 2019, by and among Barnes & Noble, Inc., as borrower, the other borrowers, guarantors and lenders party thereto from time to time, Bank of America, N.A., as administrative agent, and the other agents party thereto. (44)
10.69	Amendment No. 1 to Rights Agreement, by and among Barnes & Noble, Inc. and Computershare Trust Company, N.A., as Rights Agent, dated as of June 6, 2019. (44)
13.1	The sections of the Company's Annual Report entitled: "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Consolidated Statements of Operations," "Consolidated Statements of Comprehensive Income (Loss)," "Consolidated Balance Sheets," "Consolidated Statements of Changes in Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements" and "The Report of Independent Registered Public Accounting Firm." (46)
14.1	Code of Business Conduct and Ethics. (45)
16.1	Letter re change in certifying accountant. (17)
21.1	List of Significant Subsidiaries. (46)
23.1	Consent of Ernst & Young, LLP. (46)
31.1	Certification by the Chief Financial Officer and a Member of the Office of the Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a), under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (46)

Exhibit No.	Description
31.2	Certification by a Member of the Office of the Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a), under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (46)
32.1	Certification of the Chief Financial Officer and a Member of the Office of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (46)
32.2	Certification of a Member of the Office of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (46)
101.INS	XBRL Instance Document. (46)
101.SCH	XBRL Taxonomy Extension Schema Document. (46)
101.CAL	XBRL Taxonomy Calculation Linkbase Document. (46)
101.DEF	XBRL Taxonomy Definition Linkbase Document. (46)
101.LAB	XBRL Taxonomy Label Linkbase Document. (46)
101.PRE	XBRL Taxonomy Presentation Linkbase Document. (46)
(1)	Previously filed as an exhibit to the Company’s Registration Statement on Form S-4 (Commission File No. 33-59778) filed with the SEC on March 22, 1993.
(2)	Previously filed as an exhibit to the Company’s Registration Statement on Form S-8 (Commission File No. 333-90538) filed with the SEC on June 14, 2002.
(3)	Previously filed as an exhibit to the Company’s Form 10-Q for the fiscal quarter ended May 1, 2004.
(4)	Previously filed as an exhibit to the Company’s Form 10-K for the fiscal year ended January 29, 2005.
(5)	Previously filed as an exhibit to the Company’s Form 8-K filed with the SEC on December 21, 2006.
(6)	Previously filed as an exhibit to the Company’s Form 8-K filed with the SEC on December 19, 2008.
(7)	Previously filed as an exhibit to the Company’s Definitive Proxy Statement on Schedule 14A filed with the SEC on April 16, 2009.
(8)	Previously filed as an exhibit to the Company’s Form 8-K filed with the SEC on August 10, 2009.
(9)	Previously filed as an exhibit to the Company’s Form 8-K filed with the SEC on November 18, 2009.
(10)	Previously filed as an exhibit to the Company’s Form 8-K filed with the SEC on May 13, 2010.

Exhibit No.	Description
(11)	Previously filed as an exhibit to the Company's Form 10-Q for the fiscal quarter ended July 31, 2010.
(12)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on January 10, 2011.
(13)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on April 30, 2012.
(14)	Previously filed as an exhibit to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on July 23, 2012.
(15)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on September 12, 2012.
(16)	Previously filed as an exhibit to the Company's Form 8-K/A filed with the SEC on October 2, 2012.
(17)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on October 19, 2012.
(18)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on December 24, 2013.
(19)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on March 13, 2014.
(20)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on June 5, 2014.
(21)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on December 4, 2014.
(22)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on February 17, 2015.
(23)	Previously filed as an exhibit to the Company's Form 10-Q filed with the SEC on March 10, 2015.
(24)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on July 14, 2015.
(25)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on July 27, 2015.
(26)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on August 3, 2015.
(27)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on August 6, 2015.
(28)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on December 7, 2015.
(29)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on April 7, 2016.
(30)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on May 18, 2016.
(31)	Previously filed as an exhibit to the Company's Form 10-K filed with the SEC on June 23, 2016.
(32)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on October 6, 2016.
(33)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on November 21, 2016.
(34)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on April 27, 2017.
(35)	Previously filed as an exhibit to the Company's Form 10-Q filed with the SEC on September 7, 2017.

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Exhibit No.	Description
(36)	Previously filed as an exhibit to the Company's Form 10-Q filed with the SEC on November 30, 2017.
(37)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on September 29, 2017.
(38)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on July 17, 2018.
(39)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on October 4, 2018.
(40)	Previously filed as an exhibit to the Company's Form 10-Q filed with the SEC on November 20, 2018.
(41)	Previously filed as an exhibit to the Company's Form 10-Q filed with the SEC on March 7, 2019.
(42)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on March 8, 2019.
(43)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on March 25, 2019.
(44)	Previously filed as an exhibit to the Company's Form 8-K filed with the SEC on June 7, 2019.
(45)	Previously filed as an exhibit to the Company's Form 10-K filed with the SEC on June 21, 2018.
(46)	Filed herewith.
(P)	Paper filing.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARNES & NOBLE, INC.
(Registrant)

By: /s/ Allen W. Lindstrom
Allen W. Lindstrom
Chief Financial Officer and a Member of the Office of the
Chief Executive Officer (principal financial officer)
June 19, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Leonard Riggio Leonard Riggio	Chairman of the Board	June 19, 2019
/s/ Allen W. Lindstrom Allen W. Lindstrom	Chief Financial Officer and a Member of the Office of the Chief Executive Officer (principal financial officer)	June 19, 2019
/s/ Tim Mantel Tim Mantel	Chief Merchandising Officer and a Member of the Office of the Chief Executive Officer	June 19, 2019
/s/ Peter M. Herpich Peter M. Herpich	Vice President and Corporate Controller (principal accounting officer)	June 19, 2019
/s/ George Campbell, Jr. George Campbell, Jr.	Director	June 19, 2019
/s/ Mark D. Carleton Mark D. Carleton	Director	June 19, 2019
/s/ Scott S. Cowen Scott S. Cowen	Director	June 19, 2019
/s/ William T. Dillard II William T. Dillard II	Director	June 19, 2019
/s/ Al Ferrara Al Ferrara	Director	June 19, 2019
/s/ Paul B. Guenther Paul B. Guenther	Director	June 19, 2019

/s/ Patricia L. Higgins Patricia L. Higgins	Director	June 19, 2019
/s/ Irwin D. Simon Irwin D. Simon	Director	June 19, 2019
/s/ Kimberley A. Van Der Zon Kimberley A. Van Der Zon	Director	June 19, 2019

EXHIBIT 4.1

DESCRIPTION OF CAPITAL STOCK

The following describes the common stock, preferred stock and certain provisions of the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated By-laws (the "By-laws") of Barnes & Noble, Inc. (the "Company"), and certain related rights. This description is only a summary and is qualified in its entirety by reference to the Certificate of Incorporation, the By-laws and the Rights Agreement (as defined below), as amended, each of which have been filed with the Securities and Exchange Commission.

Description of Common Stock

General

The authorized capital stock of the Company consists of 300,000,000 shares of common stock, par value $.001 per share ("common stock"), and 5,000,000 shares of preferred stock, par value $.001 per share ("preferred stock"). The common stock is traded on the New York Stock Exchange under the symbol "BKS".

Voting Rights

Each outstanding share of common stock entitles the holder thereof to one vote on all matters submitted to a vote of stockholders, including the election of directors. There is no cumulative voting in the election of directors; consequently, the holders of a majority of the outstanding shares of common stock can elect all of the directors then standing for election.

Dividend Rights

Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Company's board of directors (the "Board of Directors") out of funds legally available therefor.

No Preemptive or Similar Rights

Holders of common stock have no conversion, redemption or preemptive rights to subscribe to any securities of the Company. All outstanding shares of common stock are fully paid and nonassessable.

Liquidation Rights

In the event of any liquidation, dissolution or winding-up of the affairs of the Company, holders of common stock will be entitled to share ratably in the assets of the Company remaining after provision for payment of liabilities to creditors.

Preferred Stock

The Board of Directors has the authority, without further action by stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series. The Board of Directors has the authority to determine the terms of each series of preferred stock, within the limits of the

Certificate of Incorporation and the laws of the state of Delaware, including the number of shares in a series, dividend rights, liquidation rights, terms of redemption, conversion rights and voting rights. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any shares of preferred stock.

Stockholder Rights Plan

On October 3, 2018, the Board of Directors approved the adoption of a short-term stockholder rights plan (the “Rights Plan”). In connection with the Rights Plan, the Board of Directors authorized and declared a dividend, payable to common stockholders of record on October 13, 2018, of one right (“Right”) per each share of common stock outstanding, to purchase 1/1,000th of a share of Series K Preferred Stock, par value $0.001 per share (“Series K Preferred Stock”), of the Company, at a price of $24.00 per share (such amount, as may be adjusted from time to time as provided in the Rights Agreement, the “Purchase Price”). If a person or group acquires beneficial ownership of 20% or more of the shares of common stock outstanding or announces a tender offer or exchange offer, the consummation of which would result in such person or group beneficially owning 20% or more of the shares of common stock outstanding, in each case, without prior approval of the Board of Directors, each holder of a Right (other than any Acquiring Person (as defined in the Rights Agreement), whose Rights will become void) will have the right to purchase, upon payment of the Purchase Price and in accordance with the terms of the Rights Plan, that number of 1/1000ths of a share of Series K Preferred Stock equal to the number of shares of common stock which at the time of the applicable triggering transaction would have a market value of twice the Purchase Price.

The complete terms of the Rights are set forth in a Rights Agreement (the “Rights Agreement”) dated as of October 3, 2018, as amended by Amendment No. 1 thereto (“Amendment No. 1”) dated as of June 6, 2019, between the Company and Computershare Trust Company, N.A., as rights agent. Amendment No. 1 provided, among other things, that (i) neither the approval, execution, delivery or performance or, if approved by the Board of Directors, amendment, modification or waiver of the Merger Agreement (the “Merger Agreement”) dated as of June 6, 2019 by and among the Company, Chapters Holdco Inc., a Delaware corporation (“Parent”), and Chapters Merger Sub Inc., a Delaware corporation, or the Voting Agreement (the “Voting Agreement”) dated as of June 6, 2019 by and among the Company, certain significant stockholders of the Company and Parent, or the consummation of the merger (“Merger”) or any other transaction contemplated by the Merger Agreement or the Voting Agreement, nor the public announcement of any of the foregoing will (a) cause any person to (1) become an Acquiring Person or be deemed to have become an Acquiring Person or (2) be deemed to have acquired Beneficial Ownership (as defined in the Rights Agreement) of any securities of the Company or (b) result in the occurrence or deemed occurrence of a Distribution Date (as defined in the Rights Agreement), Business Combination (as defined in the Rights Agreement) or other event or occurrence resulting in a triggering of rights of holders of Rights, or of obligations of the Company under the Rights Agreement, and (ii) the Rights will expire in their entirety, and the Rights Agreement will terminate upon the earliest of (a) the Close of Business (as defined in the Rights Agreement) on October 2, 2019, (b) the time at which all Rights are redeemed, and (c) immediately prior to the Effective Time (as defined in the Merger Agreement) of the Merger.

Certain Certificate of Incorporation and By-laws Provisions

Classified Board of Directors. Pursuant to the stockholder proposal that was approved at the Company’s 2017 annual meeting of stockholders, the Certificate of Incorporation and By-laws provide for a declassification of the Board of Directors to be phased in over a three-year period. The Certificate of Incorporation and By-laws previously provided for the Board of Directors to be divided into three classes of directors serving staggered three-year terms. Effective as of the annual meeting of the stockholders in 2020, the Board of Directors will no longer be classified.

Number of Directors. The By-laws provide that the Board of Directors shall consist of not less than nine and not more than 12 members, as determined from time to time by resolution of the Board of Directors.

Special Meetings. The Certificate of Incorporation and By-laws provide that special meetings of stockholders can only be called pursuant to a resolution adopted by a majority of the entire Board of Directors or by the Chairman of the Board.

Advance Notice Provisions for Stockholder Proposals and Stockholder Nominations of Directors. The By-laws establish an advance notice procedure with regard to the nomination, other than by or at the direction of the Board of Directors or a committee thereof, of candidates for election as directors (the "Nomination Procedure") and with regard to other matters to be brought by stockholders before an annual meeting of stockholders of the Company (the "Business Procedure").

Under the Business Procedure, a stockholder seeking to have any business conducted at an annual meeting must give prior written notice, in proper form, to the Secretary of the Company. The requirements as to the form and timing of that notice are specified in the By-laws. If the Chairman of the Board or other officer presiding at a meeting determines that other business was not properly brought before such meeting in accordance with the Business Procedure, such business will not be conducted at such meeting.

The Nomination Procedure requires that a stockholder give prior written notice, in proper form, of a planned nomination for the Board of Directors to the Secretary of the Company. The requirements as to the form and timing of that notice are specified in the By-laws. If the Chairman of the Board determines that a person was not nominated in accordance with the Nomination Procedure, such person will not be eligible for election as a director.

Preferred Stock. As described above, the Board of Directors is authorized to provide for the issuance of shares of preferred stock, in one or more series, and to fix by resolution of the Board of Directors and to the extent permitted by the Delaware General Corporation Law, the terms and conditions of each such series.

Certain Amendments. The Certificate of Incorporation contains provisions requiring the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of any class or series of capital stock of the Company entitled to vote generally in the election of directors to amend certain provisions of the Certificate of Incorporation and By-laws, including the provisions relating to the election, quorum, term, removal and classification of directors, the indemnification of officers and directors, and the calling of special meetings.

Section 203 of the Delaware General Corporation Law. Although the Certificate of Incorporation and By-laws contain provisions with the anti-takeover effects described above, the Company has, in its Certificate of Incorporation, expressly elected not to be governed by Section 203 of the Delaware General Corporation Law, which prohibits certain business combinations with certain stockholders for a period of three years after they acquire 15% or more of the outstanding voting stock of a corporation.

Description of Preferred Stock

Pursuant to the Certificate of Incorporation, the Company may issue preferred stock. There are currently no shares of preferred stock outstanding.

Exhibit 13.1

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data of Barnes & Noble, Inc. and its subsidiaries (collectively, the Company) set forth on the following pages should be read in conjunction with the consolidated financial statements and notes included elsewhere in this report. The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. The Statement of Operations Data for the 52 weeks ended April 27, 2019 (fiscal 2019), 52 weeks ended April 28, 2018 (fiscal 2018) and 52 weeks ended April 29, 2017 (fiscal 2017), and the Balance Sheet Data as of April 27, 2019 and April 28, 2018 are derived from, and are incorporated by reference to, audited consolidated financial statements which are included elsewhere in this report. The Statement of Operations Data for the 52 weeks ended April 30, 2016 (fiscal 2016) and 52 weeks ended May 2, 2015 (fiscal 2015), the Balance Sheet Data as of April 29, 2017, April 30, 2016 and May 2, 2015 are derived from audited consolidated financial statements not included elsewhere in this report.

Fiscal Year (In thousands, except per share data)	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015
STATEMENT OF OPERATIONS DATA:					
Sales					
Barnes & Noble Retail	$ 3,481,949	3,575,614	3,784,655	4,028,614	4,108,243
NOOK	92,136	111,487	146,514	191,520	263,833
Elimination (a)	(21,340)	(24,821)	(36,611)	(56,290)	(74,968)
Total sales	3,552,745	3,662,280	3,894,558	4,163,844	4,297,108
Cost of sales and occupancy	2,479,725	2,551,077	2,682,356	2,836,547	2,871,184
Gross profit	1,073,020	1,111,203	1,212,202	1,327,297	1,425,924
Selling and administrative expenses	936,745	997,286	1,039,658	1,172,787	1,191,699
Depreciation and amortization	97,679	106,340	117,887	135,863	143,665
Asset impairments	22,067	135,435	349	3,991	366
Operating income (loss)	16,529	(127,858)	54,308	14,656	90,194
Interest expense, net and amortization of deferred financing fees (b)	13,447	9,837	7,509	8,770	17,678
Income (loss) before taxes	3,082	(137,695)	46,799	5,886	72,516
Income tax provision (benefit)	(687)	(12,215)	24,776	(8,814)	39,644
Net income (loss) from continuing operations	3,769	(125,480)	22,023	14,700	32,872
Net income (loss) from discontinued operations	—	—	—	(39,146)	3,724
Net income (loss)	$ 3,769	(125,480)	22,023	(24,446)	36,596
Basic income (loss) per common share:					
Income (loss) from continuing operations	$ 0.05	(1.73)	0.30	0.05	0.15
Income (loss) from discontinued operations	—	—	—	(0.54)	0.06
Basic income (loss) per common share	$ 0.05	(1.73)	0.30	(0.49)	0.21
Diluted income (loss) per common share:					
Income (loss) from continuing operations	$ 0.05	(1.73)	0.30	0.05	0.15
Income (loss) from discontinued operations	—	—	—	(0.54)	0.06
Diluted income (loss) per common share	$ 0.05	(1.73)	0.30	(0.49)	0.21
Weighted average common shares outstanding:					
Basic	72,919	72,588	72,188	72,410	60,842
Diluted	73,124	72,588	72,328	72,542	60,928
Dividends declared per common share	$ 0.60	0.60	0.60	0.60	—

(In thousands of dollars, except per share data)	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015
OTHER OPERATING DATA:					
Number of Barnes & Noble Retail stores	627	630	633	640	648
Comparable sales decrease:					
Barnes & Noble Retail store sales (c)	(1.9)%	(5.4)%	(6.3)%	0.0%	(1.9)%
Capital expenditures	$ 113,731	87,651	96,258	94,274	94,805
BALANCE SHEET DATA:					
Total assets – continuing operations	$ 1,705,634	1,749,568	1,932,921	2,012,782	2,045,104
Total assets – discontinued operations	$ —	—	—	—	1,067,327
Total liabilities – continuing operations	$ 1,261,137	1,337,585	1,358,610	1,409,272	1,347,384
Total liabilities – discontinued operations	$ —	—	—	—	379,630
Long-term debt	$ 203,800	158,700	64,900	47,200	—
Shareholders' equity	$ 444,497	411,983	574,311	603,510	1,189,358

(a) Represents sales from NOOK to B&N Retail on a sell-through basis.

(b) Amount for fiscal 2015 is net of interest income of $58. All other years shown have no interest income.

(c) Comparable store sales decrease is calculated on a 52-week basis, including sales from stores that have been open for at least 15 months and does not include sales from closed or relocated stores.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Barnes & Noble, Inc.'s (Barnes & Noble or the Company) fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. As used in this section, "fiscal 2019" represents the 52 weeks ended April 27, 2019, "fiscal 2018" represents the 52 weeks ended April 28, 2018 and "fiscal 2017" represents the 52 weeks ended April 29, 2017.

General

Barnes & Noble, Inc., one of the nation's largest booksellers,[1] provides customers a unique experience across its omni-channel distribution platform. As of April 27, 2019, the Company operates 627 bookstores in 50 states, maintains an eCommerce site, develops digital reading products and operates NOOK, one of the largest digital bookstores. Barnes & Noble is utilizing the strength of its retail footprint in combination with its online and digital businesses to provide an omni-channel experience for its customers, fulfilling its commitment to offer customers any book, anytime, anywhere and in any format.

Barnes & Noble Retail (B&N Retail) operates 627 retail bookstores, primarily under the Barnes & Noble Booksellers® trade name, and includes the Company's eCommerce site. B&N Retail also includes Sterling Publishing Co., Inc. (Sterling or Sterling Publishing), a leader in general trade book publishing. The NOOK segment represents the Company's digital business, offering digital books, digital audio books and magazines for sale and consumption online, NOOK®[2] reading devices, co-branded NOOK® tablets and reading software for iOS, Android and Windows. As of April 27, 2019, the Company employed approximately 24,000 employees (7,000 full-time and 17,000 part-time employees).

The Company's principal business is the sale of trade books (generally, hardcover and paperback titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, eBooks and other digital content, NOOK® and related accessories, bargain books, textbooks, magazines, gifts, café products and services, educational toys & games, music and movies direct to customers through its bookstores or on www.barnesandnoble.com.

Merger Agreement

On June 6, 2019, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with Chapters Holdco Inc., a Delaware corporation (Parent), and Chapters Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Parent (Merger Sub). Subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company (the Merger), with the Company surviving the Merger as a wholly owned subsidiary of Parent. Parent and Merger Sub were formed by affiliates of Elliott Associates, L.P., a Delaware limited partnership, and Elliott International, L.P., a Cayman Islands limited partnership.

The Board of Directors of the Company approved the Merger Agreement and the transactions contemplated thereby following the recommendation of a special committee consisting solely of independent and disinterested directors, to which the Board of Directors of the Company had delegated authority to consider and negotiate the Merger Agreement and the transactions contemplated thereby (including the Voting and Support Agreement (the Voting Agreement) dated as of June 6, 2019 by and among the Company, certain significant stockholders of the Company and Parent, and the transactions contemplated thereby).

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the Effective Time), each share of the Company's common stock, par value $0.001 per share (the Company Common Stock) (other than (i) shares of Company Common Stock held by the Company or any of its subsidiaries, including as treasury stock, or by Parent or any of its subsidiaries, including Merger Sub, which will be cancelled and cease to exist, and (ii) shares of Company Common Stock for which stockholders have exercised statutory appraisal rights and which will be entitled to the appraised value thereof, if applicable, pursuant to Section 262 of the General Corporation Law of the State of Delaware (the DGCL)), will be converted into the right to receive cash in the amount of $6.50 (the Merger Consideration).

The transaction is expected to close in the third quarter of calendar year 2019, and is subject to certain mutual conditions, including (i) the adoption of the Merger Agreement by the holders of at least a majority of the aggregate voting power of the outstanding shares of Company Common Stock, voting together as a single class; (ii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and (iii) the absence of any order or law that has the effect of enjoining or otherwise prohibiting the consummation of the Merger. The obligation of each party to consummate the Merger is also conditioned upon (i) the accuracy of the representations and warranties of the other party as of the date of the Merger Agreement and as of the closing (subject to customary materiality qualifiers) and (ii) the compliance by the other party in all material respects with its pre-closing obligations under the Merger Agreement. Parent's and Merger Sub's respective obligations to consummate the Merger are also conditioned upon the absence of a Company Material Adverse Effect (as defined in the Merger Agreement). Closing of the Merger is not subject to a financing condition.

Segments

The Company identifies its operating segments based on the way the business is managed (focusing on the financial information distributed) and the manner in which the chief operating decision maker interacts with other members of management and makes decisions on the allocation of resources. The Company's two operating segments are B&N Retail and NOOK.

B&N Retail

This segment includes 627 bookstores as of April 27, 2019, primarily under the Barnes & Noble Booksellers trade name. These Barnes & Noble stores generally offer a comprehensive trade book title base, a café, departments dedicated to Kids and Young Adults, Toys & Games, DVDs, Music & Vinyl, Gift, Magazine and Bargain products, and a dedicated NOOK® area. The stores also offer a calendar of ongoing events, including author appearances and children's activities. The B&N Retail segment also includes the Company's eCommerce website, www.barnesandnoble.com, and its publishing operation, Sterling Publishing.

1 Based upon sales reported in trade publications and public filings.

2 Any references to NOOK® include the Company's NOOK® Tablets, Samsung Galaxy Tab® A NOOK®, Samsung Galaxy Tab® E NOOK®, NOOK® GlowLight® 3 and NOOK® GlowLight Plus® devices, each of which includes a registered trademark symbol (®) even if such a symbol is not included herein.

Barnes & Noble stores range in size from 2,800 to 60,000 square feet depending upon market size, with an overall average store size of approximately 26,000 square feet. In fiscal 2019, the Company reduced the Barnes & Noble store base by approximately 172,000 square feet, bringing the total square footage to 16.4 million square feet, a net reduction of 1.0% from fiscal 2018.

Each Barnes & Noble store features an authoritative selection of books, ranging from approximately 19,000 to 133,000 unique titles with an overall average title base of 66,000 per store. The comprehensive title selection is diverse and reflects local interests and regional titles and authors' works. Bestsellers typically represent between approximately 5% and 6% of Barnes & Noble store sales. Product Master, the Company's authoritative data repository system, provides each store with comprehensive title selections. By enhancing the Company's existing merchandise replenishment systems, Product Master allows the Company to achieve higher in-stock positions and better productivity at the bookstore level through efficiencies in receiving, cashiering and returns processing. Complementing this extensive on-site selection, all Barnes & Noble stores provide customers with access to the millions of books available to online shoppers at www.barnesandnoble.com by offering an option to have the book sent to the store or shipped directly to the customer.

Sterling Publishing

Sterling Publishing is a leading publisher of non-fiction trade titles. Founded in 1949, Sterling publishes a wide range of non-fiction and illustrated books and kits across a variety of imprints, in categories such as health & wellness, music & popular culture, food & wine, crafts, puzzles & games and history & current affairs, as well as a large children's line. Sterling, with a solid backlist and robust value publishing program, has a title base of approximately 13,000 print books and eBooks. In addition, Sterling also distributes approximately 1,500 titles on behalf of client publishers.

NOOK

This segment represents the Company's digital business, including the development and support of the Company's NOOK® product offerings. The digital business includes digital content such as eBooks, digital newsstand and sales of NOOK® devices and accessories to B&N Retail. The underlying strategy of the NOOK business is to offer customers any digital book, newspaper or magazine, anytime, on any device. The Company remains committed to delivering to customers the best digital bookstore experience, providing easy access to Barnes & Noble's expansive digital collection of over three million eBooks, digital magazines and newspapers, while rationalizing its existing cost structure. As part of this commitment, the Company partners with Samsung to develop co-branded NOOK® tablets that feature the award-winning Barnes & Noble digital reading experience, while continuing to develop and offer its own NOOK® Tablets and E-Ink NOOK® eReaders.

Results of Operations

Fiscal Year	Fiscal 2019	Fiscal 2018	Fiscal 2017
Sales (in thousands)	$ 3,552,745	3,662,280	3,894,558
Net Income (Loss) (in thousands)	$ 3,769	(125,480)	22,023
Diluted Income (Loss) Per Common Share	$ 0.05	(1.73)	0.30
Comparable Sales Decrease			
Barnes & Noble Retail store sales (a)	(1.9)%	(5.4)%	(6.3)%
Stores Opened			
Barnes & Noble Retail stores	7	3	3
Stores Closed			
Barnes & Noble Retail stores	10	6	10
Number of Stores Open at Year End			
Barnes & Noble Retail stores	627	630	633
Square Feet of Selling Space at Year End (in millions)			
Barnes & Noble Retail stores	16.4	16.6	16.7

(a) Comparable store sales decrease is calculated on a 52-week basis, including sales from stores that have been open for at least 15 months and does not include sales from closed or relocated stores.

The following table sets forth, for the periods indicated, the percentage relationship that certain items bear to total sales of the Company:

Fiscal Year	Fiscal 2019	Fiscal 2018	Fiscal 2017
Sales	100.0%	100.0%	100.0%
Cost of sales and occupancy	69.8	69.7	68.9
Gross profit	30.2	30.3	31.1
Selling and administrative expenses	26.4	27.2	26.7
Depreciation and amortization	2.7	2.9	3.0
Asset impairments	0.6	3.7	0.0
Operating income (loss)	0.5	(3.5)	1.4
Interest expense, net and amortization of deferred financing fees	0.4	0.3	0.2
Income (loss) before taxes	0.1	(3.8)	1.2
Income tax provision (benefit)	(0.0)	(0.3)	0.6
Net income (loss)	0.1%	(3.4)%	0.6%

Business Overview

Barnes & Noble has been experiencing declining sales trends primarily due to lower store traffic. The Company has been able to offset some of the traffic decline through its efforts to increase conversion through higher customer engagement, as well as increase average transaction values through better merchandise offerings. Additionally, the Company has been able to partially mitigate the impact of the sales decline on profit levels through cost reductions. Recently, the Company began to reinvest some of its cost savings into initiatives to grow its top line sales, including an advertising campaign and increased promotional offers, which contributed to a comparable store sales increase during the third quarter of fiscal 2019. While the Company believes it has lost share on its sales performance, it sees opportunities in an industry that has become more stable.

To improve its performance, the Company's strategic plan is focused on strengthening its core business by enhancing its customer value proposition; improving profitability through an aggressive expense management program, which will be redeployed to fund growth initiatives; and innovating for the future, which will position the Company for long-term growth.

To strengthen its core business, the Company is focused on enhancing its customer value proposition by improving its merchandise offerings, enriching the overall shopping experience, increasing the value of its Membership Program and expanding its omni-channel capabilities. The Company will continue to leverage the strength of its Barnes & Noble brand, knowledgeable booksellers, vast book selection, omni-channel offering and retail footprint to attract customers and grow sales.

Merchandising initiatives are focused on increasing the impact of promotional activities, narrowing product assortments, improving SKU productivity, refining inventory management processes, testing changes to existing store layouts and remerchandising select business units. The Company believes there is opportunity to increase conversion through higher customer engagement and by improving navigation and discovery throughout the store. Additionally, the Company believes its reinvigorated marketing efforts, which include improved email campaigns and new advertising campaigns, can help improve store traffic trends.

In-store events also drive traffic, reinforcing Barnes & Noble as a destination where customers can meet, browse and discover. The Company has launched new events, such as the Barnes & Noble Book Club, which was designed to bring readers in communities across the country together to discuss some of the most compelling books being published. To generate interest in these and other events, the Company is also utilizing social media, where booksellers communicate events, promotions and new product offerings with customers at the local level in order to drive additional traffic.

The Company's Membership Program provides the Company with valuable data and insights into its customer base, enabling the Company to better understand and market to its customers. Members are more productive than non-members, as they spend more and visit more often. The Company continues to test programs to grow sales to both members and non-members, increase membership, improve price perception and enhance its overall customer value proposition.

The Company is focused on simplification throughout its organization to create efficiencies and reinvest resources to support sales growth. The Company is also committed to right sizing its cost structure. At B&N Retail, the Company implemented a new labor model for its stores, increasing store productivity and streamlining store operations. At NOOK, the Company exited non-core businesses and outsourced certain functions. NOOK expects to continue to re-calibrate its cost structure commensurate with sales.

In addition to initiatives focused on growing sales through its existing store base, the Company is innovating for the future and is opening newly designed prototype stores, which it believes could foster sales growth in the future.

52 Weeks Ended April 27, 2019 Compared with 52 Weeks Ended April 28, 2018

The following tables summarize the Company's results of operations for the 52 weeks ended April 27, 2019 and 52 weeks ended April 28, 2018.

Sales

	52 Weeks Ended		52 Weeks Ended	
Dollars in thousands	April 27, 2019	% Total	April 28, 2018	% Total
B&N Retail	$ 3,481,949	98.0%	$ 3,575,614	97.6%
NOOK	92,136	2.6%	111,487	3.0%
Elimination	(21,340)	(0.6)%	(24,821)	(0.7)%
Total Sales	$ 3,552,745	100.0%	$ 3,662,280	100.0%

The Company's sales decreased $109.5 million, or 3.0%, during fiscal 2019 to $3.553 billion from $3.662 billion during fiscal 2018. The changes by segment are as follows:

- B&N Retail sales decreased $93.7 million, or 2.6%, to $3.482 billion from $3.576 billion during the same period one year ago, and accounted for 98.0% of total Company sales. Comparable store sales decreased $56.3 million, or 1.9%, as book categories decreased sales by $76.3 million, or 3.9%, while non-book categories increased sales by $20.0 million, or 1.9%. Closed stores decreased sales by $31.2 million, while new stores increased sales by $13.4 million. Online sales decreased $18.5 million, or 6.7%, as compared to the prior year.
- NOOK sales decreased $19.4 million, or 17.4%, to $92.1 million from $111.5 million during the same period one year ago, and accounted for 2.6% of total Company sales.
- Elimination sales, which represent sales from NOOK to B&N Retail on a sell-through basis, decreased $3.5 million, or 14.0%, as compared to the prior year. NOOK sales, net of elimination, accounted for 2.0% of total Company sales.

In fiscal 2019, the Company opened seven and closed ten Barnes & Noble stores, bringing its total number of B&N Retail stores to 627, with 16.4 million square feet in 50 states.

Cost of Sales and Occupancy

	52 Weeks Ended		52 Weeks Ended	
Dollars in thousands	April 27, 2019	% Sales	April 28, 2018	% Sales
B&N Retail	$ 2,453,608	70.5%	$ 2,521,419	70.5%
NOOK	47,457	51.5%	54,479	48.9%
Elimination	(21,340)	(23.2)%	(24,821)	(22.3)%
Total Cost of Sales and Occupancy	$ 2,479,725	69.8%	$ 2,551,077	69.7%

The Company's cost of sales and occupancy includes costs such as merchandise costs, distribution center costs (including payroll, freight, supplies and other operating expenses), rental expense and common area maintenance, partially offset by landlord tenant allowances amortized over the life of the lease.

Cost of sales and occupancy decreased $71.4 million, or 2.8%, to $2.480 billion in fiscal 2019 from $2.551 billion in fiscal 2018. Cost of sales and occupancy increased as a percentage of sales to 69.8% in fiscal 2019 from 69.7% in fiscal 2018. The changes by segment are as follows:

- B&N Retail cost of sales and occupancy remained flat as a percentage of sales at 70.5% compared to the same period one year ago primarily due to higher vendor incentives (65 basis points) resulting from amendments to certain publisher agreements and decreased online promotions (35 basis points), partially offset by occupancy deleverage (40 basis points) and higher store markdowns and shrink (40 basis points). The remaining variance was attributable to sales mix and cost deleverage.

- NOOK cost of sales and occupancy increased as a percentage of sales to 51.5% from 48.9% during the same period one year ago primarily on sales mix, cost deleverage and a prior year favorable channel partner settlement.

Gross Profit

	52 Weeks Ended		52 Weeks Ended	
Dollars in thousands	April 27, 2019	% Sales	April 28, 2018	% Sales
B&N Retail	$ 1,028,341	29.5%	$ 1,054,195	29.5%
NOOK	44,679	63.1%	57,008	65.8%
Total Gross Profit	$ 1,073,020	30.2%	$ 1,111,203	30.3%

The Company's consolidated gross profit decreased $38.2 million, or 3.4%, to $1.073 billion in fiscal 2019 from $1.111 billion in fiscal 2018. This change was due to the matters discussed above.

Selling and Administrative Expenses

	52 Weeks Ended		52 Weeks Ended	
Dollars in thousands	April 27, 2019	% Sales	April 28, 2018	% Sales
B&N Retail	$ 895,485	25.7%	$ 943,820	26.4%
NOOK	41,260	58.3%	53,466	61.7%
Total Selling and Administrative Expenses	$ 936,745	26.4%	$ 997,286	27.2%

Selling and administrative expenses decreased $60.5 million, or 6.1%, to $936.7 million in fiscal 2019 from $997.3 million in fiscal 2018. Selling and administrative expenses decreased as a percentage of sales to 26.4% in fiscal 2019 from 27.2% in fiscal 2018. The changes by segment are as follows:

- B&N Retail selling and administrative expenses decreased $48.3 million as compared to prior year, or 70 basis points as a percentage of sales to 25.7% from 26.4%, primarily due to lower store payroll (80 basis points on store sales) on a new labor model, lower employee benefit costs (40 basis points) on lower payroll and favorable claims, and lower severance costs (30 basis points) on prior year strategic initiatives, partially offset by non-recurring professional fees (30 basis points) due to litigation and deal costs and increased advertising and marketing expenses (25 basis points). The remaining variance was attributable to cost reduction initiatives and sales deleverage.

- NOOK selling and administrative expenses decreased $12.2 million as compared to the prior year, decreasing as a percentage of sales to 58.3% from 61.7% during the same period a year ago. The dollar decrease was primarily attributable to continued cost rationalization efforts, as well as lower variable costs on the sales decline.

Depreciation and Amortization

Dollars in thousands	52 Weeks Ended April 27, 2019	% Sales	52 Weeks Ended April 28, 2018	% Sales
B&N Retail	$ 87,887	2.5%	$ 94,334	2.6%
NOOK	9,792	13.8%	12,006	13.9%
Total Depreciation and Amortization	$ 97,679	2.7%	$ 106,340	2.9%

Depreciation and amortization decreased $8.7 million, or 8.1%, to $97.7 million in fiscal 2019 from $106.3 million in fiscal 2018. The impact of fully depreciated assets, asset impairments and store closures were partially offset by additional capital expenditures.

Asset Impairments

Dollars in thousands	52 Weeks Ended April 27, 2019	% Sales	52 Weeks Ended April 28, 2018	% Sales
B&N Retail	$ 22,067	0.6%	$ 135,435	3.8%
NOOK	—	0.0%	—	0.0%
Total Asset Impairments	$ 22,067	0.6%	$ 135,435	3.7%

The costs in excess of net assets of businesses acquired are carried as goodwill in the accompanying consolidated balance sheets. ASC 350-30, *Goodwill and Other Intangible Assets*, requires that goodwill and other unamortizable intangible assets be tested for impairment at least annually or earlier if there are impairment indicators.

Historically, the Company completed its annual goodwill and trade name impairment test as of the first day of its fiscal third quarter of each fiscal year. During the third quarter of fiscal 2019, the Company voluntarily changed the date of its annual goodwill and trade name impairment testing from the first day of fiscal November to the first day of fiscal January. This voluntary change is preferable as it better aligns the timing of the goodwill and trade name impairment testing with the Company's strategic and annual operating planning process and allows for the inclusion of the most recent holiday sales results in the quantitative and qualitative considerations of the annual impairment tests. The voluntary change in accounting principle related to the annual testing date will not delay, accelerate or avoid an impairment charge. This change is not applied retrospectively as it is impracticable to do so because retrospective application would require application of significant estimates and assumptions with the use of hindsight. Accordingly, the change will be applied prospectively.

The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2019 (October 28, 2018). The fair value of the B&N Retail reporting unit exceeded its carrying value and no impairment existed. The Company completed its new annual goodwill impairment test as of the first day of fiscal January (December 30, 2018). The fair value of the B&N Retail reporting unit exceeded its carrying value and no impairment existed. Although no impairment existed, the Company's goodwill is at risk of impairment if B&N Retail comparable store sales decline, store closings accelerate, the assumed long-term discount rate increases, or in general the Company does not achieve its forecasted multi-year strategic plan.

The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2018 (October 29, 2017). The fair value of the B&N Retail reporting unit exceeded its carrying value based on the annual goodwill impairment test performed as of that date. Subsequent to the annual goodwill impairment test as of October 29, 2017, sales trends unexpectedly softened during the holiday selling season. Given the lower than expected sales results, the Company revised its forecasted outlook. Following the announcement on January 4, 2018 of the Company's holiday sales results and its revised outlook, the market price of the Company's common stock sharply declined. Due to those new impairment indicators, the Company performed an interim goodwill impairment test as of December 30, 2017. As a result of the interim testing, the Company recognized an impairment of its B&N Retail reporting unit goodwill of $133.6 million during the third quarter of fiscal 2018.

The Company completed its annual other unamortizable intangible assets impairment test for its trade name as of the first day of the third quarter of fiscal 2019 (October 28, 2018) and determined that no impairment was necessary. The Company completed its new annual other unamortizable intangible assets impairment test as of the first day of fiscal January (December 30, 2018) and determined that no impairment was necessary. Although no impairment was necessary, the Company's trade name is at risk of impairment if B&N Retail comparable store sales decline, store closings accelerate, the assumed long-term discount rate increases, or in general the Company does not achieve its forecasted multi-year strategic plan.

The Company completed its annual other unamortizable intangible assets impairment test for its publishing contracts as of the first day of fiscal January (December 30, 2018). As a result of the testing, the Company recognized an impairment of $5.6 million during the third quarter of fiscal 2019. The publishing contracts include the value of long-standing relationships with authors, agents and publishers. Given Sterling's strong history of maintaining such relationships, the Company believes they produce value indefinitely without an identifiable remaining useful life. However, given the increased costs related to these publishing contracts, these contracts were impaired.

The Company also reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and considers market participants in accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company evaluates its stores' long-lived assets and its other long-lived assets for impairment at the individual Barnes & Noble store level and at the reporting unit level, respectively, which is the lowest level at which individual cash flows can be identified. Store impairment losses related to amortizable assets were $16.5 million and $1.8 million for fiscal 2019 and fiscal 2018, respectively.

Operating Income (Loss)

Dollars in thousands	52 Weeks Ended April 27, 2019	% Sales	52 Weeks Ended April 28, 2018	% Sales
B&N Retail	$ 22,902	0.7%	$(119,394)	(3.3)%
NOOK	(6,373)	(9.0)%	(8,464)	(9.8)%
Total Operating Income (Loss)	$ 16,529	0.5%	$(127,858)	(3.5)%

The Company's consolidated operating income increased $144.4 million, or 112.9%, to $16.5 million in fiscal 2019 from an operating loss of $127.9 million in fiscal 2018. This change was due to the matters discussed above.

Interest Expense, Net and Amortization of Deferred Financing Fees

Dollars in thousands	52 Weeks Ended April 27, 2019	52 Weeks Ended April 28, 2018	% of Change
Interest Expense, Net and Amortization of Deferred Financing Fees	$ 13,447	$ 9,837	36.7%

Net interest expense and amortization of deferred financing fees increased $3.6 million, or 36.7%, to $13.4 million in fiscal 2019 from $9.8 million in fiscal 2018, primarily on higher average borrowings.

Income Tax Benefit

Dollars in thousands	52 Weeks Ended April 27, 2019	Effective Rate	52 Weeks Ended April 28, 2018	Effective Rate
Income Tax Benefit	$ (687)	(22.3)%	$(12,215)	8.9%

The Company recorded an income tax benefit of $0.7 million on a pre-tax income of $3.1 million in fiscal 2019, which represented an effective income tax rate of (22.3)%. The Company recorded an income tax benefit of $12.2 million on a pre-tax loss of $137.7 million in fiscal 2018, which represented an effective income tax rate of 8.9%.

The Company's effective tax rate for fiscal 2019 differs from the statutory rate due to the impact of permanent items such as meals and entertainment, non-deductible executive compensation, tax credits, changes in uncertain tax positions, changes in valuation allowance, state legislation changes and state tax provision, net of federal benefit. The Company's effective tax rate for fiscal 2018 differs from the statutory rate due to the impact of permanent items such as meals and entertainment, non-deductible executive compensation, tax credits, changes in uncertain tax positions, the impact of the Tax Cuts and Jobs Act, goodwill impairment, changes to valuation allowance and state tax provision, net of federal benefit.

The Company believes that it is reasonably possible that approximately $0.4 million of the remaining unrecognized tax benefits may be recognized within the next twelve months, as a result of settlement of certain tax audits or lapses of statutes of limitations, which could impact the effective tax rate.

Net Income (Loss)

Dollars in thousands	52 Weeks Ended April 27, 2019	Diluted EPS	52 Weeks Ended April 28, 2018	Diluted EPS
Net Income (Loss)	$ 3,769	$ 0.05	$(125,480)	$(1.73)

As a result of the factors discussed above, the Company reported a consolidated net income of $3.8 million (or $0.05 per diluted share) during fiscal 2019, compared with consolidated net loss of $125.5 million (or $1.73 per diluted share) during fiscal 2018.

52 Weeks Ended April 28, 2018 Compared with 52 Weeks Ended April 29, 2017

The following tables summarize the Company's results of operations for the 52 weeks ended April 28, 2018 and 52 weeks ended April 29, 2017.

Sales

Dollars in thousands	52 Weeks Ended April 28, 2018	% Total	52 Weeks Ended April 29, 2017	% Total
B&N Retail	$ 3,575,614	97.6%	$ 3,784,655	97.2%
NOOK	111,487	3.0%	146,514	3.8%
Elimination	(24,821)	(0.7)%	(36,611)	(0.9)%
Total Sales	$ 3,662,280	100.0%	$ 3,894,558	100.0%

The Company's sales decreased $232.3 million, or 6.0%, during fiscal 2018 to $3.662 billion from $3.895 billion during fiscal 2017. The changes by segment are as follows:

- B&N Retail sales decreased $209.0 million, or 5.5%, to $3.576 billion from $3.785 billion during the same period one year ago, and accounted for 97.6% of total Company sales. Comparable store sales decreased $172.4 million, or 5.4%, as compared to the prior year on lower store traffic and comparisons to the prior year release of *Harry Potter and the Cursed Child*. Closed stores decreased sales by $31.3 million, while new stores increased sales by $11.2 million. Online sales decreased $29.5 million, or 9.6%, on lower conversion rates, which were impacted by reduced promotional activity and comparisons to the prior year eBook settlement. B&N Retail also includes third-party sales of Sterling Publishing Co., Inc., which increased by $3.8 million, or 10.6%, versus the prior year. Gift card breakage increased $8.4 million as redemptions continue to run lower than historical patterns.

  Of the $172.4 million decrease in comparable store sales, book categories decreased sales by $83.0 million, or 4.0%, due primarily to declines in Juvenile, Trade and Bargain titles, while non-book categories decreased sales by $77.0 million, or 7.0%, primarily on Gift, Music and DVD, partially offset by increases in Toys & Games. Comparable sales of NOOK® products at B&N Retail stores decreased $12.4 million, or 33.6%, primarily on lower device unit volume and lower average selling prices.

- NOOK sales decreased $35.0 million, or 23.9%, to $111.5 million from $146.5 million during the same period one year ago, and accounted for 3.0% of total Company sales. Digital content sales decreased $21.4 million, or 20.1%, compared to the prior year primarily on lower unit sales. Device and accessories sales decreased $13.6 million, or 34.0%, primarily on lower average selling prices and lower unit sales.

- Elimination sales, which represent sales from NOOK to B&N Retail on a sell-through basis, decreased $11.8 million, or 32.2%, versus the prior year. NOOK sales, net of elimination, accounted for 2.4% of total Company sales.

In fiscal 2018, the Company opened three and closed six Barnes & Noble stores, bringing its total number of B&N Retail stores to 630, with 16.6 million square feet, in the 50 states.

Cost of Sales and Occupancy

Dollars in thousands	52 Weeks Ended April 28, 2018	% Sales	52 Weeks Ended April 29, 2017	% Sales
B&N Retail	$ 2,521,419	70.5%	$ 2,636,113	69.7%
NOOK	54,479	48.9%	82,854	56.6%
Elimination	(24,821)	(22.3)%	(36,611)	(25.0)%
Total Cost of Sales and Occupancy	$ 2,551,077	69.7%	$ 2,682,356	68.9%

The Company's cost of sales and occupancy includes costs such as merchandise costs, distribution center costs (including payroll, freight, supplies and other operating expenses), rental expense, common area maintenance and real estate taxes, partially offset by landlord tenant allowances amortized over the life of the lease.

Cost of sales and occupancy decreased $131.3 million, or 4.9%, to $2.551 billion in fiscal 2018 from $2.682 billion in fiscal 2017. Cost of sales and occupancy increased as a percentage of sales to 69.7% in fiscal 2018 from 68.9% in fiscal 2017. The changes by segment are as follows:

- B&N Retail cost of sales and occupancy increased as a percentage of sales to 70.5% from 69.7%, or 85 basis points, during the same period one year ago primarily due to occupancy deleverage (60 basis points) and higher markdowns to clear non-returnable merchandise (30 basis points). The remaining variance was attributable to sales mix and the general timing of expenses.
- NOOK cost of sales and occupancy decreased as a percentage of sales to 48.9% from 56.6% during the same period one year ago primarily on lower occupancy and sales mix.

Gross Profit

Dollars in thousands	52 Weeks Ended April 28, 2018	% Sales	52 Weeks Ended April 29, 2017	% Sales
B&N Retail	$ 1,054,195	29.5%	$ 1,148,542	30.3%
NOOK	57,008	65.8%	63,660	57.9%
Total Gross Profit	$ 1,111,203	30.3%	$ 1,212,202	31.1%

The Company's consolidated gross profit decreased $101.0 million, or 8.3%, to $1.111 billion in fiscal 2018 from $1.212 billion in fiscal 2017. This change was due to the matters discussed above.

Selling and Administrative Expenses

Dollars in thousands	52 Weeks Ended April 28, 2018	% Sales	52 Weeks Ended April 29, 2017	% Sales
B&N Retail	$ 943,820	26.4%	$ 958,653	25.3%
NOOK	53,466	61.7%	81,005	73.7%
Total Selling and Administrative Expenses	$ 997,286	27.2%	$ 1,039,658	26.7%

Selling and administrative expenses decreased $42.4 million, or 4.1%, to $997.3 million in fiscal 2018 from $1.040 billion in fiscal 2017. Selling and administrative expenses increased as a percentage of sales to 27.2% in fiscal 2018 from 26.7% in fiscal 2017. The changes by segment are as follows:

- B&N Retail selling and administrative expenses decreased $14.8 million as compared to prior year, while increasing 105 basis points as a percentage of sales to 26.4% from 25.3% for the year. The current year included severance costs of $16.2 million (45 basis points). The Company implemented a new labor model for its stores, resulting in the elimination of certain store positions. Unfavorable variances to the prior year also included higher store payroll (25 basis points on store sales) as sales deleverage and wage increases outpaced productivity gains, higher employee benefit costs (20 basis points) on increased medical claims and strategic consulting costs (20 basis points). The remaining variance was attributable to sales deleverage and the general timing of expenses.
- NOOK selling and administrative expenses decreased $27.5 million as compared to the prior year, decreasing as a percentage of sales to 61.7% from 73.7% during the same period a year ago. The prior year included severance and transitional costs of $10.7 million related to the outsourcing of certain services and the closure of NOOK's California and Taiwan offices. Excluding these costs, the decrease in dollars was primarily attributable to continued cost rationalization efforts, as well as lower variable costs on the sales decline. The current year also includes a favorable expense impact from a channel partner settlement.

Depreciation and Amortization

Dollars in thousands	52 Weeks Ended April 28, 2018	% Sales	52 Weeks Ended April 29, 2017	% Sales
B&N Retail	$ 94,334	2.6%	$ 98,877	2.6%
NOOK	12,006	13.9%	19,010	17.3%
Total Depreciation and Amortization	$ 106,340	2.9%	$ 117,887	3.0%

Depreciation and amortization decreased $11.5 million, or 9.8%, to $106.3 million in fiscal 2018 from $117.9 million in fiscal 2017. This decrease was primarily attributable to fully depreciated assets, partially offset by additional capital expenditures.

Asset Impairments

Dollars in thousands	52 Weeks Ended April 28, 2018	% Sales	52 Weeks Ended April 29, 2017	% Sales
B&N Retail	$ 135,435	3.8%	$ 349	0.0%
NOOK	—	0.0%	—	0.0%
Total Asset Impairments	$ 135,435	3.7%	$ 349	0.0%

The costs in excess of net assets of businesses acquired are carried as goodwill in the accompanying consolidated balance sheets. ASC 350-30, *Goodwill and Other Intangible Assets*, requires that goodwill and other unamortizable intangible assets be tested for impairment at least annually or earlier if there are impairment indicators.

The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2018 (October 29, 2017). The fair value of the B&N Retail reporting unit exceeded its carrying value based on the annual goodwill impairment test performed as of that date. Subsequent to the annual goodwill impairment test as of October 29, 2017, sales trends unexpectedly softened during the holiday selling season. Given the lower than expected sales results, the Company revised its forecasted outlook. Following the announcement on January 4, 2018 of the Company's holiday sales results and its revised outlook, the market price of the Company's common stock sharply declined. Due to those new impairment indicators, the Company performed an interim goodwill impairment test as of December 30, 2017. As a result of the interim testing, the Company recognized an impairment of its B&N Retail reporting unit goodwill of $133.6 million during the third quarter of fiscal 2018.

The Company also reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and considers market participants in accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company evaluates its stores' long-lived assets and its other long-lived assets for impairment at the individual Barnes & Noble store level and at the reporting unit level, respectively, which is the lowest level at which individual cash flows can be identified. Store impairment losses related to amortizable assets were $1.8 million and $0.3 million for fiscal 2018 and fiscal 2017, respectively.

Operating Income (Loss)

Dollars in thousands	52 Weeks Ended April 28, 2018	% Sales	52 Weeks Ended April 29, 2017	% Sales
B&N Retail	$(119,394)	(3.3)%	$ 90,663	2.4%
NOOK	(8,464)	(9.8)%	(36,355)	(33.1)%
Total Operating Income (Loss)	$(127,858)	(3.5)%	$ 54,308	1.4%

The Company's consolidated operating income decreased $182.2 million, or 335.4%, to an operating loss of $127.9 million in fiscal 2018 from an operating income of $54.3 million in fiscal 2017. This change was due to the matters discussed above.

Interest Expense, Net and Amortization of Deferred Financing Fees

Dollars in thousands	52 Weeks Ended April 28, 2018	52 Weeks Ended April 29, 2017	% of Change
Interest Expense, Net and Amortization of Deferred Financing Fees	$ 9,837	$ 7,509	31.0%

Net interest expense and amortization of deferred financing fees increased $2.3 million, or 31.0%, to $9.8 million in fiscal 2018 from $7.5 million in fiscal 2017, primarily on higher average borrowings.

Income Tax Provision (Benefit)

Dollars in thousands	52 Weeks Ended April 28, 2018	Effective Rate	52 Weeks Ended April 29, 2017	Effective Rate
Income Tax Provision (Benefit)	$(12,215)	8.9%	$ 24,776	52.9%

The Company recorded an income tax benefit of $12.2 million in fiscal 2018 compared with an income tax provision of $24.8 million in fiscal 2017. The Company's effective tax rate was 8.9% and 52.9% in fiscal 2018 and fiscal 2017, respectively. The Company's effective tax rate differs from the statutory rate due to the impact of the remeasurement of deferred taxes resulting from the Tax Cuts and Jobs Act, the impact of return to provision adjustments, the establishment of valuation allowance on definite lived NOLs, and state tax provision, net of federal benefit. The prior year rate was impacted primarily by changes in uncertain tax positions and changes in deferred taxes and payables.

In accordance with accounting principles generally accepted in the United States (GAAP) rules on accounting for income taxes, the Company evaluates the realizability of its deferred tax assets at each reporting date. The Company records a valuation allowance when it determines that it is more likely than not that all or a portion of a particular deferred tax asset will not be realized. As part of this evaluation, the Company reviews all evidence, both positive and negative, to determine if a valuation allowance is needed. The Company's review of positive evidence included the review of historic profitability, projected profitability, feasible tax planning strategies that may be implemented and the reversal of temporary items. The Company determined that there was sufficient negative evidence to establish valuation allowances against certain deferred tax assets, totaling $36.7 million. The Company will monitor the need for additional valuation allowances at each quarter in the future and adjust the valuation allowance as necessary.

Net Income (Loss)

Dollars in thousands	52 Weeks Ended April 28, 2018	Diluted EPS	52 Weeks Ended April 29, 2017	Diluted EPS
Net Income (Loss)	$(125,480)	$ (1.73)	$ 22,023	$ 0.30

As a result of the factors discussed above, the Company reported a consolidated net loss of $125.5 million (or $1.73 per diluted share) during fiscal 2018, compared with consolidated net income of $22.0 million (or $0.30 per diluted share) during fiscal 2017.

Seasonality

The B&N Retail business, like that of many retailers, is seasonal, with the major portion of sales and operating income typically realized during its third fiscal quarter, which includes the holiday selling season.

The NOOK business, like that of many technology companies, is impacted by the launch of new products and the promotional efforts to support those new products, as well as the traditional retail holiday selling seasonality.

Liquidity and Capital Resources

The primary sources of the Company's cash are net cash flows from operating activities, funds available under its credit facility and short-term vendor financing.

Cash Flows

The Company's cash and cash equivalents were $9.4 million as of April 27, 2019, compared with $10.8 million as of April 28, 2018. The decrease in cash and cash equivalents of $1.3 million versus the prior year period was due to changes in working capital and cash flows as outlined below.

Net cash flows provided by operating activities for fiscal 2019 were $106.0 million, as compared to net cash flows provided by operating activities of $37.1 million for fiscal 2018. The favorable year-over-year comparison was primarily attributable to higher earnings, changes in working capital and changes in uncertain tax positions.

Net cash flows used in investing activities for fiscal 2019 were $113.7 million, as compared to net cash flows used in investing activities of $87.7 million for fiscal 2018. This increase was primarily related to an increase in capital expenditures for new store prototypes and merchandising initiatives.

Net cash flows provided by financing activities for fiscal 2019 were $6.4 million, as compared to net cash flows provided by financing activities of $49.3 million for fiscal 2018. This decrease was primarily related to repayment of debt and bank fees related to the credit facility amendment, partially offset by the timing of dividend payments.

Over the past 12 months, the Company has returned $32.9 million in cash to its shareholders through dividends.

Additional year-over-year balance sheet changes include the following:

- Receivables, net decreased $3.3 million, or 5.1%, to $61.2 million as of April 27, 2019, compared to $64.6 million as of April 28, 2018.
- Merchandise inventories, net decreased $34.5 million, or 3.6%, to $923.7 million as of April 27, 2019, compared to $958.2 million as of April 28, 2018, on improved inventory management, including, but not limited to, the timing of merchandise returns.
- Prepaid expenses and other current assets increased $4.7 million, or 7.1%, to $69.8 million as of April 27, 2019, compared to $65.2 million as of April 28, 2018, primarily related to income taxes.
- Property and equipment, net increased $1.3 million, or 0.5%, to $256.8 million as of April 27, 2019, compared to $255.5 million as of April 28, 2018, as capital expenditures were offset by depreciation, retirements and impairments.
- Intangible assets, net decreased $5.9 million, or 1.9%, to $303.7 million as of April 27, 2019, compared to $309.6 million as of April 28, 2018, due to a publishing contracts impairment charge of $5.6 million during the third quarter of fiscal 2019.
- Other non-current assets decreased $3.3 million, or 23.0%, to $10.9 million as of April 27, 2019, compared to $14.1 million as of April 28, 2018, due to income taxes, partially offset by a net increase in deferred financing fees related to the credit facility amendment.
- Accounts payable decreased $39.9 million, or 8.7%, to $418.9 million as of April 27, 2019, compared to $458.9 million as of April 28, 2018. Accounts payable represented 45.4% and 47.9% of merchandise inventories as of April 27, 2019 and April 28, 2018, respectively. This ratio is subject to changes in product mix and the timing of purchases, payments and returns.
- Accrued liabilities increased $7.9 million, or 3.0%, to $268.1 million as of April 27, 2019, compared to $260.2 million as of April 28, 2018. Accrued liabilities include deferred income, compensation, occupancy related, legal and other selling and administrative miscellaneous accruals.
- Gift card liabilities decreased $108.0 million, or 33.4%, to $215.5 million as of April 27, 2019, compared to $323.5 million as of April 28, 2018, due primarily to the impact of the adoption of Topic 606. The Company recognized gift card breakage of $42.3 million and $43.9 million during fiscal 2019 and fiscal 2018, respectively.
- Deferred taxes increased $18.2 million, or 35.0%, to $70.3 million as of April 27, 2019, compared to $52.0 million as of April 28, 2018, primarily due to the impact of the adoption of Topic 606.
- Other long-term liabilities increased $0.3 million, or 0.3%, to $84.5 million as of April 27, 2019, compared to $84.3 million as of April 28, 2018, primarily due to deferred rent.

Capital Structure

Credit Facility

On August 3, 2015, the Company and certain of its subsidiaries entered into a credit agreement (as amended, the Credit Agreement) with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and the other lenders from time to time party thereto, under which the lenders committed to provide a five-year asset-backed revolving credit facility in an aggregate committed principal amount of up to $700.0 million (Revolving Credit Facility). On September 30, 2016, the Company amended the Credit Agreement to provide for a new “first-in, last-out” revolving credit facility (the FILO Credit Facility and, together with the Revolving Credit Facility, the Credit Facility) in an aggregate principal amount of up to $50.0 million. The Company generally must draw down the FILO Credit Facility before making any borrowings under the Revolving Credit Facility. On July 13, 2018, the Company entered into a second amendment to the Credit Agreement which, among other things, extended the maturity date of the $750.0 million Credit Facility to July 13, 2023 and reduced the interest rate margins applicable to the loans thereunder (Second Amendment). On June 6, 2019, the Company entered into an amendment to the Credit Agreement which amended the first sentence of Section 7.04 (Fundamental Change) of the Credit Agreement by deleting the words “(or agree to do any of the foregoing)”, which deletion permitted the Company to enter into the Merger Agreement (together with the Second Amendment, the Amended Credit Facility).

Proceeds from the Amended Credit Facility are primarily used for general corporate purposes, including seasonal working capital needs. The Amended Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the Company and certain of its subsidiaries (collectively, the Loan Parties), but excluding the equity interests in the Company and its subsidiaries, intellectual property, equipment and certain other property. Borrowings under the Amended Credit Facility are limited to a specified percentage of eligible collateral. The Company has the option to request an increase in commitments under the Amended Credit Facility of up to $250.0 million, subject to certain restrictions.

The Amended Credit Facility allows the Company to declare and pay up to $70.0 million in dividends annually to its stockholders without compliance with any availability or ratio-based limitations.

Interest under the Revolving Credit Facility accrues, at the election of the Company, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin between LIBOR plus 1.750% per annum and LIBOR plus 1.250% per annum or between the alternate base rate plus 0.750% per annum and the alternate base rate plus 0.250% per annum, based upon the average daily availability under the Revolving Credit Facility for the immediately preceding fiscal quarter. Interest under the FILO Credit Facility accrues, at the election of the Company, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin, which is also determined by reference to the level of excess availability under the Revolving Credit Facility. Loans under the FILO Credit Facility bear interest at 1.000% per annum more than loans under the Revolving Credit Facility.

The Credit Agreement contains customary negative covenants, which limit the Company's ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets, among other things. In addition, if excess availability under the Amended Credit Facility were to fall below certain specified levels, certain additional covenants (including fixed charge coverage ratio requirements) would be triggered, and the lenders would assume dominion and control over the Loan Parties' cash.

The Credit Agreement contains customary events of default, including payment defaults, material breaches of representations and warranties, covenant defaults, default on other material indebtedness, customary ERISA events of default, bankruptcy and insolvency, material judgments, invalidity of liens on collateral, change of control or cessation of business. The Credit Agreement also contains customary affirmative covenants and representations and warranties.

The following table presents selected information related to the Company's credit facilities (in thousands):

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Credit facility at period end	$ 203,800	158,700	64,900
Average balance outstanding during the period	$ 215,630	141,478	96,297
Maximum borrowings outstanding during the period	$ 335,825	287,933	285,278
Weighted average interest rate during the period (a)	5.29%	5.55%	5.77%
Interest rate at end of period	4.17%	3.92%	3.73%

(a) Includes commitment fees.

The Company wrote off $0.3 million of deferred financing fees related to the Credit Facility during the first quarter of fiscal 2019 and the remaining unamortized deferred financing fees of $3.8 million were deferred and are being amortized over the five-year term of the Amended Credit Facility. The Company also incurred $4.4 million of fees to secure the Amended Credit Facility, which are being amortized over the five-year term accordingly.

Fees expensed with respect to the unused portion of the credit facilities were $1.9 million, $2.2 million and $2.2 million during fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

The Company had $203.8 million of outstanding debt under the Amended Credit Facility as of April 27, 2019 and $158.7 million of outstanding debt under the Credit Facility as of April 28, 2018. The Company had $31.7 million of outstanding letters of credit under the Amended Credit Facility as of April 27, 2019 and $34.2 million of outstanding letters of credit under the Credit Facility as of April 28, 2018.

The Company has no agreements to maintain compensating balances.

Capital Investment

The Company’s investing activities consist principally of capital expenditures for the maintenance of existing stores, merchandising initiatives, new store construction and enhancements to systems and the website. Capital expenditures totaled $113.7 million, $87.7 million and $96.3 million during fiscal 2019, fiscal 2018 and fiscal 2017, respectively. Fiscal 2020 capital expenditure levels are expected to be approximately $100.0 million, although commitment to many such expenditures has not yet been made. Capital expenditures planned for fiscal 2020 primarily include new store development, merchandising initiatives, maintenance of existing stores, enhancements to systems and the website.

Based upon the Company’s current operating levels and capital expenditures planned for fiscal 2020, management believes cash and cash equivalents on hand, funds available under its credit facility and short-term vendor financing will be sufficient to meet the Company’s normal working capital and debt service requirements for at least the next 12 months. The Company regularly evaluates its capital structure and conditions in the financing markets to ensure it maintains adequate flexibility to successfully execute its business plan.

On March 15, 2017, the Company’s Board of Directors authorized a stock repurchase program of up to $50.0 million of its common shares. Stock repurchases under this program may be made through open market and privately negotiated transactions from time to time and in such amounts as management deems appropriate. The stock repurchase program has no expiration date and may be suspended or discontinued at any time. The Company’s repurchase plan is intended to comply with the requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The Company did not repurchase shares under this plan in fiscal 2019 and fiscal 2018. The Company has remaining capacity of $50.0 million under the repurchase program as of April 27, 2019.

As of April 27, 2019, the Company has repurchased 39,745,497 shares at a cost of approximately $1.1 billion since the inception of the Company’s current and prior stock repurchase programs. The repurchased shares are held in treasury.

Contractual Obligations

The following table sets forth the Company's contractual obligations as of April 27, 2019 (in millions):

Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating lease obligations (a)	$1,126.3	$ 316.0	$476.8	$235.8	$ 97.7
Purchase obligations (b)	116.2	70.2	44.5	1.5	—
Interest obligations (c)	11.8	2.9	5.6	3.3	—
Other long-term liabilities reflected on the Company's balance sheet under U.S. GAAP (d)	—	—	—	—	—
Total	$1,254.3	$ 389.1	$526.9	$240.6	$ 97.7

(a) Excludes obligations under store leases for insurance, taxes and other maintenance costs, which totaled approximately 23.7% of the minimum rent payments under those leases.

(b) Includes hardware and software maintenance contracts and inventory purchase commitments.

(c) Represents commitment fees related to the Company's Credit Facility.

(d) Excludes $4.4 million of unrecognized tax benefits for which the Company cannot make a reasonably reliable estimate of the amount and period of payment. See Note 9 to the Notes to Consolidated Financial Statements.

See also Note 8 to the Notes to Consolidated Financial Statements for information concerning the Company's defined contribution plan.

Off-Balance Sheet Arrangements

As of April 27, 2019, the Company had no off-balance sheet arrangements as defined in Item 303 of Regulation S-K.

Impact of Inflation

The Company does not believe that inflation has had a material effect on its net sales or results of operations.

Certain Relationships and Related Transactions

See Note 16 to the Notes to Consolidated Financial Statements.

Critical Accounting Policies

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this report discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments with respect to certain amounts included in the financial statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Revenue Recognition

On April 29, 2018, the Company adopted Topic 606 using the modified retrospective approach for all contracts not completed as of the adoption date. Financial results for reporting periods beginning after April 28, 2018 are presented in accordance with Topic 606, while prior periods will continue to be reported in accordance with our pre-adoption accounting policies and therefore have not been adjusted to conform to Topic 606.

The primary impact of adopting Topic 606 relates to the timing of revenue recognition for gift card breakage. The Company estimates the portion of the gift card liability for which the likelihood of redemption is remote based upon the Company's historical redemption patterns. Prior to adoption of Topic 606, the Company recorded this amount in revenue on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. Upon adoption, the Company now recognizes estimated gift card breakage as revenue proportionately as redemption occurs. This change in accounting policy was accounted for through a cumulative effect adjustment to increase retained earnings during the first quarter of fiscal 2019. The Company reclassified $90.1 million from gift card liabilities resulting in a cumulative effect adjustment of $70.0 million, net of tax, to retained earnings on the Company's consolidated balance sheets and consolidated statement of changes in stockholders' equity. Additionally, the adoption of Topic 606 resulted in insignificant financial statement presentation reclassifications related to sales return reserve. The Company does not expect the adoption of Topic 606 to have a significant impact on the consolidated financial statements on a prospective basis.

In accordance with Topic 606, revenue shall be recognized upon satisfaction of all contractual performance obligations and transfer of control to the customer. Revenue is measured as the amount of consideration the Company expects to be entitled to in exchange for corresponding goods or services. Substantially all of the Company's sales are single performance obligation arrangements for retail sale transactions for which the transaction price is equivalent to the stated price of the product or service, net of any stated discounts applicable at a point in time. Each sales transaction results in an implicit contract with the customer to deliver a product or service at the point of sale. Revenue from retail sales is recognized at the point of sale, net of sales tax and estimated future returns. Revenue from eCommerce sales is recognized upon estimated delivery and receipt of the shipment by the Company's customers. Freight costs are included within the Company's cost of sales and occupancy. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the related sales are recorded. All of the Company's sales are recognized as revenue on a "net" basis, including sales in connection with any periodic promotions offered to customers. The Company does not treat any promotional offers as expenses.

NOOK acquires the rights to distribute digital content from publishers and distributes the content on www.barnesandnoble.com, NOOK® devices and other eBookstore platforms. Certain digital content is distributed under an agency pricing model, in which the publishers set prices for eBooks and NOOK receives a commission on content sold. The majority of the Company's eBooks sold are under the agency model.

The Barnes & Noble Membership Program offers members greater discounts and other benefits for products and services, as well as exclusive offers and promotions via e-mail or direct mail, for an annual fee of $25.00, which is non-refundable after the first 30 days. Revenue is recognized over the 12-month period based upon historical spending patterns for Barnes & Noble members.

The following table summarizes disaggregated revenue from contracts with customers by product line:

Sales by Product Line	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018	52 weeks ended April 29, 2017
Media (a)	68%	69%	70%
Digital (b)	2%	3%	3%
Other (c)	30%	28%	27%
Total	100%	100%	100%

(a) Includes tangible books, music, movies and newsstand.

(b) Includes NOOK®, related accessories, eContent and warranties.

(c) Includes Toys & Games, café products, gifts and miscellaneous other.

Gift Cards

The Company sells gift cards, which can be used in its stores, on www.barnesandnoble.com, on NOOK® devices and at Barnes & Noble Education, Inc. (B&N Education) stores. The Company does not charge administrative or dormancy fees on gift cards and gift cards have no expiration dates. Upon the purchase of a gift card, a liability is established for its cash value. Revenue associated with gift cards is deferred until redemption of the gift card. Gift cards redeemed at B&N Education are funded by the gift card liability at the Company. Over time, a portion of the gift cards issued is typically not redeemed. This is referred to as gift card breakage. Effective April 29, 2018, the Company adopted Topic 606. The adoption of Topic 606 resulted in changes in the timing of revenue recognition for gift card breakage. The Company estimates the portion of the gift card liability for which the likelihood of redemption is remote based upon the Company's historical redemption patterns. Prior to adoption of Topic 606, the Company recorded this amount in revenue on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. Upon adoption, the Company now recognizes estimated gift card breakage as revenue proportionately as redemption occurs.

The Company's contract liabilities relate to its gift card program. Below is a summary of the changes during fiscal 2019 (in thousands):

	Total Company
Gift card liabilities balance as of April 28, 2018	$ 323,465
Adoption of Topic 606	(90,147)
Gift card breakage	(42,282)
Gift card redemptions	(247,231)
Gift card issuances	271,654
Gift card liabilities balance as of April 27, 2019	$ 215,459

The Company recognized gift card breakage of $42.3 million, $43.9 million and $35.5 million during fiscal 2019, fiscal 2018 and fiscal 2017, respectively. A 25 basis point change in the Company's gift card breakage rate at April 27, 2019 would have affected pre-tax earnings by approximately $1.9 million in fiscal 2019.

Merchandise Inventories

Merchandise inventories, except NOOK merchandise inventories, are stated at the lower of cost or market. Cost is determined primarily by the retail inventory method under the first-in, first-out (FIFO) basis. NOOK merchandise inventories are recorded based on the average cost method and are valued at the lower of cost or net realizable value.

Market is determined based on the estimated net realizable value, which is generally the selling price. Reserves for non-returnable inventory are based on the Company's history of liquidating non-returnable inventory. The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate the non-returnable inventory reserve. However, if assumptions based on the Company's history of liquidating non-returnable inventory are incorrect, it may be exposed to losses or gains that could be material. A 10% change in actual non-returnable inventory reserve would have affected pre-tax earnings by approximately $5.2 million in fiscal 2019.

The Company also estimates and accrues shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends. The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate shortage rates. However, if the Company's estimates regarding shortage rates are incorrect, it may be exposed to losses or gains that could be material. A 10 basis point change in actual shortage rates would have affected pre-tax earnings by approximately $1.3 million in fiscal 2019.

Property and Equipment and Other Long-Lived Assets

The Company's long-lived assets include property and equipment and amortizable intangibles. At April 27, 2019, the Company had $256.8 million of property and equipment, net of accumulated depreciation, and $0.0 million of amortizable intangible assets, net of amortization, accounting for approximately 15.1% of the Company's total assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and considers market participants in accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company evaluates its stores' long-lived assets and its other long-lived assets for impairment at the individual Barnes & Noble store level and at the reporting unit level, respectively, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the Company will first compare the carrying amount of the assets to the individual store's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the assets to the individual store's fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Store impairment losses related to amortizable assets totaled $16.5 million, $1.8 million and $0.3 million during fiscal 2019, fiscal 2018 and fiscal 2017, respectively. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate long-lived asset impairment losses. However, if the Company is subject to further risk of impairment if comparable store sales continue to decline, the Company's cost reduction plans do not materialize, the assumed long-term discount rate increases, new store prototypes do not meet their forecasted returns, or in general the Company does not achieve its forecasted strategic turnaround plan. A 10% decrease in the Company's estimated discounted cash flows would have resulted in an additional $0.2 million of store impairment charge on the Company's results of operations in fiscal 2019.

Goodwill and Unamortizable Intangible Assets

The costs in excess of net assets of businesses acquired are carried as goodwill in the accompanying consolidated balance sheets.

At April 27, 2019, the Company had $70.0 million of goodwill (on its Retail reporting unit) and $303.7 million of unamortizable intangible assets (those with an indefinite useful life), accounting for approximately 21.9% of the Company's total assets. ASC 350-30, *Goodwill and Other Intangible Assets* (ASC 350-30), requires that goodwill and other unamortizable intangible assets be tested for impairment at least annually or earlier if there are impairment indicators.

Historically, the Company completed its annual goodwill and trade name impairment test as of the first day of its fiscal third quarter of each fiscal year. During the third quarter of fiscal 2019, the Company voluntarily changed the date of its annual goodwill and trade name impairment testing from the first day of fiscal November to the first day of fiscal January. This voluntary change is preferable as it better aligns the timing of the goodwill and trade name impairment testing with the Company's strategic and annual operating planning process and allows for the inclusion of the most recent holiday sales results in the quantitative and qualitative considerations of the annual impairment tests. The voluntary change in accounting principle related to the annual testing date will not delay, accelerate or avoid an impairment charge. This change is not applied retrospectively as it is impracticable to do so because retrospective application would require application of significant estimates and assumptions with the use of hindsight. Accordingly, the change will be applied prospectively.

The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2019 (October 28, 2018). The fair value of the B&N Retail reporting unit exceeded its carrying value and no impairment existed. The Company completed its new annual goodwill impairment test as of the first day of fiscal January (December 30, 2018). The fair value of the B&N Retail reporting unit exceeded its carrying value and no impairment existed. Although no impairment existed, the Company's goodwill is at risk of impairment if B&N Retail comparable store sales decline, store closings accelerate, the assumed long-term discount rate increases, or in general the Company does not achieve its forecasted multi-year strategic plan.

The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2018 (October 29, 2017). The fair value of the B&N Retail reporting unit exceeded its carrying value based on the annual goodwill impairment test performed as of that date. Subsequent to the annual goodwill impairment test as of October 29, 2017, sales trends unexpectedly softened during the holiday selling season. Given the lower than expected sales results, the Company revised its forecasted outlook. Following the announcement on January 4, 2018 of the Company's holiday sales results and its revised outlook, the market price of the Company's common stock sharply declined. Due to those new impairment indicators, the Company performed an interim goodwill impairment test as of December 30, 2017. As a result of the interim testing, the Company recognized an impairment of its B&N Retail reporting unit goodwill of $133.6 million during the third quarter of fiscal 2018.

There was no impairment loss related to goodwill during fiscal 2017.

The Company completed its annual other unamortizable intangible assets impairment test for its trade name as of the first day of the third quarter of fiscal 2019 (October 28, 2018) and determined that no impairment was necessary. The Company completed its new annual other unamortizable intangible assets impairment test as of the first day of fiscal January (December 30, 2018) and determined that no impairment was necessary. Although no impairment was necessary, the Company's trade name is at risk of impairment if B&N Retail comparable store sales decline, store closings accelerate, the assumed long-term discount rate increases, or in general the Company does not achieve its forecasted multi-year strategic plan.

The Company completed its annual other unamortizable intangible assets impairment test for its publishing contracts as of the first day of fiscal January (December 30, 2018). As a result of the testing, the Company recognized an impairment of $5.6 million during the third quarter of fiscal 2019. The publishing contracts include the value of long-standing relationships with authors, agents and publishers. Given Sterling's strong history of maintaining such relationships, the Company believes they produce value indefinitely without an identifiable remaining useful life. However, given the increased costs related to these publishing contracts, these contracts were impaired.

There were no impairment losses related to unamortizable intangible assets during fiscal 2018 and fiscal 2017.

A 10% decrease in the Company's estimated discounted cash flows would have resulted in an additional $1.0 million impairment charge on the Company's results of operations in fiscal 2019.

Internal-Use Software and Website Development Costs

Direct costs incurred to develop software for internal use and website development costs are capitalized and amortized over an estimated useful life of three to seven years. During fiscal 2019 and fiscal 2018, the Company capitalized costs, primarily related to labor, consulting, hardware and software, of $15.5 million and $17.6 million, respectively. Amortization of previously capitalized amounts was $23.4 million, $21.8 million and $23.6 million for fiscal 2019, fiscal 2018 and fiscal 2017, respectively. Costs related to the design or maintenance of internal-use software and website development are expensed as incurred.

Research and Development Costs for Software Products

The Company follows the guidance in ASC 985-20, *Cost of Software to be Sold, Leased or Marketed,* regarding research and development costs for software products to be sold, leased, or otherwise marketed. Capitalization of software development costs begins upon the establishment of technological feasibility and is discontinued when the product is available for sale. A certain amount of judgment and estimation is required to assess when technological feasibility is established, as well as for the ongoing assessment of the recoverability of capitalized costs. The Company's products reach technological feasibility shortly before the products are released and, therefore, research and development costs are generally expensed as incurred.

Income Taxes

Judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, tax issues may arise where the ultimate outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various tax authorities. Consequently, changes in the Company's estimates for contingent tax liabilities may materially impact the Company's results of operations or financial position. A 1% variance in the Company's effective tax rate would have affected the Company's results of operations in fiscal 2019 by $0.0 million.

Disclosure Regarding Forward-Looking Statements

This report contains certain forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) and information relating to Barnes & Noble that are based on the beliefs of the management of Barnes & Noble as well as assumptions made by and information currently available to the management of Barnes & Noble. When used in this communication, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," "will," "forecasts," "projections," and similar expressions, as they relate to Barnes & Noble or the management of Barnes & Noble, identify forward-looking statements.

Such statements reflect the current views of Barnes & Noble with respect to future events, the outcome of which is subject to certain risks, including, among others, risks arising in connection with the Merger Agreement, the general economic environment and consumer spending patterns, decreased consumer demand for Barnes & Noble's products, low growth or declining sales and net income due to various factors, including store closings, higher-than-anticipated or increasing costs, including with respect to store closings, relocation, occupancy (including in connection with lease renewals) and labor costs, the effects of competition, the risk of insufficient access to financing to implement future business initiatives, risks associated with data privacy and information security, risks associated with Barnes & Noble's supply chain, including possible delays and disruptions and increases in shipping rates, various risks associated with the digital business, including the possible loss of customers, declines in digital content sales, risks and costs associated with ongoing efforts to rationalize the digital business, risks associated with the eCommerce business, including the possible loss of eCommerce customers and declines in eCommerce sales, the risk that financial and operational forecasts and projections are not achieved, the performance of Barnes & Noble's initiatives including but not limited to new store concepts and eCommerce initiatives, unanticipated adverse litigation results or effects, potential infringement of Barnes & Noble's intellectual property by third parties or by Barnes & Noble of the intellectual property of third parties, and other factors, including those factors discussed in detail in Item 1A, "Risk Factors," and in Barnes & Noble's other filings made hereafter from time to time with the SEC.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to Barnes & Noble or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. Barnes & Noble undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Annual Report.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Sales	$ 3,552,745	$ 3,662,280	$ 3,894,558
Cost of sales and occupancy	2,479,725	2,551,077	2,682,356
Gross profit	1,073,020	1,111,203	1,212,202
Selling and administrative expenses	936,745	997,286	1,039,658
Depreciation and amortization	97,679	106,340	117,887
Asset impairments	22,067	135,435	349
Operating income (loss)	16,529	(127,858)	54,308
Interest expense, net and amortization of deferred financing fees	13,447	9,837	7,509
Income (loss) before income taxes	3,082	(137,695)	46,799
Income tax provision (benefit)	(687)	(12,215)	24,776
Net income (loss)	$ 3,769	$ (125,480)	$ 22,023
Income (loss) per common share:			
Basic	$ 0.05	$ (1.73)	$ 0.30
Diluted	$ 0.05	$ (1.73)	$ 0.30
Weighted average common shares outstanding:			
Basic	72,919	72,588	72,188
Diluted	73,124	72,588	72,328
Dividends declared per common share	$ 0.60	$ 0.60	$ 0.60

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Net income (loss)	$ 3,769	$ (125,480)	$ 22,023
Other comprehensive income (loss), net of tax:			
(Increase) decrease in minimum pension/post-retirement liability (net of deferred tax benefit (expense) of $(8), $15 and $(107), respectively)	22	(39)	164
Total comprehensive income (loss)	$ 3,791	$ (125,519)	$ 22,187

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)	April 27, 2019	April 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,443	$ 10,769
Receivables, net	61,247	64,562
Merchandise inventories, net	923,714	958,196
Prepaid expenses and other current assets	69,807	65,153
Total current assets	1,064,211	1,098,680
Property and equipment:		
Land and land improvements	2,541	2,541
Buildings and leasehold improvements	1,096,778	1,080,952
Fixtures and equipment	1,552,613	1,523,485
	2,651,932	2,606,978
Less accumulated depreciation and amortization	2,395,142	2,351,454
Net property and equipment	256,790	255,524
Goodwill	70,030	71,593
Intangible assets, net	303,736	309,649
Other non-current assets	10,867	14,122
Total assets	$ 1,705,634	$ 1,749,568
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 418,948	$ 458,896
Accrued liabilities	268,143	260,209
Gift card liabilities	215,459	323,465
Total current liabilities	902,550	1,042,570
Long-term debt	203,800	158,700
Deferred taxes	70,261	52,044
Other long-term liabilities	84,526	84,271
Shareholders' equity:		
Common stock; $0.001 par value; 300,000 shares authorized; 112,782 and 112,238 shares issued, respectively	112	112
Additional paid-in capital	1,753,530	1,749,555
Accumulated other comprehensive income	298	276
Retained earnings	(186,823)	(216,236)
Treasury stock, at cost, 39,745 and 39,585 shares, respectively	(1,122,620)	(1,121,724)
Total shareholders' equity	444,497	411,983
Commitments and contingencies	—	—
Total liabilities and shareholders' equity	$ 1,705,634	$ 1,749,568

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock, at Cost	Total
Balance at April 30, 2016	$ 112	1,738,034	151	(24,349)	(1,110,438)	$ 603,510
Net income	—	—	—	22,023	—	22,023
Postretirement plan liability, net of tax	—	—	164	—	—	164
Exercise of 31 common stock options	—	312	—	—	—	312
Stock options and restricted stock tax benefits	—	1,110	—	—	—	1,110
Stock-based compensation expense	—	6,299	—	—	—	6,299
Cash dividends declared	—	—	—	(43,887)	—	(43,887)
Accrued dividends for long-term incentive awards	—	—	—	(212)	—	(212)
Purchase of treasury stock related to stock-based compensation, 248 shares	—	—	—	—	(2,694)	(2,694)
Treasury stock repurchase plan, 2,020 shares	—	—	—	—	(23,281)	(23,281)
Distribution of Rabbi Trust shares (see Note 3)	—	(15,342)	—	—	15,342	—
Tax benefit from distribution of Rabbi Trust	—	10,967	—	—	—	10,967
Balance at April 29, 2017	$ 112	1,741,380	315	(46,425)	(1,121,071)	$ 574,311

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

(In thousands)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock, at Cost	Total
Balance at April 29, 2017	$ 112	1,741,380	315	(46,425)	(1,121,071)	$ 574,311
Adoption of ASU 2016-09	—	1,310	—	155	—	1,465
Net loss	—	—	—	(125,480)	—	(125,480)
Postretirement plan liability, net of tax	—	—	(39)	—	—	(39)
Stock-based compensation expense	—	6,865	—	—	—	6,865
Cash dividends declared	—	—	—	(43,638)	—	(43,638)
Accrued dividends for long-term incentive awards	—	—	—	(848)	—	(848)
Purchase of treasury stock related to stock-based compensation, 88 shares	—	—	—	—	(653)	(653)
Balance at April 28, 2018	$ 112	1,749,555	276	(216,236)	(1,121,724)	$ 411,983
Net income	—	—	—	3,769	—	3,769
Postretirement plan liability, net of tax	—	—	22	—	—	22
Stock-based compensation expense	—	3,975	—	—	—	3,975
Cash dividends declared/paid	—	—	—	(43,874)	—	(43,874)
Accrued dividends for long-term incentive awards	—	—	—	(526)	—	(526)
Purchase of treasury stock related to stock-based compensation, 161 shares	—	—	—	—	(896)	(896)
Adoption of ASU 2014-09 (see Note 1)	—	—	—	70,044	—	70,044
Balance at April 27, 2019	$ 112	1,753,530	298	(186,823)	(1,122,620)	$ 444,497

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Year (In thousands)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Cash flows from operating activities:			
Net income (loss)	$ 3,769	$ (125,480)	$ 22,023
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization (including amortization of deferred financing fees)	99,649	108,293	119,837
Stock-based compensation expense	3,975	6,865	6,299
Impairment charges	22,067	135,435	349
Deferred taxes	766	(30,865)	28,534
Loss on disposal of property and equipment	782	730	1,262
Net decrease in other long-term liabilities	(1,772)	(15,094)	(14,602)
Net (increase) decrease in other non-current assets	5,617	(4,962)	872
Changes in operating assets and liabilities, net	(28,863)	(37,816)	(17,752)
Net cash flows provided by operating activities	$ 105,990	$ 37,106	$ 146,822
Cash flows from investing activities:			
Purchases of property and equipment	(113,731)	(87,651)	(96,258)
Net cash flows used in investing activities	$ (113,731)	$ (87,651)	$ (96,258)
Cash flows from financing activities:			
Proceeds from credit facility	1,218,274	1,173,317	1,140,178
Payments on credit facility	(1,173,174)	(1,079,517)	(1,122,478)
Cash dividends paid	(32,874)	(43,638)	(43,887)
Treasury stock repurchase plan	—	—	(23,281)
Purchase of treasury stock related to stock-based compensation	(896)	(653)	(2,694)
Payment of amended credit facility related fees	(4,425)	—	—
Payment of credit facility related fees	—	—	(474)
Proceeds from exercise of common stock options	—	—	312
Cash dividends paid for long-term incentive awards	(490)	(188)	(85)
Net cash flows provided by (used in) financing activities	$ 6,415	$ 49,321	$ (52,409)
Net decrease in cash and cash equivalents	(1,326)	(1,224)	(1,845)
Cash and cash equivalents at beginning of period	10,769	11,993	13,838
Cash and cash equivalents at end of period	$ 9,443	$ 10,769	$ 11,993
Changes in operating assets and liabilities, net:			
Receivables, net	$ 3,315	$ 2,732	$ 57,623
Merchandise inventories, net	34,482	(11,287)	(13,186)
Prepaid expenses and other current assets	(5,751)	37,096	4,096
Accounts payable, accrued liabilities and gift card liabilities	(60,909)	(66,357)	(66,285)
Changes in operating assets and liabilities, net	$ (28,863)	$ (37,816)	$ (17,752)
Supplemental cash flow information			
Cash paid during the period for:			
Interest	$ 11,609	$ 7,611	$ 5,487
Income taxes (net of refunds)	$ (469)	$ (3,145)	$ (16,859)
Non-cash financing activity:			
Accrued cash dividends	$ 11,000	$ —	$ —
Accrued dividends for long-term incentive awards	$ 1,273	$ 1,237	$ 577

See accompanying notes to consolidated financial statements.

(Thousands of dollars, except per share data)

For the 52 weeks ended April 27, 2019 (fiscal 2019), 52 weeks ended April 28, 2018 (fiscal 2018) and 52 weeks ended April 29, 2017 (fiscal 2017).

1. Summary of Significant Accounting Policies

Business

Barnes & Noble, Inc. (Barnes & Noble or the Company), one of the nation's largest booksellers,[3] provides customers a unique experience across its omni-channel distribution platform. As of April 27, 2019, the Company operates 627 bookstores in 50 states, maintains an eCommerce site, develops digital reading products and operates NOOK, one of the largest digital bookstores. Barnes & Noble is utilizing the strength of its retail footprint in combination with its online and digital businesses to provide an omni-channel experience for its customers, fulfilling its commitment to offer customers any book, anytime, anywhere and in any format.

Barnes & Noble Retail (B&N Retail) operates 627 retail bookstores, primarily under the Barnes & Noble Booksellers® trade name, and includes the Company's eCommerce site. B&N Retail also includes Sterling Publishing Co., Inc. (Sterling or Sterling Publishing), a leader in general trade book publishing. The NOOK segment represents the Company's digital business, offering digital books and magazines for sale and consumption online, NOOK®[4] reading devices, co-branded NOOK® tablets and reading software for iOS, Android and Windows.

The Company's principal business is the sale of trade books (generally, hardcover and paperback titles), mass market paperbacks (such as mystery, romance, science fiction and other popular fiction), children's books, eBooks and other digital content, NOOK® and related accessories, bargain books, textbooks, magazines, gifts, café products and services, educational toys & games, music and movies direct to customers through its bookstores or on www.barnesandnoble.com.

The Company identifies its operating segments based on the way the business is managed (focusing on the financial information distributed) and the manner in which the chief operating decision maker interacts with other members of management and makes decisions on the allocation of resources. The Company's two operating segments are B&N Retail and NOOK.

Consolidation

The consolidated financial statements include the accounts of Barnes & Noble, Inc. and its wholly and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

3 Based upon sales reported in trade publications and public filings.

4 Any references to NOOK® include the Company's NOOK® Tablets, Samsung Galaxy Tab® A NOOK®, Samsung Galaxy Tab® E NOOK®, NOOK® GlowLight® 3 and NOOK® GlowLight Plus® devices, each of which includes a registered trademark symbol (®) even if such a symbol is not included herein.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Merchandise Inventories

Merchandise inventories, except NOOK merchandise inventories, are stated at the lower of cost or market. Cost is determined primarily by the retail inventory method under the first-in, first-out (FIFO) basis. NOOK merchandise inventories are recorded based on the average cost method and are valued at the lower of cost or net realizable value.

Market is determined based on the estimated net realizable value, which is generally the selling price. Reserves for non-returnable inventory are based on the Company's history of liquidating non-returnable inventory.

The Company also estimates and accrues shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends.

Property and Equipment and Other Long-Lived Assets

Property and equipment are carried at cost, less accumulated depreciation and amortization. For financial reporting purposes, depreciation is computed using the straight-line method over estimated useful lives. Maintenance and repairs are expensed as incurred, while major maintenance and remodeling costs are capitalized if they extend the useful life of the asset. Leasehold improvements are capitalized and amortized over the shorter of their estimated useful lives or the terms of the respective leases. Fixtures and equipment are capitalized and amortized over the shorter of their estimated useful lives or 10 years. Capitalized lease acquisition costs are being amortized over the lease terms of the underlying leases. System costs are capitalized and included in property and equipment. These costs are depreciated over their estimated useful lives from the date the systems become operational. The Company had $256,790 and $255,524 of property and equipment, net of accumulated depreciation, at April 27, 2019 and April 28, 2018, respectively, and $97,267, $105,696 and $117,105 of depreciation expense for fiscal 2019, fiscal 2018 and fiscal 2017, respectively. Capitalized software costs of $63,723 and $72,462 for fiscal 2019 and fiscal 2018, respectively, are included in property and equipment.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and considers market participants in accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company evaluates its stores' long-lived assets and its other long-lived assets for impairment at the individual Barnes & Noble store level and at the reporting unit level, respectively, which is the lowest level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, the Company will first compare the carrying amount of the assets to the individual store's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying amount of the assets, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the assets to the individual store's fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Store impairment losses related to amortizable assets totaled $16,473, $1,823 and $349 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

Goodwill and Unamortizable Intangible Assets

The costs in excess of net assets of businesses acquired are carried as goodwill in the accompanying consolidated balance sheets.

At April 27, 2019, the Company had $70,030 of goodwill (on its Retail reporting unit) and $303,700 of unamortizable intangible assets (those with an indefinite useful life), accounting for approximately 21.9% of the Company's total assets. ASC 350-30 requires that goodwill and other unamortizable intangible assets be tested for impairment at least annually or earlier if there are impairment indicators.

Historically, the Company completed its annual goodwill and trade name impairment test as of the first day of its fiscal third quarter of each fiscal year. During the third quarter of fiscal 2019, the Company voluntarily changed the date of its annual goodwill and trade name impairment testing from the first day of fiscal November to the first day of fiscal January. This voluntary change is preferable as it better aligns the timing of the goodwill and trade name impairment testing with the Company's strategic and annual operating planning process and allows for the inclusion of the most recent holiday sales results in the quantitative and qualitative considerations of the annual impairment tests. The voluntary change in accounting principle related to the annual testing date will not delay, accelerate or avoid an impairment charge. This change is not applied retrospectively as it is impracticable to do so because retrospective application would require application of significant estimates and assumptions with the use of hindsight. Accordingly, the change will be applied prospectively.

The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2019 (October 28, 2018). The fair value of the B&N Retail reporting unit exceeded its carrying value and no impairment existed. The Company completed its new annual goodwill impairment test as of the first day of fiscal January (December 30, 2018). The fair value of the B&N Retail reporting unit exceeded its carrying value and no impairment existed. Although no impairment existed, the Company's goodwill is at risk of impairment if B&N Retail comparable store sales decline, store closings accelerate, the assumed long-term discount rate increases, or in general the Company does not achieve its forecasted multi-year strategic plan.

The Company completed its annual goodwill impairment test as of the first day of the third quarter of fiscal 2018 (October 29, 2017). The fair value of the B&N Retail reporting unit exceeded its carrying value based on the annual goodwill impairment test performed as of that date. Subsequent to the annual goodwill impairment test as of October 29, 2017, sales trends unexpectedly softened during the holiday selling season. Given the lower than expected sales results, the Company revised its forecasted outlook. Following the announcement on January 4, 2018 of the Company's holiday sales results and its revised outlook, the market price of the Company's common stock sharply declined. Due to those new impairment indicators, the Company performed an interim goodwill impairment test as of December 30, 2017. As a result of the interim testing, the Company recognized an impairment of its B&N Retail reporting unit goodwill of $133,612 during the third quarter of fiscal 2018.

There was no impairment loss related to goodwill during fiscal 2017.

The Company completed its annual other unamortizable intangible assets impairment test for its trade name as of the first day of the third quarter of fiscal 2019 (October 28, 2018) and determined that no impairment was necessary. The Company completed its new annual other unamortizable intangible assets impairment test as of the first day of fiscal January (December 30, 2018) and determined that no impairment was necessary. Although no impairment was necessary, the Company's trade name is at risk of impairment if B&N Retail comparable store sales decline, store closings accelerate, the assumed long-term discount rate increases, or in general the Company does not achieve its forecasted multi-year strategic plan.

The Company completed its annual other unamortizable intangible assets impairment test for its publishing contracts as of the first day of fiscal January (December 30, 2018). As a result of the testing, the Company recognized an impairment of $5,594 during the third quarter of fiscal 2019. The publishing contracts include the value of long-standing relationships with authors, agents and publishers. Given Sterling's strong history of maintaining such relationships, the Company believes they produce value indefinitely without an identifiable remaining useful life. However, given the increased costs related to these publishing contracts, these contracts were impaired.

There were no impairment losses related to unamortizable intangible assets during fiscal 2018 and fiscal 2017.

Deferred Charges

Costs incurred to obtain long-term financing are amortized over the terms of the respective debt agreements using the straight-line method, which approximates the effective interest method. Unamortized costs included in other non-current assets as of April 27, 2019 and April 28, 2018 were $6,848 and $4,393, respectively. Amortization expense included in interest and amortization of deferred financing fees was $1,970, $1,953 and $1,950 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

Revenue Recognition

On April 29, 2018, the Company adopted Topic 606 using the modified retrospective approach for all contracts not completed as of the adoption date. Financial results for reporting periods beginning after April 28, 2018 are presented in accordance with Topic 606, while prior periods will continue to be reported in accordance with our pre-adoption accounting policies and therefore have not been adjusted to conform to Topic 606.

The primary impact of adopting Topic 606 relates to the timing of revenue recognition for gift card breakage. The Company estimates the portion of the gift card liability for which the likelihood of redemption is remote based upon the Company's historical redemption patterns. Prior to adoption of Topic 606, the Company recorded this amount in revenue on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. Upon adoption, the Company now recognizes estimated gift card breakage as revenue proportionately as redemption occurs. This change in accounting policy was accounted for through a cumulative effect adjustment to increase retained earnings during the first quarter of fiscal 2019. The Company reclassified $90,147 from gift card liabilities resulting in a cumulative effect adjustment of $70,044, net of tax, to retained earnings on the Company's consolidated balance sheets and consolidated statement of changes in stockholders' equity. Additionally, the adoption of Topic 606 resulted in insignificant financial statement presentation reclassifications related to sales return reserve. The Company does not expect the adoption of Topic 606 to have a significant impact on the consolidated financial statements on a prospective basis.

In accordance with Topic 606, revenue shall be recognized upon satisfaction of all contractual performance obligations and transfer of control to the customer. Revenue is measured as the amount of consideration the Company expects to be entitled to in exchange for corresponding goods or services. Substantially all of the Company's sales are single performance obligation arrangements for retail sale transactions for which the transaction price is equivalent to the stated price of the product or service, net of any stated discounts applicable at a point in time. Each sales transaction results in an implicit contract with the customer to deliver a product or service at the point of sale. Revenue from retail sales is recognized at the point of sale, net of sales tax and estimated future returns. Revenue from eCommerce sales is recognized upon estimated delivery and receipt of the shipment by the Company's customers. Freight costs are included within the Company's cost of sales and occupancy. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the related sales are recorded. All of the Company's sales are recognized as revenue on a "net" basis, including sales in connection with any periodic promotions offered to customers. The Company does not treat any promotional offers as expenses.

NOOK acquires the rights to distribute digital content from publishers and distributes the content on www.barnesandnoble.com, NOOK® devices and other eBookstore platforms. Certain digital content is distributed under an agency pricing model, in which the publishers set prices for eBooks and NOOK receives a commission on content sold. The majority of the Company's eBooks sold are under the agency model.

The Barnes & Noble Membership Program offers members greater discounts and other benefits for products and services, as well as exclusive offers and promotions via e-mail or direct mail, for an annual fee of $25.00, which is non-refundable after the first 30 days. Revenue is recognized over the 12-month period based upon historical spending patterns for Barnes & Noble members.

The following table summarizes disaggregated revenue from contracts with customers by product line:

Sales by Product Line	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018	52 weeks ended April 29, 2017
Media (a)	68%	69%	70%
Digital (b)	2%	3%	3%
Other (c)	30%	28%	27%
Total	100%	100%	100%

(a) Includes tangible books, music, movies and newsstand.
(b) Includes NOOK®, related accessories, eContent and warranties.
(c) Includes Toys & Games, café products, gifts and miscellaneous other.

Research and Development Costs for Software Products

The Company follows the guidance in ASC 985-20, *Cost of Software to Be Sold, Leased or Marketed,* regarding research and development costs for software products to be sold, leased, or otherwise marketed. Capitalization of software development costs begins upon the establishment of technological feasibility and is discontinued when the product is available for sale. A certain amount of judgment and estimation is required to assess when technological feasibility is established, as well as for the ongoing assessment of the recoverability of capitalized costs. The Company's products reach technological feasibility shortly before the products are released and, therefore, research and development costs are generally expensed as incurred.

Internal-Use Software and Website Development Costs

Direct costs incurred to develop software for internal use and website development costs are capitalized and amortized over an estimated useful life of three to seven years. During fiscal 2019 and fiscal 2018, the Company capitalized costs, primarily related to labor, consulting, hardware and software, of $15,496 and $17,572, respectively. Amortization of previously capitalized amounts was $23,409, $21,807 and $23,584 for fiscal 2019, fiscal 2018 and fiscal 2017, respectively. Costs related to the design or maintenance of internal-use software and website development are expensed as incurred.

Advertising Costs

The costs of advertising are expensed as incurred during the year pursuant to ASC 720-35, *Advertising Costs*. Advertising costs charged to selling and administrative expenses were $34,713, $27,553 and $36,420 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

The Company receives payments and credits from vendors pursuant to co-operative advertising and other programs, including payments for product placement in stores, catalogs and online. The Company classifies certain co-op advertising received as a reduction in costs of sales and occupancy. Allowances received from vendors exceeded gross advertising costs in each of the fiscal years noted above.

Closed Store Expenses

When the Company closes or relocates a store, the Company charges unrecoverable costs to expense. Such costs include the net book value of abandoned fixtures and leasehold improvements and, when a store is closed prior to the expiration of the lease, a provision for future lease obligations, net of expected sublease recoveries. Costs associated with store closings of $1,510, $474 and $1,434 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively, are included in selling and administrative expenses in the accompanying consolidated statements of operations.

Net Earnings (Loss) per Share

In accordance with ASC 260-10-45, *Share-Based Payment Arrangements and Participating Securities and the Two-Class Method,* unvested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities. The Company's unvested restricted shares and unvested restricted stock units granted prior to July 15, 2015 were considered participating securities. Cash dividends to restricted stock units and performance-based stock units granted on or after July 15, 2015 are not distributed until and except to the extent that the restricted stock units vest, and in the case of performance-based stock units, until and except to the extent that the performance metrics are achieved or are otherwise deemed satisfied. Stock options do not receive cash dividends. As such, these awards are not considered participating securities.

Basic earnings per common share are calculated by dividing the net income, adjusted for income allocated to participating securities, by the weighted average number of common shares outstanding during the period. Diluted net income per common share reflects the dilution that would occur if any potentially dilutive instruments were exercised or converted into common shares. The dilutive effect of participating securities is calculated using the more dilutive of the treasury stock method or two-class method. Other potentially dilutive securities include stock options, restricted stock units granted after July 15, 2015, and performance-based stock units and are included in diluted shares to the extent they are dilutive under the treasury stock method for the applicable periods. See Note 7 to the Consolidated Financial Statements for further information regarding the calculation of basic and diluted earnings (loss) per common share.

Income Taxes

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance, if determined to be necessary. The Company establishes a reserve for uncertain tax positions. If the Company considers that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. A reserve for an uncertain income tax position will be recognized if it has less than a 50% likelihood of being sustained. The tax positions are analyzed periodically (at least quarterly) and adjustments are made as events occur that warrant adjustments for those positions. The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense.

Gift Cards

The Company sells gift cards, which can be used in its stores, on www.barnesandnoble.com, on NOOK® devices and at B&N Education stores. The Company does not charge administrative or dormancy fees on gift cards and gift cards have no expiration dates. Upon the purchase of a gift card, a liability is established for its cash value. Revenue associated with gift cards is deferred until redemption of the gift card. Gift cards redeemed at B&N Education are funded by the gift card liability at the Company. Over time, a portion of the gift cards issued is typically not redeemed. This is referred to as gift card breakage. Effective April 29, 2018, the Company adopted Topic 606. The adoption of Topic 606 resulted in changes in the timing of revenue recognition for gift card breakage. The Company estimates the portion of the gift card liability for which the likelihood of redemption is remote based upon the Company's historical redemption patterns. Prior to adoption of Topic 606, the Company recorded this amount in revenue on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. Upon adoption, the Company now recognizes estimated gift card breakage as revenue proportionately as redemption occurs.

The Company's contract liabilities relate to its gift card program. Below is a summary of the changes during fiscal 2019:

	Total Company
Gift card liabilities balance as of April 28, 2018	$ 323,465
Adoption of Topic 606	(90,147)
Gift card breakage	(42,282)
Gift card redemptions	(247,231)
Gift card issuances	271,654
Gift card liabilities balance as of April 27, 2019	$ 215,459

The Company recognized gift card breakage of $42,282, $43,922 and $35,524 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

Accounts Receivable

Accounts receivable, as presented on the Company's consolidated balance sheets, is net of allowances. An allowance for doubtful accounts is determined through an analysis of the aging of accounts receivable and assessments of collectability based on historic trends, the financial condition of the Company's customers and an evaluation of economic conditions. The Company writes off uncollectible trade receivables once collection efforts have been exhausted. Costs associated with allowable customer markdowns and operational chargebacks, net of the expected recoveries, are part of the provision for allowances included in accounts receivable. These provisions result from seasonal negotiations, as well as historic deduction trends net of expected recoveries, and the evaluation of current market conditions.

Reclassifications

Certain prior period amounts have been reclassified for comparative purposes to conform with the fiscal 2019 presentation.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15). This update clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The Company adopted ASU 2016-15 effective April 29, 2018 using the retrospective approach with no impact on the Company's consolidated statement of cash flows.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which was further amended in 2015 and 2016 (Topic 606). The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes previous revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the previous revenue guidance. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented (full retrospective method), or apply the requirements in the year of adoption, through a cumulative adjustment (modified retrospective method). The Company adopted Topic 606 effective April 29, 2018 using the modified retrospective method.

The majority of the Company's revenue is generated from the sale of product in its retail stores, which will continue to be recognized when control of the product is transferred to the customer. The adoption of Topic 606 resulted in the following changes: 1) presentation of estimated merchandise returns as both an asset, equal to the inventory value net of processing costs, and a corresponding return liability, compared to the previous practice of recording an estimated net return liability; and 2) the timing of revenue recognition for gift card breakage. The Company estimates the portion of the gift card liability for which the likelihood of redemption is remote based upon the Company's historical redemption patterns. Prior to adoption of Topic 606, the Company recorded this amount in revenue on a straight-line basis over a 12-month period beginning in the 13th month after the month the gift card was originally sold. Upon adoption, the Company now recognizes estimated gift card breakage as revenue proportionately as redemption occurs.

The below tables set forth the adjustments to the Company's consolidated statement of operations and consolidated balance sheet as a result of the newly adopted revenue recognition standard.

	52 Weeks Ended April 27, 2019		
	As Reported	Balances Without Adoption of Topic 606	Impact of Adoption Increase (Decrease)
Sales	$3,552,745	3,561,575	(8,830)
Cost of sales and occupancy	2,479,725	2,479,725	—
Gross profit	$1,073,020	1,081,850	(8,830)

	April 27, 2019		
	As Reported	Balances Without Adoption of Topic 606	Impact of Adoption Increase (Decrease)
Assets			
Prepaid expenses and other current assets	$ 69,807	70,050	(243)
Liabilities and Shareholders' Equity			
Accrued liabilities	$ 268,143	267,521	622
Gift card liabilities	$ 215,459	296,776	(81,317)
Deferred taxes	$ 70,261	50,158	20,103
Retained earnings	$(186,823)	(248,903)	62,080

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.* This guidance requires companies to apply the internal-use software guidance in ASC 350-40 to implementation costs incurred in a hosting arrangement that is a service contract to determine whether to capitalize certain implementation costs or expense them as incurred. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company early adopted in the fourth quarter of fiscal 2019. The adoption did not have a material impact on its consolidated financial statements and related disclosures.

Recent Accounting Pronouncements

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows for an optional reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects as a result of the newly enacted federal corporate income tax rate under the Tax Cuts and Jobs Act. This guidance is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. Two transition methods are available: at the beginning of the period of adoption, or retrospective to each period in which the income tax effects of the Tax Cuts and Jobs Act related to items remaining in accumulated other comprehensive income are recognized. The Company does not expect the adoption will have a material impact on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous Generally Accepted Accounting Principles. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. ASU 2016-02 requires expanded disclosures about the nature and terms of lease agreements and is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company plans to adopt ASU 2016-02 effective April 28, 2019. The Company remains on schedule and has implemented key system functionality to enable the preparation of restated financial information. The Company is currently evaluating the provisions of this standard and assessing its existing lease portfolio in order to determine the impact on its accounting systems, processes and internal controls over financial reporting. The Company expects the adoption of this standard will increase its long-term assets and liabilities on its consolidated balance sheet by approximately $900,000 to $1,100,000. However, the Company does not expect adoption will have a material impact on its consolidated statement of operations and cash flows.

Reporting Period

The Company's fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. The reporting periods ended April 27, 2019, April 28, 2018 and April 29, 2017 each contained 52 weeks.

2. Credit Facility

On August 3, 2015, the Company and certain of its subsidiaries entered into a credit agreement (as amended, the Credit Agreement) with Bank of America, N.A., as administrative agent, collateral agent and swing line lender, and the other lenders from time to time party thereto, under which the lenders committed to provide a five-year asset-backed revolving credit facility in an aggregate committed principal amount of up to $700,000 (Revolving Credit Facility). On September 30, 2016, the Company amended the Credit Agreement to provide for a new "first-in, last-out" revolving credit facility (the FILO Credit Facility and, together with the Revolving Credit Facility, the Credit Facility) in an aggregate principal amount of up to $50,000. The Company generally must draw down the FILO Credit Facility before making any borrowings under the Revolving Credit Facility. On July 13, 2018, the Company entered into a second amendment to the Credit Agreement which, among other things, extended the maturity date of the $750,000 Credit Facility to July 13, 2023 and reduced the interest rate margins applicable to the loans thereunder (Second Amendment). On June 6, 2019, the Company entered into an amendment to the Credit Agreement which amended the first sentence of Section 7.04 (Fundamental Change) of the Credit Agreement by deleting the words "(or agree to do any of the foregoing)", which deletion permitted the Company to enter into the Merger Agreement (together with the Second Amendment, the Amended Credit Facility).

Proceeds from the Amended Credit Facility are primarily used for general corporate purposes, including seasonal working capital needs. The Amended Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the Company and certain of its subsidiaries (collectively, the Loan Parties), but excluding the equity interests in the Company and its subsidiaries, intellectual property, equipment and certain other property. Borrowings under the Amended Credit Facility are limited to a specified percentage of eligible collateral. The Company has the option to request an increase in commitments under the Amended Credit Facility of up to $250,000, subject to certain restrictions.

The Amended Credit Facility allows the Company to declare and pay up to $70,000 in dividends annually to its stockholders without compliance with any availability or ratio-based limitations.

Interest under the Revolving Credit Facility accrues, at the election of the Company, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin between LIBOR plus 1.750% per annum and LIBOR plus 1.250% per annum or between the alternate base rate plus 0.750% per annum and the alternate base rate plus 0.250% per annum based upon the average daily availability under the Revolving Credit Facility for the immediately preceding fiscal quarter. Interest under the FILO Credit Facility accrues, at the election of the Company, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin, which is also determined by reference to the level of excess availability under the Revolving Credit Facility. Loans under the FILO Credit Facility bear interest at 1.000% per annum more than loans under the Revolving Credit Facility.

The Credit Agreement contains customary negative covenants, which limit the Company's ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets, among other things. In addition, if excess availability under the Amended Credit Facility were to fall below certain specified levels, certain additional covenants (including fixed charge coverage ratio requirements) would be triggered, and the lenders would assume dominion and control over the Loan Parties' cash.

The Credit Agreement contains customary events of default, including payment defaults, material breaches of representations and warranties, covenant defaults, default on other material indebtedness, customary ERISA events of default, bankruptcy and insolvency, material judgments, invalidity of liens on collateral, change of control or cessation of business. The Credit Agreement also contains customary affirmative covenants and representations and warranties.

The Company wrote off $275 of deferred financing fees related to the Credit Facility during the first quarter of fiscal 2019 and the remaining unamortized deferred financing fees of $3,780 were deferred and are being amortized over the five-year term of the Amended Credit Facility. The Company also incurred $4,425 of fees to secure the Amended Credit Facility, which are being amortized over the five-year term accordingly.

The Company had $203,800 of outstanding debt under the Amended Credit Facility as of April 27, 2019 and $158,700 of outstanding debt under the Credit Facility as of April 28, 2018. The Company had $31,663 of outstanding letters of credit under the Amended Credit Facility as of April 27, 2019 and $34,213 of outstanding letters of credit under the Credit Facility as of April 28, 2018.

The following table presents selected information related to the Company's credit facilities:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Credit facility at period end	$203,800	158,700	64,900
Average balance outstanding during the period	$215,630	141,478	96,297
Maximum borrowings outstanding during the period	$335,825	287,933	285,278
Weighted average interest rate during the period (a)	5.29%	5.55%	5.77%
Interest rate at end of period	4.17%	3.92%	3.73%

(a) Includes commitment fees.

Fees expensed with respect to the unused portion of the credit facilities were $1,896, $2,235 and $2,235 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

The Company has no agreements to maintain compensating balances.

3. Stock-Based Compensation

The Company maintains one active share-based incentive plan: the Amended and Restated 2009 Incentive Plan. Prior to June 2, 2009, the Company issued restricted stock and stock options under the 1996 and 2004 Incentive Plans. On June 2, 2009, the Company's shareholders approved the 2009 Incentive Plan. Under the 2009 Incentive Plan, the Company has issued restricted stock units, restricted stock and stock options. On September 11, 2012, the Company's shareholders approved the Amended and Restated 2009 Incentive Plan. Under the Amended and Restated 2009 Incentive Plan, the Company has issued performance-based stock units, restricted stock units, restricted stock and stock options. At April 27, 2019, there were approximately 5,347,176 shares of common stock available for future grants under the Amended and Restated 2009 Incentive Plan.

A restricted stock award is an award of common stock that is subject to certain restrictions during a specified period. Restricted stock awards are independent of option grants and are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the shares before the restricted shares vest. Shares of unvested restricted stock have the same voting rights as common stock, are entitled to receive dividends and other distributions thereon and are considered to be currently issued and outstanding. The Company's restricted stock awards vest over a period of one to four years. The Company expenses the cost of the restricted stock awards, which is determined to be the fair market value of the shares at the date of grant, straight-line over the period during which the restrictions lapse. For these purposes, the fair market value of the restricted stock is determined based on the closing price of the Company's common stock on the grant date.

A restricted stock unit is a grant valued in terms of the Company's common stock, but no stock is issued at the time of grant. The restricted stock units may be redeemed for one share of common stock each once vested. Restricted stock units are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the units except in very limited circumstances and with the consent of the compensation committee. Shares of unvested restricted stock units have no voting rights but are entitled to receive dividends and other distributions thereon. Cash dividends to restricted stock units granted on or after July 15, 2015 are not distributed until the restricted stock units vest. The Company's restricted stock units vest over a period of one to four years. The Company expenses the cost of the restricted stock units, which is determined to be the fair market value of the shares at the date of grant, straight-line over the period during which the restrictions lapse. For these purposes, the fair market value of the restricted stock unit is determined based on the closing price of the Company's common stock on the grant date.

A performance-based stock unit is a grant valued in terms of the Company's common stock, but no stock is issued at the time of grant. Each performance-based stock unit may be redeemed for one share of common stock once vested. In general, upon the achievement of a minimum threshold, 50% to 150% of these awards vest at the end of a three year performance period from the date of grant based upon achievement of the performance goal specified in the performance-based stock unit agreement. Performance-based stock units are generally subject to forfeiture if employment terminates prior to the settlement of the award. The grantee cannot transfer the units except in very limited circumstances and with the consent of the compensation committee. Shares of unvested performance-based stock units have no voting rights but are entitled to receive dividends and other distributions thereon. Cash dividends to performance-based stock units are not distributed until the award is settled. The Company expenses the cost of the performance-based stock units, which is determined to be the fair market value of the shares at the date of grant, ratably over the requisite service period, based on the probability of achieving the performance goal, with changes in expectations recognized as an adjustment to earnings in the period of the change. If the performance goal is not met, no compensation cost is recognized and any previously recognized compensation cost is reversed.

The Company uses the Black-Scholes option-pricing model to value the Company's stock options for each stock option award. Using this option-pricing model, the fair value of each stock option award is estimated on the date of grant. The fair value of the Company's stock option awards, which are generally subject to pro-rata vesting annually over four years, is expensed on a straight-line basis over the vesting period of the stock options. The expected volatility assumption is based on traded options volatility of the Company's stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from historical exercise experience under the Company's stock option plans and represents the period of time that stock option awards granted are expected to be outstanding. The expected term assumption incorporates the contractual term of an option grant, which is ten years, as well as the vesting period of an award, which is generally pro-rata vesting annually over four years. The risk-free interest rate is based on the implied yield on a U.S. Treasury constant maturity with a remaining term equal to the expected term of the option granted.

No stock options were granted during fiscal 2019, fiscal 2018 or fiscal 2017.

The Company recognizes stock-based compensation costs on a straight-line basis over the requisite service period of the award and recognizes forfeitures as they occur.

In September 2003, Leonard Riggio, the Company's Executive Chairman, exercised 1,318,750 stock options by tendering in payment of the exercise price of the stock options 606,277 shares that he held in the Company's stock. Mr. Riggio elected to defer receipt of the balance of the shares (712,473) due from the exercise pursuant to the Company's Executive Deferred Compensation Plan (Plan). In accordance therewith, the Company established a rabbi trust (Rabbi Trust) under the Plan for the benefit of Mr. Riggio, which holds 712,473 shares of the Company's common stock. The shares held by the Rabbi Trust were treated as treasury stock. Due to the deferred compensation arrangement, these shares were included in the denominator of the earnings per share calculation in accordance with ASC 260, *Earnings Per Share,* when the impact was not antidilutive.

On March 15, 2017, the Board of Directors of the Company approved the termination of the Plan and the Rabbi Trust. As part of the termination of the Plan, all amounts deferred under the Plan and held in the Rabbi Trust were distributed in March 2017 to Mr. Riggio, who was the sole participant in the Plan.

Stock-Based Compensation Activity

The following table presents a summary of the Company's stock option activity:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Balance, April 30, 2016	324	$11.29	5.09 years	$ 516
Granted	—	0.00		
Exercised	(31)	9.91		
Forfeited	(38)	21.14		
Balance, April 29, 2017	255	$ 9.99	4.62 years	$ 11
Granted	—	0.00		
Exercised	—	0.00		
Forfeited	(79)	10.08		
Balance, April 28, 2018	176	$ 9.95	3.63 years	$ 0
Granted	—	0.00		
Exercised	—	0.00		
Forfeited	—	0.00		
Balance, April 27, 2019	176	$ 9.95	2.63 years	$ 0
Vested and expected to vest in the future at April 27, 2019	176	$ 9.95	2.63 years	$ 0
Exercisable at April 27, 2019	176	$ 9.95	2.63 years	$ 0
Available for grant at April 27, 2019	5,347			

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the related fiscal year and the exercise price, multiplied by the related in-the-money options) that would have been received by the option holders had they exercised their options at the end of the fiscal year. This amount changes based on the market value of the Company's common stock. Total intrinsic value of options exercised for fiscal 2019, fiscal 2018 and fiscal 2017 (based on the difference between the Company's stock price on the exercise date and the respective exercise price, multiplied by the number of options exercised) was $0, $0 and $99, respectively.

As of April 27, 2019, there was no unrecognized compensation expense related to unvested stock options granted under the Company's share-based compensation plans.

The following table presents a summary of the Company's restricted stock activity:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, April 30, 2016	64	$ 13.04
Granted	77	10.95
Vested	(64)	13.04
Forfeited	—	0.00
Balance, April 29, 2017	77	$ 10.95
Granted	141	7.10
Vested	(77)	10.95
Forfeited	—	0.00
Balance, April 28, 2018	141	$ 7.10
Granted	170	6.62
Vested	(141)	7.10
Forfeited	—	0.00
Balance, April 27, 2019	170	$ 6.62

Total fair value of shares of restricted stock that vested during fiscal 2019, fiscal 2018 and fiscal 2017 was $789, $548 and $680, respectively. As of April 27, 2019, there was $473 of unrecognized stock-based compensation expense related to non-vested restricted stock awards. That cost is expected to be recognized over a weighted average period of 0.45 years.

The following table presents a summary of the Company's restricted stock unit activity:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, April 30, 2016	1,438	$ 13.76
Granted	547	12.42
Vested	(609)	11.75
Forfeited	(826)	14.22
Balance, April 29, 2017	550	$ 13.96
Granted	813	7.17
Vested	(228)	14.10
Forfeited	(99)	11.39
Balance, April 28, 2018	1,036	$ 8.85
Granted	740	5.65
Vested	(336)	10.75
Forfeited	(518)	7.33
Balance, April 27, 2019	922	$ 6.44

Total fair value of shares of restricted stock units that vested during fiscal 2019, fiscal 2018 and fiscal 2017 were $1,878, $1,694 and $6,612, respectively. As of April 27, 2019, there was $3,769 of unrecognized stock-based compensation expense related to non-vested restricted stock units. That cost is expected to be recognized over a weighted average period of 1.87 years.

The following table presents a summary of the Company's performance-based stock unit activity:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Balance, April 30, 2016	151	$ 18.41
Granted	507	12.48
Vested	—	0.00
Forfeited	(238)	13.55
Balance, April 29, 2017	420	$ 14.00
Granted	706	7.35
Vested	—	0.00
Forfeited	(117)	12.01
Balance, April 28, 2018	1,009	$ 9.58
Granted	632	5.50
Vested	(68)	18.36
Forfeited	(535)	8.01
Balance, April 27, 2019	1,038	$ 7.32

Total fair value of shares of performance-based stock units that vested during fiscal 2019, fiscal 2018 and fiscal 2017 were $369, $0 and $0, respectively. As of April 27, 2019, there was $2,516 of unrecognized stock-based compensation expense related to non-vested performance-based stock units. That cost is expected to be recognized over a weighted average period of 1.54 years.

For fiscal 2019, fiscal 2018 and fiscal 2017, stock-based compensation expense of $3,975, $6,865 and $6,299, respectively, is included in selling and administrative expenses.

4. Receivables, Net

Receivables represent customer, private and public institutional and government billings, credit/debit card, advertising, landlord and other receivables due within one year as follows:

	April 27, 2019	April 28, 2018
Trade accounts	$17,060	$19,446
Credit/debit card receivables	21,543	22,564
Other receivables	22,644	22,542
Total receivables, net	$61,247	$64,562

5. Other Long-Term Liabilities

Other long-term liabilities consist primarily of deferred rent, long-term insurance liabilities, asset retirement obligations and tax liabilities and reserves. The Company provides for minimum rent expense over the lease terms (including the build-out period) on a straight-line basis. The excess of such rent expense over actual lease payments (net of tenant allowances) is classified as deferred rent. Other long-term liabilities also include store closing expenses, long-term deferred revenues and a health care and life insurance plan for certain retired employees. The Company had the following other long-term liabilities at April 27, 2019 and April 28, 2018:

	April 27, 2019	April 28, 2018
Deferred rent	$52,707	$50,720
Insurance liabilities	12,615	12,589
Asset retirement obligations	12,949	11,629
Tax liabilities and reserves	3,406	5,124
Other	2,849	4,209
Total other long-term liabilities	$84,526	$84,271

6. Fair Values of Financial Instruments

In accordance with ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), the fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 – Observable inputs that reflect quoted prices in active markets

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring the Company to develop its own assumptions

The Company's financial instruments include cash, receivables, gift cards, accrued liabilities, accounts payable and its credit facility. The fair values of cash, receivables, gift cards, accrued liabilities and accounts payable approximate carrying values because of the short-term nature of these instruments. The Company believes that its credit facility approximates fair value since interest rates are adjusted to reflect current rates.

The Company compares the fair value of a reporting unit and the carrying value of the reporting unit to measure goodwill impairment loss as required by ASU 2017-04. During fiscal 2018, the Company recognized an impairment of its B&N Retail reporting unit goodwill of $133,612 as a result of lower than expected holiday season sales, which resulted in a revised forecast outlook and lower market price of the Company's common stock. Fair value was determined using the combination of a discounted cash flow method (income approach) and the guideline public company method (market comparable approach), weighted equally in determining the fair value of the Company. The market comparable approach estimates fair value using market multiples of various financial measures compared to a set of comparable public companies. In performing the valuations, significant assumptions utilized include unobservable Level 3 inputs including cash flows and long-term growth rates reflective of management's forecasted outlook, and discount rates inclusive of risk adjustments consistent with current market conditions. Discount rates are based on the development of a weighted average cost of capital using guideline public company data, factoring in current market data and any company specific risk factors. See Note 1 for further discussion on goodwill impairment.

During fiscal 2019, the Company impaired its publishing contracts due to increased costs. As a result, the Company recorded an impairment charge of $5,594. In determining whether the carrying value of unamortizable intangible assets is less than its estimated fair value, a discounted cash flow approach to value was used, which was based on Level 3 inputs as defined by ASC 820.

Store impairment losses related to amortizable assets totaled $16,473, $1,823 and $349 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively. In determining whether the carrying value of long-lived assets is less than its estimated fair value, a discounted cash flow approach to value was used, which was based on Level 3 inputs as defined by ASC 820.

7. Net Earnings (Loss) per Share

In accordance with ASC 260-10-45, *Share-Based Payment Arrangements and Participating Securities and the Two-Class Method,* unvested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities. The Company's unvested restricted shares and unvested restricted stock units granted prior to July 15, 2015 were considered participating securities. Cash dividends to restricted stock units and performance-based stock units granted on or after July 15, 2015 are not distributed until and except to the extent that the restricted stock units vest, and in the case of performance-based stock units, until and except to the extent that the performance metrics are achieved or are otherwise deemed satisfied. Stock options do not receive cash dividends. As such, these awards are not considered participating securities.

Basic earnings per common share are calculated by dividing the net income, adjusted for income allocated to participating securities, by the weighted average number of common shares outstanding during the period. Diluted net income per common share reflects the dilution that would occur if any potentially dilutive instruments were exercised or converted into common shares. The dilutive effect of participating securities is calculated using the more dilutive of the treasury stock method or two-class method. Other potentially dilutive securities include stock options, restricted stock units granted after July 15, 2015, and performance-based stock units and are included in diluted shares to the extent they are dilutive under the treasury stock method for the applicable periods.

During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. Due to the net loss during fiscal 2018, participating securities in the amounts of 127,509, were excluded from the calculation of loss per share using the two-class method because the effect would be antidilutive. The Company's outstanding non-participating securities consisting of dilutive stock options and restricted stock units of 205,065, 38,584 and 140,341 for fiscal 2019, fiscal 2018 and fiscal 2017, respectively, were excluded from the calculation of loss per share using the two-class method because the effect would be antidilutive.

The following is a reconciliation of the Company's basic and diluted income (loss) per share calculation:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Numerator for basic income (loss) per share:			
Net income (loss)	$ 3,769	(125,480)	22,023
Less allocation of dividends to participating securities	(95)	(80)	(576)
Less allocation of undistributed earnings to participating securities	—	—	—
Net income (loss) available to common shareholders	$ 3,674	(125,560)	21,447
Numerator for diluted income (loss) per share:			
Net income (loss) available to common shareholders	$ 3,674	(125,560)	21,447
Allocation of undistributed earnings to participating securities	—	—	—
Less diluted allocation of undistributed earnings to participating securities	—	—	—
Net income (loss) available to common shareholders	$ 3,674	(125,560)	21,447
Denominator for basic income (loss) per share:			
Basic weighted average common shares	72,919	72,588	72,188
Denominator for diluted income (loss) per share:			
Basic weighted average shares	72,919	72,588	72,188
Average dilutive options	—	—	63
Average dilutive non-participating securities	205	—	77
Diluted weighted average common shares	73,124	72,588	72,328
Income (loss) per common share:			
Basic	$ 0.05	(1.73)	0.30
Diluted	$ 0.05	(1.73)	0.30

8. Defined Contribution Plan

The Company maintains a defined contribution plan (the Savings Plan) for the benefit of substantially all employees. Total Company contributions charged to employee benefit expenses for the Savings Plan were $9,772, $11,275 and $11,815 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

9. Income Taxes

Income (loss) before income taxes for fiscal 2019, fiscal 2018 and fiscal 2017 are as follows:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Domestic operations	$ 3,082	(137,693)	47,127
Foreign operations	—	(2)	(328)
Total income (loss) before taxes	3,082	(137,695)	46,799

Income tax provisions (benefits) for fiscal 2019, fiscal 2018 and fiscal 2017 are as follows:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Current:			
Federal	$ 175	19,990	3,722
State	(1,628)	(1,340)	(7,480)
Foreign	—	—	—
Total current	(1,453)	18,650	(3,758)
Deferred:			
Federal	43	(52,831)	25,724
State	723	21,966	2,810
Foreign	—	—	—
Total deferred	766	(30,865)	28,534
Total	$ (687)	(12,215)	24,776

Reconciliation between the effective income tax rate and the federal statutory income tax rate is as follows:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Federal statutory income tax rate	21.0%	30.3%	35.0%
State income taxes, net of federal income tax benefit	21.5	3.0	10.0
Changes to unrecognized tax benefits	(72.0)	1.8	(5.9)
Excess executive compensation	(0.9)	(0.1)	0.3
Meals and entertainment disallowance	10.0	(0.2)	0.5
Tax credits	(6.0)	0.6	—
Changes in valuation allowance	103.2	(26.7)	(1.2)
Changes in deferred taxes and payables	(34.7)	(3.7)	7.0
Amounts not deductible for tax	5.5	0.1	1.9
State law changes	(72.1)	1.5	3.1
Impact of Tax Cuts and Jobs Act	—	4.1	—
Goodwill impairment	—	(1.8)	—
Other, net	2.2	—	2.2
Effective income tax rate	(22.3)%	8.9%	52.9%

The Company recorded an income tax benefit of $687 in fiscal 2019 compared with an income tax benefit of $12,215 and income tax provision of $24,776 in fiscal 2018 and fiscal 2017, respectively. The Company's effective tax rate was (22.3)%, 8.9% and 52.9% in fiscal 2019, fiscal 2018 and fiscal 2017, respectively. The primary drivers of the effective tax rate in fiscal 2019 include the changes in deferred taxes and payable, changes in valuation allowance, changes to unrecognized tax benefits and the impact of state legislative changes.

The primary drivers of the effective tax rate in fiscal 2018 included the impact of remeasurement of deferred taxes as a result of the Tax Cuts and Jobs Act, changes in deferred taxes and payables and the establishment of valuation allowance against federal and certain state net operating losses. In fiscal 2017, the primary drivers of the effective tax rate included changes in uncertain tax positions and changes in deferred taxes and payables.

Effects of the Tax Cuts and Jobs Act

New tax legislation, commonly referred to as the Tax Cuts and Jobs Act or Tax Reform, was enacted on December 22, 2017. Certain aspects of the new law, including the federal corporate tax rate change, had an impact recorded in the Company's financial statements.

Given the significance of the legislation, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), which allows registrants to record provisional amounts during a one year "measurement period" similar to that used when accounting for business combinations. However, the measurement period is deemed to have ended earlier when the registrant has obtained, prepared and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared or analyzed.

During the third quarter of fiscal 2019, the Company completed its analysis of the provisional amounts recorded during fiscal 2018 and recorded an additional provision of $170 for nondeductible expenditures. The Company was not subject to the transition tax as there were no untaxed foreign earnings.

The Company accounts for income taxes using the asset and liability method. Deferred taxes are recorded based on differences between the financial statement basis and tax basis of assets and liabilities and available tax loss and credit carryforwards. At April 27, 2019 and April 28, 2018, the significant components of the Company's deferred taxes consisted of the following:

	April 27, 2019	April 28, 2018
Deferred tax assets:		
Accrued liabilities	$ 37,288	$ 70,891
Insurance liability	4,577	4,830
Loss and credit carryovers	50,413	43,704
Lease transactions	—	93
Pension and post-retirement healthcare	317	340
Stock-based compensation	1,821	2,237
Other	1,669	1,542
Gross deferred tax assets	96,085	123,637
Valuation allowance	(42,503)	(45,861)
Net deferred tax assets	53,582	77,776
Deferred tax liabilities:		
Prepaid expenses	(2,419)	(2,779)
Goodwill and intangible asset amortization	(64,529)	(65,910)
Inventory	(930)	(1,440)
Investment in Barnes & Noble.com	(51,978)	(53,304)
Depreciation	(1,310)	(6,387)
Lease transactions	(2,677)	—
Gross deferred tax liabilities	(123,843)	(129,820)
Net deferred tax liabilities	$ (70,261)	$ (52,044)

The change in deferred tax asset balance during fiscal 2019 is primarily due to the impact of the adoption of Topic 606.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. In evaluating the Company's ability to utilize its deferred tax assets, it considered all available evidence, both positive and negative, in determining future taxable income on a jurisdiction by jurisdiction basis. The Company has recorded a valuation allowance of $42,503 and $45,861 at April 27, 2019 and April 28, 2018, respectively. The decrease in the valuation allowance during fiscal 2019 is due principally to a decrease in deferred tax assets that will no longer require a valuation allowance.

At April 27, 2019, the Company had federal net operating loss carryforwards (NOLs) of approximately $166,144 and state net operating loss carryforwards of $178,143 that are available to offset taxable income in its respective taxing jurisdictions. The federal net operating losses begin to expire in 2019 through 2024. The utilization of $48,228 of the federal NOLs are subject to IRC Section 382 and are limited to approximately $6,653 on an annual basis. NOLs not used during a particular period may be carried forward to future years, though not beyond the expiration years. Additionally, the Company had approximately $117,917 and $177,318 of federal and state NOLs, respectively, that have no annual limitation. The Company had state tax credits totaling $8,538, which have an indefinite life.

As of April 27, 2019, the Company had $4,376 of unrecognized tax benefits, all of which, if recognized, would affect the Company's effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits for fiscal 2019, fiscal 2018 and fiscal 2017 is as follows:

Balance at April 30, 2016	$14,572
Additions for tax positions of the current period	337
Additions for tax positions of prior periods	1,644
Reductions due to settlements	—
Reductions for tax positions of prior periods	(7,134)
Balance at April 29, 2017	$ 9,419
Additions for tax positions of the current period	—
Additions for tax positions of prior periods	—
Reductions due to settlements	(22)
Reductions for tax positions of prior periods	(2,548)
Balance at April 28, 2018	$ 6,849
Additions for tax positions of the current period	—
Additions for tax positions of prior periods	—
Reductions due to settlements	—
Reductions for tax positions of prior periods	(2,473)
Balance at April 27, 2019	$ 4,376

The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense. The Company recorded net interest and penalties (benefit) expense of approximately $337, $587, and $(2,860) during fiscal 2019, fiscal 2018 and fiscal 2017, respectively. As of April 27, 2019 and April 28, 2018, the Company had net accrued interest and penalties of $637 and $974 respectively.

The amount of unrecognized tax benefits decreased primarily due to the expiration of various state statutes. Further, we believe that it is reasonably possible that the total amount of unrecognized tax benefits at April 27, 2019 could decrease by approximately $368 within the next 12 months as a result of settlement of certain tax audits or lapses of statutes of limitations, which could impact the effective tax rate.

The Company is subject to U.S. federal income tax as well as income tax in jurisdictions of each state having an income tax. The tax years that remain subject to examination are primarily from fiscal 2014 and forward.

10. Intangible Assets and Goodwill

Amortizable Intangible Assets	Useful Life	As of April 27, 2019 Gross Carrying Amount	Accumulated Amortization	Total
Other	3-10	$ 6,639	(6,603)	$ 36

Unamortizable Intangible Assets(a)	Trade name	Publishing contracts	Total
Balance at April 28, 2018	$ 293,400	$ 15,894	$309,294
Impairment	—	(5,594)	(5,594)
Balance at April 27, 2019	$ 293,400	$ 10,300	$303,700
Total amortizable and unamortizable intangible assets as of April 27, 2019			$303,736

(a) See Note 1 for discussion on impairment testing of unamortizable intangible assets.

Amortizable Intangible Assets	Useful Life	As of April 28, 2018 Gross Carrying Amount	Accumulated Amortization	Total
Technology	5-10	$ 10,710	$ (10,404)	$ 306
Other	3-10	6,546	(6,497)	49
		$ 17,256	$ (16,901)	$ 355

Unamortizable Intangible Assets	
Trade name	$ 293,400
Publishing contracts	15,894
	$ 309,294
Total amortizable and unamortizable intangible assets as of April 28, 2018	$ 309,649

All amortizable intangible assets are being amortized over their useful life on a straight-line basis.

Aggregate Amortization Expense	
For the 52 weeks ended April 27, 2019	$ 412
For the 52 weeks ended April 28, 2018	$ 644
For the 52 weeks ended April 29, 2017	$ 782

Estimated Amortization Expense	
(12 months ending on or about April 30)	
2020	$ 36

The changes in the carrying amount of goodwill, which relate to the B&N Retail reporting unit, for fiscal 2019 and fiscal 2018, are as follows:

	Total Company
Balance as of April 29, 2017	$ 207,381
Benefit of excess tax amortization [(a)]	(2,176)
Goodwill impairment [(b)]	(133,612)
Balance as of April 28, 2018	$ 71,593
Benefit of excess tax amortization [(a)]	(1,563)
Balance as of April 27, 2019	$ 70,030

(a) The tax basis of goodwill arising from an acquisition during the 52 weeks ended January 29, 2005 exceeded the related basis for financial reporting purposes by approximately $96,576. In accordance with ASC 740-10-30, *Accounting for Income Taxes,* the Company is recognizing the tax benefits of amortizing such excess as a reduction of goodwill as it is realized on the Company's income tax return.

(b) See Note 1 for discussion on goodwill impairment testing.

11. Shareholders' Equity

On March 15, 2017, the Company's Board of Directors authorized a stock repurchase program of up to $50,000 of its common shares. Stock repurchases under this program may be made through open market and privately negotiated transactions from time to time and in such amounts as management deems appropriate. The stock repurchase program has no expiration date and may be suspended or discontinued at any time. The Company's repurchase plan is intended to comply with the requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The Company did not repurchase shares under this plan in fiscal 2019 and fiscal 2018. The Company has remaining capacity of $50,000 under the repurchase program as of April 27, 2019.

As of April 27, 2019, the Company has repurchased 39,745,497 shares at a cost of approximately $1,087,963 since the inception of the Company's current and prior stock repurchase programs. The repurchased shares are held in treasury.

On October 3, 2018, the Board of Directors approved the adoption of a short-term stockholder rights plan (the Rights Plan). In connection with the Rights Plan, the Board of Directors authorized and declared a dividend, payable to common stockholders of record on October 13, 2018, of one right (Right) per each share of common stock outstanding, to purchase 1/1,000th of a share of Series K Preferred Stock, par value $0.001 per share (Series K Preferred Stock), of the Company, at a price of $24.00 per share (such amount, as may be adjusted from time to time as provided in the Rights Agreement, the Purchase Price). If a person or group acquires beneficial ownership of 20% or more of the shares of common stock outstanding or announces a tender offer or exchange offer, the consummation of which would result in such person or group beneficially owning 20% or more of the shares of common stock outstanding, in each case, without prior approval of the Board of Directors, each holder of a Right (other than any Acquiring Person (as defined in the Rights Agreement), whose Rights will become void) will have the right to purchase, upon payment of the Purchase Price and in accordance with the terms of the Rights Plan, that number of 1/1000ths of a share of Series K Preferred Stock equal to the number of shares of common stock which at the time of the applicable triggering transaction would have a market value of twice the Purchase Price.

The complete terms of the Rights are set forth in a Rights Agreement (the Rights Agreement) dated as of October 3, 2018, as amended by Amendment No. 1 thereto (Amendment No. 1) date as of June 6, 2019, between the Company and Computershare Trust Company, N.A., as rights agent. Amendment No. 1 provided, among other things, that (i) neither the approval, execution, delivery or performance or, if approved by the Board of Directors, amendment, modification or waiver of the Merger Agreement (the Merger Agreement) dated as of June 6, 2019 by and among the Company, Chapters Holdco Inc., a Delaware corporation (Parent), and Chapters Merger Sub Inc., a Delaware corporation, or the Voting Agreement (the Voting Agreement) dated as of June 6, 2019 by and among the Company, certain significant stockholders of the Company and Parent, or the consummation of the merger (Merger) or any other transaction contemplated by the Merger Agreement or the Voting Agreement, nor the public announcement of any of the foregoing will (a) cause any person to (1) become an Acquiring Person or be deemed to have become an Acquiring Person or (2) be deemed to have acquired Beneficial Ownership (as defined in the Rights Agreement) of any securities of the Company or (b) result in the occurrence or deemed occurrence of a Distribution Date (as defined in the Rights Agreement), Business Combination (as defined in the Rights Agreement) or other event or occurrence resulting in a triggering of rights of holders of Rights, or of obligations of the Company under the Rights Agreement, and (ii) the Rights will expire in their entirety, and the Rights Agreement will terminate upon the earliest of (a) the Close of Business (as defined in the Rights Agreement) on October 2, 2019, (b) the time at which all Rights are redeemed, and (c) immediately prior to the Effective Time (as defined in the Merger Agreement) of the Merger.

12. Commitments and Contingencies

The Company leases retail stores, warehouse facilities, office space and equipment. Substantially all of the B&N Retail stores are leased under non-cancelable agreements, which expire at various dates through 2031 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for both minimum and percentage rentals and require the Company to pay insurance, taxes and other maintenance costs. Percentage rentals are based on sales performance in excess of specified minimums at various stores.

The Company leases office space in New York, New York, Monroe Township, New Jersey, Reno, Nevada, Lyndhurst, New Jersey and Westbury, New York.

Rental expense under operating leases is as follows:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Minimum rentals	$309,586	301,057	302,784
Percentage rentals	959	1,076	1,353
	$310,545	302,133	304,137

Future minimum annual rentals, excluding percentage rentals, required under B&N Retail leases that had initial, non-cancelable lease terms greater than one year, and NOOK leases as of April 27, 2019 are:

Fiscal Year	
2020	$ 315,393
2021	263,304
2022	212,850
2023	145,635
2024	90,197
After 2024	97,687
	$1,125,066

The Company provides for minimum rent expense over the lease terms (including the build-out period) on a straight-line basis. The excess of such rent expense over actual lease payments (net of tenant allowances) is reflected in other long-term liabilities and accrued liabilities in the accompanying balance sheets.

Purchase obligations, which include hardware and software maintenance contracts and inventory purchase commitments, as of April 27, 2019 are as follows:

Less Than 1 Year	$ 70,240
1-3 Years	44,467
3-5 Years	1,481
More Than 5 Years	—
Total	$116,188

13. Segment Reporting

The Company's two operating segments are B&N Retail and NOOK.

B&N Retail

This segment includes 627 bookstores as of April 27, 2019, primarily under the Barnes & Noble Booksellers trade name. These Barnes & Noble stores generally offer a comprehensive trade book title base, a café, departments dedicated to Kids and Young Adults, Toys & Games, DVDs, Music & Vinyl, Gift, Magazine and Bargain products, and a dedicated NOOK® area. The stores also offer a calendar of ongoing events, including author appearances and children's activities. The B&N Retail segment also includes the Company's eCommerce website, www.barnesandnoble.com, and its publishing operation, Sterling Publishing Co., Inc.

NOOK

This segment includes the Company's digital business, including the development and support of the Company's NOOK® product offerings. The digital business includes digital content such as eBooks, digital audio books, digital newsstand and sales of NOOK® devices and accessories to B&N Retail.

Summarized financial information concerning the Company's reportable segments is presented below:

Sales by Segment	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018	52 weeks ended April 29, 2017
B&N Retail	$3,481,949	$3,575,614	$3,784,655
NOOK	92,136	111,487	146,514
Elimination[(a)]	(21,340)	(24,821)	(36,611)
Total	$3,552,745	$3,662,280	$3,894,558

Depreciation and Amortization	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018	52 weeks ended April 29, 2017
B&N Retail	$ 87,887	$ 94,334	$ 98,877
NOOK	9,792	12,006	19,010
Total	$ 97,679	$ 106,340	$ 117,887

Operating Income (Loss)	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018	52 weeks ended April 29, 2017
B&N Retail	$ 22,902	$ (119,394)	$ 90,663
NOOK	(6,373)	(8,464)	(36,355)
Total	$ 16,529	$ (127,858)	$ 54,308

Capital Expenditures	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018	52 weeks ended April 29, 2017
B&N Retail	$ 107,914	$ 80,670	$ 89,706
NOOK	5,817	6,981	6,552
Total	$ 113,731	$ 87,651	$ 96,258

Total Assets[(b)]	As of April 27, 2019	As of April 28, 2018
B&N Retail	$1,678,632	$1,724,279
NOOK	27,002	25,289
Total	$1,705,634	$1,749,568

(a) Represents sales from NOOK to B&N Retail on a sell-through basis.
(b) Excludes intercompany balances.

A reconciliation of operating income (loss) from reportable segments to income (loss) before taxes in the consolidated financial statements is as follows:

	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018	52 weeks ended April 29, 2017
Reportable segments operating income (loss)	$ 16,529	$ (127,858)	$ 54,308
Interest expense, net and amortization of deferred financing costs	(13,447)	(9,837)	(7,509)
Consolidated income (loss) before taxes	$ 3,082	$ (137,695)	$ 46,799

14. Legal Proceedings

The Company is involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of its business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, securities, personal injuries and other matters. The results of these proceedings in the ordinary course of business are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company records a liability when it believes that it is both probable that a liability will be incurred, and the amount of loss can be reasonably estimated. The Company evaluates, at least quarterly, developments in its legal matters that could affect the amount of liability that has been previously accrued and makes adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss. The Company may be unable to reasonably estimate the reasonably possible loss or range of loss for a particular legal contingency for various reasons, including, among others: (i) if the damages sought are indeterminate; (ii) if proceedings are in the early stages; (iii) if there is uncertainty as to the outcome of pending proceedings (including motions and appeals); (iv) if there is uncertainty as to the likelihood of settlement and the outcome of any negotiations with respect thereto; (v) if there are significant factual issues to be determined or resolved; (vi) if the proceedings involve a large number of parties; (vii) if relevant law is unsettled or novel or untested legal theories are presented; or (viii) if the proceedings are taking place in jurisdictions where the laws are complex or unclear. In such instances, there is considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any.

With respect to the legal matters described below, the Company has determined, based on its current knowledge, that the amount of loss or range of loss that is reasonably possible, including any reasonably possible losses in excess of amounts already accrued, is not reasonably estimable. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company's control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect the Company's business, financial condition, results of operations, or cash flows.

The following is a discussion of the material legal matters involving the Company.

Cassandra Carag individually and on behalf of others similarly situated v. Barnes & Noble, Inc., Barnes & Noble Booksellers, Inc. and DOES 1 through 100 inclusive

On November 27, 2013, former Associate Store Manager Cassandra Carag (Carag) brought suit in Sacramento County Superior Court, asserting claims on behalf of herself and all other hourly (non-exempt) Barnes & Noble employees in California in the preceding four years for unpaid regular and overtime wages based on alleged off-the-clock work, penalties and pay based on missed meal and rest breaks, and for improper wage statements, payroll records, and untimely pay at separation as a result of the alleged pay errors during employment. Via the complaint, Carag seeks to recover unpaid wages and statutory penalties for all hourly Barnes & Noble employees within California from November 27, 2009 to present. On February 13, 2014, the Company filed an answer to the complaint in the state court and concurrently requested removal of the action to federal court. On May 30, 2014, the federal court granted Plaintiff's motion to remand the case to state court and denied Plaintiff's motion to strike portions of the answer to the complaint (referring the latter motion to the lower court for future consideration). Plaintiff sought relief from the mandatory five-year trial deadline and the Court denied the application.

Café Manager Class Action

On September 20, 2016, Kelly Brown filed a complaint against Barnes & Noble in the U.S. District Court for the Southern District of New York in which she alleges that she is entitled to unpaid compensation under the Fair Labor Standards Act (FLSA) and Illinois law. Ms. Brown seeks to represent a class of allegedly similarly situated employees who performed the same position (Café Manager) under the FLSA, as well as an Illinois-based class under Illinois law. On November 9, 2016, Ms. Brown filed an amended complaint to add an additional plaintiff named Tiffany Stewart, who is a former Café Manager who also alleges unpaid overtime compensation in violation of New York law and seeks to represent a class of similarly situated New York-based Café Managers under New York law. On May 2, 2017, the Court denied Plaintiffs' Motion for Conditional Certification, without prejudice. Plaintiffs filed a renewed motion for Conditional Certification on November 17, 2017, which the Court denied on June 25, 2018. There are currently 33 former Café Managers who have joined the action as opt-in plaintiffs.

Bernardino v. Barnes & Noble Booksellers, Inc.

On June 16, 2017, a putative class action complaint was filed against Barnes & Noble Booksellers, Inc. (B&N Booksellers) in the United States District Court for the Southern District of New York, alleging violations of the federal Video Privacy Protection Act and related New York law. The plaintiff, who seeks to represent a class of subscribers of Facebook, Inc. (Facebook) who purchased DVDs or other video media from the Barnes & Noble website, seeks damages, injunctive relief and attorneys' fees, among other things, based on her allegation that B&N Booksellers supposedly knowingly disclosed her personally identifiable information to Facebook without her consent when she bought a DVD from Barnes & Noble's website. On July 10, 2017, the plaintiff moved for a preliminary injunction requiring Barnes & Noble to change the operation of its website, which motion B&N Booksellers opposed. On July 31, 2017, B&N Booksellers moved to compel the case to arbitration, consistent with the terms of use on Barnes & Noble's website. On August 28, 2017, the court denied the plaintiff's motion for a preliminary injunction. On January 31, 2018, the court granted B&N Booksellers' motion to compel arbitration, and the clerk of court closed the case on February 1, 2018. On March 2, 2018, the plaintiff filed an appeal in the United States Court of Appeals for the Second Circuit from the district court's grant of B&N Booksellers' motion to compel arbitration. On March 7, 2019, following briefing and oral argument, the United States Court of Appeals for the Second Circuit entered a summary order and judgment, dismissing the plaintiff's appeal for lack of jurisdiction.

Parneros v. Barnes & Noble, Inc.

On August 28, 2018, Demos Parneros, the former Chief Executive Officer of Barnes & Noble, Inc., filed a complaint against Barnes & Noble, Inc. in the United States District Court for the Southern District of New York. The plaintiff asserts claims for breach of contract and defamation under New York law. On October 5, 2018, the plaintiff filed an amended complaint asserting a third cause of action for breach of the covenant of good faith and fair dealing. The plaintiff seeks injunctive relief, compensatory damages, and punitive damages, among other things, based on allegations that he did not violate the Company's policies prior to his employment termination, and that the Company's press release damaged his reputation. On October 30, 2018, Barnes & Noble, Inc. filed its answer, affirmative defenses and counterclaims. Specifically, the Company asserted counterclaims for breach of fiduciary duty and faithless servant, based on allegations that the plaintiff violated his fiduciary duties of loyalty and good faith in connection with a potential transaction, as well as for a declaratory judgment that the plaintiff's outstanding equity awards at the time of his termination were subject to cancellation under the Company's Amended and Restated 2009 Incentive Plan. Barnes & Noble, Inc. seeks, among other things, damages in connection with the plaintiff's breach of his fiduciary duties. On December 21, 2018, the plaintiff filed a motion to dismiss the Company's faithless servant counterclaim, which was denied by Order dated May 6, 2019. On January 18, 2019, the plaintiff filed a motion seeking partial advancement of his attorneys' fees and expenses based on his employment contract and the Company's bylaws, which was granted by Order dated May 6, 2019. On May 17, 2019, the plaintiff filed a motion to compel the production of certain documents over which the Company is asserting privilege, which has been fully briefed and which has been referred by the District Judge to the Magistrate Judge for determination. On May 8, 2019, upon the parties' request, the Court entered a first amended Scheduling Order, which provides, inter alia, that discovery will be completed by September 20, 2019, that dispositive motions will be completed by December 6, 2019, and that the parties will be ready for trial on or after February 10, 2020.

Vickie Hebert individually and on behalf of others similarly situated v. Barnes & Noble, Inc., and DOES 1 through 100 inclusive

On February 6, 2019, Vicki Hebert filed a complaint against Barnes & Noble in the Superior Court of the State of California, County of San Diego in which she alleges that she is entitled to statutory and punitive damages under the Fair Credit Reporting Act (FCRA). Ms. Hebert seeks to represent a class of allegedly similarly situated individuals for whom Barnes & Noble procured a consumer report for reporting purposes under the FCRA. The Company has removed the action to federal court in the Southern District of California and filed its answer to the operative complaint on April 29, 2019. The Court scheduled the initial case management conference for June 19, 2019 and the settlement conference for August 13, 2019.

15. Barnes & Noble Education, Inc. Transactions

Direct Costs Incurred Related to On-going Agreements with Barnes & Noble Education, Inc. (Subsequent to the Spin-Off)

In connection with the separation of B&N Education, Inc. (Barnes & Noble Education or B&N Education), the Company entered into a Separation and Distribution Agreement with B&N Education on July 14, 2015 and several other ancillary agreements on August 2, 2015. These agreements govern the relationship between the parties after the separation and allocate between the parties various assets, liabilities, rights and obligations following the separation, including inventory purchases, employee benefits, intellectual property, information technology, insurance and tax-related assets and liabilities. The agreements also describe the Company's future commitments to provide B&N Education with certain transition services following the Spin-Off. These agreements include the following:

- a Separation and Distribution Agreement that sets forth the Company's and B&N Education's agreements regarding the principal actions that both parties took in connection with the Spin-Off and aspects of this relationship following the Spin-Off. The term of the agreement is perpetual after the Distribution date;
- a Transition Services Agreement, pursuant to which the Company agreed to provide B&N Education with specified services for a limited time to help ensure an orderly transition following the Spin-Off. The Transition Services Agreement specifies the calculation of B&N Education costs for these services. This agreement has expired pursuant to its terms;

- a Tax Matters Agreement governs the respective rights, responsibilities and obligations of the Company and B&N Education after the Spin-Off with respect to all tax matters (including tax liabilities, tax attributes, tax returns and tax contests). The Tax Matters Agreement was terminated by the parties on March 27, 2019, with the exception of certain indemnification obligations;
- an Employee Matters Agreement with B&N Education, addressing employment, compensation and benefits matters, including the allocation and treatment of assets and liabilities arising out of employee compensation and benefits programs, in which B&N Education employees participated prior to the Spin-Off. This agreement has expired pursuant to its terms; and
- a Trademark License Agreement, pursuant to which the Company grants B&N Education an exclusive license in certain licensed trademarks and a non-exclusive license in other licensed trademarks. The term of the agreement is perpetual after the Spin-Off date.

Summary of Transactions with Barnes & Noble Education, Inc.

During the 52 weeks ended April 27, 2019, the Company charged B&N Education $19,847 for purchases of inventory and direct costs incurred under the agreements discussed above.

As of April 27, 2019, amounts due from B&N Education for book purchases and direct costs incurred under the agreements discussed above were $2,124.

16. Certain Relationships and Related Transactions

The Company believes that the transactions and agreements discussed below (including renewals of any existing agreements) between the Company and related third parties are at least as favorable to the Company as could have been entered into with unrelated parties at the time they were entered into. The Audit Committee of the Board of Directors utilizes procedures in evaluating the terms and provisions of proposed related party transactions or agreements in accordance with the fiduciary duties of directors under Delaware law. The Company's related party transaction procedures contemplate Audit Committee review and approval of all new agreements, transactions or courses of dealing with related parties, including any modifications, waivers or amendments to existing related party transactions. The Company tests to ensure that the terms of related party transactions are at least as favorable to the Company as could have been obtained from unrelated parties at the time of the transaction. The Audit Committee considers, at a minimum, the nature of the relationship between the Company and the related party, the history of the transaction (in the case of modifications, waivers or amendments), the terms of the proposed transaction, the Company's rationale for entering the transaction and the terms of comparable transactions with unrelated third parties. In addition, management and internal audit annually analyze all existing related party agreements and transactions and review them with the Audit Committee.

In fiscal 2010, the Company entered into an Aircraft Time Sharing Agreement with LR Enterprises Management LLC (LR Enterprises), which is owned by Leonard Riggio and Louise Riggio, pursuant to which LR Enterprises granted the Company the right to use a jet aircraft owned by it on a time-sharing basis in accordance with, and subject to the reimbursement of certain operating costs and expenses as provided in, the Federal Aviation Regulations (FAR). Such operating costs were $147, $185 and $153 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively. LR Enterprises is solely responsible for the physical and technical operation of the aircraft, aircraft maintenance and the cost of maintaining aircraft liability insurance, other than insurance obtained for the specific flight as requested by the Company, as provided in the FAR.

The Company has leases for two locations for its corporate offices with related parties: the first location is leased from an entity, in which Leonard Riggio has a majority interest, under a lease expiring in 2023, and the second location is leased from an entity, in which Leonard Riggio has a minority interest, under a lease expiring in 2023. Both locations were rented at an aggregate annual rent, including real estate taxes, of approximately $10,649, $10,503 and $9,637 during fiscal 2019, fiscal 2018 and fiscal 2017, respectively.

William Dillard II is a member of the Company's Board of Directors. Mr. Dillard II serves as a Director at LiveRamp Holdings, Inc., which owns LiveRamp, Inc. (LiveRamp), a marketing data services firm. In fiscal 2018, the Company entered into an agreement to utilize LiveRamp's services. Total fees paid to LiveRamp were $165 and $0 during fiscal 2019 and fiscal 2018, respectively.

17. Dividends

The Company paid a dividend to common stockholders in the amount of $32,874 and $43,638 during fiscal 2019 and fiscal 2018, respectively. The Company declared a dividend to common stockholders in the amount of $43,874 and $43,638 during fiscal 2019 and fiscal 2018, respectively.

18. Severance

On February 13, 2018, the Company announced that it implemented a new labor model for its stores that has resulted in the elimination of certain store positions. In addition, in fiscal 2018 the Company executed home office reductions as part of the Company's strategic initiatives. The Company recorded a charge of $16,212 for aggregate employee-related severance costs in connection with these actions within selling and administrative expenses during fiscal 2018.

19. EBook Settlement

The Company provided credits to eligible customers resulting from the settlement reached with Apple Inc. (Apple) in an antitrust lawsuit filed by various State Attorneys General and private class plaintiffs regarding the price of digital books. The Company's customers were entitled to $95,707 in total credits as a result of the settlement, which was funded by Apple. If a customer's credit was not used to make a purchase by June 24, 2017, the entire credit would have expired. The program concluded on July 1, 2017, through which date the Company's customers had activated $60,397 in credits, of which $56,472 were redeemed. No balances were due from the Apple settlement fund as of April 27, 2019 related to this portion of the program.

On September 7, 2017, the court approved redistribution of remaining funds from the Apple settlement. Customers who redeemed some or all of their credits from the first distribution that concluded on July 1, 2017 were eligible to receive additional credits in October 2017. The Company's customers were entitled to $14,815 in total credits as a result of the redistribution, which were funded by Apple. This program concluded on April 20, 2018, through which date the Company's customers had activated $10,851 in credits, of which $10,249 were redeemed. Total receivables from the Apple settlement fund were $0 and $452 as of April 27, 2019 and April 28, 2018, respectively.

20. CEO Departure

On October 26, 2016, the Company entered into a release agreement (the Release Agreement) with its former Chief Executive Officer, Ronald D. Boire. Under the Release Agreement, Mr. Boire and the Company agreed to release claims against each other in connection with Mr. Boire's termination of employment in exchange for a cash payment contemplated by his employment agreement. In connection with the execution of the Release Agreement, Mr. Boire also agreed to forfeit all equity awards that were granted to him by the Company.

The cash payment in connection with the Release Agreement totaled $4,826. The Company has previously recognized $1,933 in expense relating to the equity awards granted to Mr. Boire during his employment. Taking into account the reversal of those expenses, the Company recorded a net charge related to the cash payment to Mr. Boire in connection with the Release Agreement of $2,892 within selling and administrative expenses during fiscal 2017.

21. Selected Quarterly Financial Information (Unaudited)

A summary of quarterly financial information for fiscal 2019 and fiscal 2018 is as follows:

Fiscal 2019 Quarterly Period Ended On	July 28, 2018	October 27, 2018	January 26, 2019	April 27, 2019	Fiscal Year 2019
Sales	$ 794,776	771,188	1,231,348	755,433	$ 3,552,745
Gross profit	228,072	225,347	397,358	222,243	1,073,020
Net income (loss)	$ (17,038)	(27,394)	66,930	(18,729)	$ 3,769
Basic income (loss) per common share	$ (0.23)	(0.38)	0.91	(0.26)	$ 0.05
Diluted income (loss) per common share	$ (0.23)	(0.38)	0.91	(0.26)	$ 0.05

Fiscal 2018 Quarterly Period Ended On	July 29, 2017	October 28, 2017	January 27, 2018	April 28, 2018	Fiscal Year 2018
Sales	$ 853,316	791,117	1,231,771	786,076	$ 3,662,280
Gross profit	253,481	228,695	400,026	229,001	1,111,203
Net loss	$ (10,778)	(30,094)	(63,536)	(21,072)	$ (125,480)
Basic loss per common share	$ (0.15)	(0.41)	(0.87)	(0.29)	$ (1.73)
Diluted loss per common share	$ (0.15)	(0.41)	(0.87)	(0.29)	$ (1.73)

22. Subsequent Events

Dividends to Stockholders

On June 7, 2019, the Company announced its Board of Directors declared a quarterly cash dividend of $0.15 per share, payable on August 2, 2019 to stockholders of record at the close of business on July 5, 2019.

Merger Agreement

On June 6, 2019, the Company entered into the Merger Agreement to further the consummation of the Merger. The Board of Directors of the Company approved the Merger Agreement and the transactions contemplated thereby following the recommendation of a special committee consisting solely of independent and disinterested directors, to which the Board of Directors of the Company had delegated authority to consider and negotiate the Merger Agreement and the transactions contemplated thereby (including the Voting Agreement and the transactions contemplated thereby).

Subject to the terms and conditions set forth in the Merger Agreement, at the Effective Time, each share of the Company's Common Stock (other than (i) shares of Company Common Stock held by the Company or any of its subsidiaries, including as treasury stock, or by Parent or any of its subsidiaries, including Merger Sub, which will be cancelled and cease to exist, and (ii) shares of Company Common Stock for which stockholders have exercised statutory appraisal rights and which will be entitled to the appraised value thereof, if applicable, pursuant to Section 262 of the DGCL), will be converted into the right to receive the Merger Consideration.

The transaction is expected to close in the third quarter of calendar year 2019, and is subject to certain mutual conditions, including (i) the adoption of the Merger Agreement by the holders of at least a majority of the aggregate voting power of the outstanding shares of Company Common Stock, voting together as a single class; (ii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and (iii) the absence of any order or law that has the effect of enjoining or otherwise prohibiting the consummation of the Merger. The obligation of each party to consummate the Merger is also conditioned upon (i) the accuracy of the representations and warranties of the other party as of the date of the Merger Agreement and as of the closing (subject to customary materiality qualifiers) and (ii) the compliance by the other party in all material respects with its pre-closing obligations under the Merger Agreement. Parent's and Merger Sub's respective obligations to consummate the Merger are also conditioned upon the absence of a Company Material Adverse Effect (as defined in the Merger Agreement). Closing of the Merger is not subject to a financing condition.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Barnes & Noble, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Barnes & Noble, Inc. (the "Company") as of April 27, 2019 and April 28, 2018, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended April 27, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at April 27, 2019 and April 28, 2018, and the results of its operations and its cash flows for each of the three years in the period ended April 27, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of April 27, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated June 19, 2019 expressed an unqualified opinion thereon.

Adoption of ASU No. 2014-09

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for recognizing revenue as a result of the adoption of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and the amendments in ASUs 2015-14, 2016-08, 2016-10 and 2016-12 effective April 29, 2018.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.
New York, New York
June 19, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Barnes & Noble, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Barnes & Noble, Inc.'s internal control over financial reporting as of April 27, 2019, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Barnes & Noble, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of April 27, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated balance sheets of the Company as of April 27, 2019 and April 28, 2018, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended April 27, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a), and our report dated June 19, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

New York, New York
June 19, 2019

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Barnes & Noble, Inc. is responsible for the contents of the Consolidated Financial Statements, which are prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements necessarily include amounts based on judgments and estimates. Financial information elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

The Company maintains a comprehensive accounting system, which includes controls designed to provide reasonable assurance as to the integrity and reliability of the financial records and the protection of assets. An internal audit staff is employed to regularly test and evaluate both internal accounting controls and operating procedures, including compliance with the Company's statement of policy regarding ethical and lawful conduct. The Audit Committee of the Board of Directors composed of directors who are not members of management, meets regularly with management, the independent registered public accountants and the internal auditors to ensure that their respective responsibilities are properly discharged. Ernst & Young LLP and the Internal Audit Department of the Company have full and free independent access to the Audit Committee. The role of Ernst & Young LLP, an independent registered public accounting firm, is to provide an objective examination of the Consolidated Financial Statements and the underlying transactions in accordance with the standards of the Public Company Accounting Oversight Board. The report of Ernst & Young LLP accompanies the Consolidated Financial Statements.

OTHER INFORMATION

The Company has included the Section 302 certifications of the Members of the Office of the Chief Executive Officer and the Chief Financial Officer of the Company as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for fiscal 2019 filed with the Securities and Exchange Commission, and the Company will submit to the New York Stock Exchange a certificate of the Members of the Office of the Chief Executive Officer of the Company certifying that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

Exhibit 21.1

Significant Subsidiaries of Barnes & Noble, Inc.

1. Barnes & Noble Booksellers, Inc., a Delaware corporation.
2. Barnes & Noble Marketing Services LLC, a Virginia limited liability company.
3. Barnes & Noble Purchasing, Inc., a New York corporation.
4. Barnes & Noble Services, Inc., a New York corporation.
5. NOOK Digital, LLC, a Delaware limited liability company.
6. Sterling Publishing Co., Inc., a Delaware corporation.
7. Barnes & Noble Café LLC, a Delaware limited liability company.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

Registration Statement (Form S-8 No. 333-27033, No. 33-89260, No. 333-90538, No. 333-116382, No. 333-59111 and No. 333-183869) pertaining to the Employees' Savings Plan of Barnes & Noble, Inc.;

of our reports dated June 19, 2019, with respect to the consolidated financial statements and schedule of Barnes & Noble, Inc. and the effectiveness of internal control over financial reporting of Barnes & Noble, Inc. included in this Annual Report (Form 10-K) of Barnes & Noble, Inc. for the year ended April 27, 2019.

/s/ ERNST & YOUNG LLP

New York, New York
June 19, 2019

Exhibit 31.1

CERTIFICATION BY THE
CHIEF FINANCIAL OFFICER AND A MEMBER OF THE OFFICE OF THE
CHIEF EXECUTIVE OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allen W. Lindstrom, certify that:

1. I have reviewed this report on Form 10-K of Barnes & Noble, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 19, 2019

By: /s/ Allen W. Lindstrom

Allen W. Lindstrom
Chief Financial Officer and a Member of the
Office of the Chief Executive Officer
Barnes & Noble, Inc.

Exhibit 31.2

CERTIFICATION BY A
MEMBER OF THE OFFICE OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tim Mantel, certify that:

1. I have reviewed this report on Form 10-K of Barnes & Noble, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 19, 2019

By: /s/ Tim Mantel

Tim Mantel
Chief Merchandising Officer and a Member of the Office of the Chief Executive Officer Barnes & Noble, Inc.

Exhibit 32.1

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER AND A MEMBER OF THE OFFICE OF
THE CHIEF EXECUTIVE OFFICER
PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Barnes & Noble, Inc. (the "Company") on Form 10-K for the period ended April 27, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Allen W. Lindstrom, Chief Financial Officer and a Member of the Office of the Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Allen W. Lindstrom
Allen W. Lindstrom
Chief Financial Officer and a Member of the Office of the Chief Executive Officer
Barnes & Noble, Inc.
June 19, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF A MEMBER OF THE OFFICE OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Barnes & Noble, Inc. (the "Company") on Form 10-K for the period ended April 27, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tim Mantel, Chief Merchandising Officer and a Member of the Office of the Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tim Mantel
Tim Mantel
Chief Merchandising Officer and a Member of the Office of the Chief Executive Officer
Barnes & Noble, Inc.
June 19, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.