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

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 26, 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)**

(212) 633-3300
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 Exchange Act). Yes ☐ No ☒

As of February 28, 2019, 73,195,430 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.

BARNES & NOBLE, INC. AND SUBSIDIARIES

Fiscal Quarter Ended January 26, 2019

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PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

BARNES & NOBLE, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Sales	$ 1,231,348	1,231,771	$ 2,797,312	2,876,204
Cost of sales and occupancy	833,990	831,745	1,946,535	1,994,002
Gross profit	397,358	400,026	850,777	882,202
Selling and administrative expenses	269,442	271,220	717,489	767,243
Depreciation and amortization	26,622	28,245	74,955	81,842
Asset impairments	22,067	135,436	22,067	135,436
Operating income (loss)	79,227	(34,875)	36,266	(102,319)
Interest expense, net and amortization of deferred financing fees	3,372	2,536	10,056	7,254
Income (loss) before taxes	75,855	(37,411)	26,210	(109,573)
Income tax provision (benefit)	8,925	26,125	3,712	(5,165)
Net income (loss)	$ 66,930	(63,536)	$ 22,498	(104,408)
Income (loss) per common share:				
Basic	$ 0.91	(0.87)	$ 0.31	(1.44)
Diluted	$ 0.91	(0.87)	$ 0.31	(1.44)
Weighted average common shares outstanding:				
Basic	73,022	72,649	72,881	72,566
Diluted	73,317	72,649	73,075	72,566
Dividends declared per common share	$ 0.15	0.15	$ 0.45	0.45

See accompanying notes to consolidated financial statements.

BARNES & NOBLE, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(unaudited)

	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Net income (loss)	$ 66,930	(63,536)	$ 22,498	(104,408)
Other comprehensive income (loss), net of tax	—	—	—	—
Total comprehensive income (loss)	$ 66,930	(63,536)	$ 22,498	(104,408)

See accompanying notes to consolidated financial statements.

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BARNES & NOBLE, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except per share data)

	January 26, 2019 (unaudited)	January 27, 2018 (unaudited)	April 28, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	$ 15,863	11,500	10,769
Receivables, net	62,246	62,952	64,562
Merchandise inventories, net	1,000,306	975,055	958,196
Prepaid expenses and other current assets	68,178	79,175	65,153
Total current assets	1,146,593	1,128,682	1,098,680
Property and equipment:			
Land and land improvements	2,541	2,541	2,541
Buildings and leasehold improvements	1,062,749	1,075,491	1,080,952
Fixtures and equipment	1,538,834	1,650,352	1,523,485
	2,604,124	2,728,384	2,606,978
Less accumulated depreciation and amortization	2,358,560	2,466,032	2,351,454
Net property and equipment	245,564	262,352	255,524
Goodwill	71,593	73,769	71,593
Intangible assets, net	303,732	309,757	309,649
Other non-current assets	16,667	13,285	14,122
Total assets	$ 1,784,149	1,787,845	1,749,568
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 510,532	490,886	458,896
Accrued liabilities	271,623	285,598	260,209
Gift card liabilities	239,296	358,609	323,465
Total current liabilities	1,021,451	1,135,093	1,042,570
Long-term debt	129,251	59,805	158,700
Deferred taxes	72,147	58,118	52,044
Other long-term liabilities	87,802	91,712	84,271
Shareholders' equity:			
Common stock; $0.001 par value; 300,000 shares authorized; 112,763, 112,238 and 112,238 shares issued, respectively	112	112	112
Additional paid-in capital	1,752,646	1,747,478	1,749,555
Accumulated other comprehensive income	276	315	276
Retained earnings	(156,965)	(183,064)	(216,236)
Treasury stock, at cost, 39,738, 39,585 and 39,585 shares, respectively	(1,122,571)	(1,121,724)	(1,121,724)
Total shareholders' equity	473,498	443,117	411,983
Commitments and contingencies	—	—	—
Total liabilities and shareholders' equity	$ 1,784,149	1,787,845	1,749,568

See accompanying notes to consolidated financial statements.

BARNES & NOBLE, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Shareholders' Equity
For the 39 weeks ended January 26, 2019
(In thousands)
(unaudited)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Gains	Retained Earnings	Treasury Stock, at Cost	Total
Balance at April 28, 2018	$ 112	1,749,555	276	(216,236)	(1,121,724)	$411,983
Net income	—	—	—	22,498	—	22,498
Stock-based compensation expense	—	3,091	—	—	—	3,091
Cash dividends declared/paid	—	—	—	(32,874)	—	(32,874)
Accrued dividends for long-term incentive awards	—	—	—	(397)	—	(397)
Purchase of treasury stock related to stock-based compensation, 153 shares	—	—	—	—	(847)	(847)
Adoption of ASU 2014-09 (see Note 1 and Note 4)	—	—	—	70,044	—	70,044
Balance at January 26, 2019	$ 112	1,752,646	276	(156,965)	(1,122,571)	$473,498

See accompanying notes to consolidated financial statements.

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BARNES & NOBLE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	39 weeks ended	
	January 26, 2019	January 27, 2018
Cash flows from operating activities:		
Net income (loss)	$ 22,498	(104,408)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization (including amortization of deferred financing fees)	76,515	83,306
Stock-based compensation expense	3,091	4,788
Impairment charges	22,067	135,436
Deferred taxes	—	(25,667)
Loss on disposal of property and equipment	699	589
Net increase (decrease) in other long-term liabilities	1,474	(7,599)
Net (increase) decrease in other non-current assets	255	(3,614)
Changes in operating assets and liabilities, net	26,291	25,302
Net cash flows provided by operating activities	152,890	108,133
Cash flows from investing activities:		
Purchases of property and equipment	(79,722)	(69,971)
Net cash flows used in investing activities	(79,722)	(69,971)
Cash flows from financing activities:		
Proceeds from credit facility	912,025	877,822
Payments on credit facility	(941,474)	(882,917)
Cash dividends paid	(32,874)	(32,719)
Purchase of treasury stock related to stock-based compensation	(847)	(653)
Payment of amended credit facility related fees	(4,425)	—
Cash dividends paid for long-term incentive awards	(479)	(188)
Net cash flows used in financing activities	(68,074)	(38,655)
Net increase (decrease) in cash and cash equivalents	5,094	(493)
Cash and cash equivalents at beginning of period	10,769	11,993
Cash and cash equivalents at end of period	$ 15,863	11,500
Changes in operating assets and liabilities, net:		
Receivables, net	$ 2,316	4,342
Merchandise inventories, net	(42,110)	(28,146)
Prepaid expenses and other current assets	(3,025)	22,641
Accounts payable, accrued liabilities and gift card liabilities	69,110	26,465
Changes in operating assets and liabilities, net	$ 26,291	25,302
Supplemental cash flow information		
Cash paid during the period for:		
Interest	$ 8,688	5,729
Income taxes (net of refunds)	$ 187	(1,416)
Non-cash financing activity:		
Accrued dividends for long-term incentive awards	$ 1,155	938

See accompanying notes to consolidated financial statements.

BARNES & NOBLE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the 39 weeks ended January 26, 2019 and January 27, 2018
(Thousands of dollars, except per share data)
(unaudited)

The unaudited consolidated financial statements include the accounts of Barnes & Noble, Inc. and its subsidiaries (collectively, Barnes & Noble or the Company).

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements of the Company contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its consolidated financial position as of January 26, 2019 and the results of its operations for the 13 and 39 weeks and its cash flows for the 39 weeks then ended. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the 52 weeks ended April 28, 2018 (fiscal 2018).

Due to the seasonal nature of the business, the results of operations for the 39 weeks ended January 26, 2019 are not indicative of the results expected for the 52 weeks ending April 27, 2019 (fiscal 2019).

1. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (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.

	13 Weeks Ended January 26, 2019			39 Weeks Ended January 26, 2019		
	As Reported	Balances Without Adoption of Topic 606	Impact of Adoption Increase (Decrease)	As Reported	Balances Without Adoption of Topic 606	Impact of Adoption Increase (Decrease)
Sales	$ 1,231,348	1,239,399	(8,051)	$ 2,797,312	2,807,015	(9,703)
Cost of sales and occupancy	833,990	833,990	—	1,946,535	1,946,535	—
Gross profit	$ 397,358	405,409	(8,051)	$ 850,777	860,480	(9,703)

	January 26, 2019		
	As Reported	Balances Without Adoption of Topic 606	Impact of Adoption Increase (Decrease)
Assets			
Prepaid expenses and other current assets	$ 68,178	68,449	(271)
Liabilities and Shareholders' Equity			
Accrued liabilities	$ 271,623	270,516	1,107
Gift card liabilities	$ 239,296	319,739	(80,443)
Deferred taxes	$ 72,147	52,044	20,103
Retained earnings	$ (156,965)	(218,684)	61,719

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 result in a significant increase to its long-term assets and liabilities on its consolidated balance sheet. However, the Company does not expect adoption will have a material impact on its consolidated statement of operations and cash flows.

2. Asset Impairments

The following table summarizes the Company's asset impairment charges for the 13 and 39 weeks ended January 26, 2019 and January 27, 2018.

	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Store impairment	$ 16,473	1,824	$ 16,473	1,824
Publishing contracts impairment	5,594	—	5,594	—
Goodwill impairment	—	133,612	—	133,612
Total Asset Impairments	$ 22,067	135,436	$ 22,067	135,436

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 (November) of each fiscal year. During the 13 weeks ended January 26, 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 13 weeks ended January 27, 2018.

The Company completed its annual other unamortizable intangible assets impairment test 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 13 weeks ended January 26, 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 $16,473 and $1,824 for the 13 and 39 weeks ended January 26, 2019 and January 27, 2018, respectively.

3. 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.

4. 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	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Media (a)	63%	66%	67%	69%
Digital (b)	2%	2%	2%	3%
Other (c)	35%	32%	31%	28%
Total	100%	100%	100%	100%

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

5. 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.

6. 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. The Company capitalized costs, primarily related to labor, consulting, hardware and software, of $9,604 and $12,843 during the 39 weeks ended January 26, 2019 and January 27, 2018, respectively. Amortization of previously capitalized amounts was $5,695 and $5,543 during the 13 weeks ended January 26, 2019 and January 27, 2018, respectively, and $17,382 and $16,388 during the 39 weeks ended January 26, 2019 and January 27, 2018, respectively. Costs related to the design or maintenance of internal-use software and website development are expensed as incurred.

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 the 13 and 39 weeks ended January 27, 2018, participating securities in the amounts of 142,237 and 123,066, respectively, 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 294,874, 56,776, 193,804 and 44,279 for the 13 weeks ended January 26, 2019 and January 27, 2018 and the 39 weeks ended January 26, 2019 and January 27, 2018, 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:

	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Numerator for basic income (loss) per share:				
Net income (loss)	$ 66,930	(63,536)	$ 22,498	(104,408)
Less allocation of dividends to participating securities	(25)	(21)	(69)	(59)
Less allocation of undistributed earnings to participating securities	(130)	—	—	—
Net income (loss) available to common shareholders	$ 66,775	(63,557)	$ 22,429	(104,467)
Numerator for diluted income (loss) per share:				
Net income (loss) available to common shareholders	$ 66,775	(63,557)	$ 22,429	(104,467)
Allocation of undistributed earnings to participating securities	130	—	—	—
Less diluted allocation of undistributed earnings to participating securities	(129)	—	—	—
Net income (loss) available to common shareholders	$ 66,776	(63,557)	$ 22,429	(104,467)

	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Denominator for basic income (loss) per share:				
Basic weighted average common shares	73,022	72,649	72,881	72,566
Denominator for diluted income (loss) per share:				
Basic weighted average common shares	73,022	72,649	72,881	72,566
Average dilutive options	—	—	—	—
Average dilutive non-participating securities	295	—	194	—
Diluted weighted average common shares	73,317	72,649	73,075	72,566
Income (loss) per common share:				
Basic	$ 0.91	(0.87)	$ 0.31	(1.44)
Diluted	$ 0.91	(0.87)	$ 0.31	(1.44)

8. Segment Reporting

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

B&N Retail

This segment includes 627 bookstores as of January 26, 2019, primarily under the Barnes & Noble Booksellers trade name. These Barnes & Noble stores generally offer a comprehensive trade book title base, a café, and departments dedicated to Kids, Toys & Games, DVDs, Music & Vinyl, Gift, Magazine, 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 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	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
B&N Retail	$1,214,552	1,210,417	$2,743,455	2,810,162
NOOK	24,372	30,930	71,405	86,394
Elimination (a)	(7,576)	(9,576)	(17,548)	(20,352)
Total	$1,231,348	1,231,771	$2,797,312	2,876,204

Depreciation and Amortization	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
B&N Retail	$ 24,347	25,295	$ 67,513	72,491
NOOK	2,275	2,950	7,442	9,351
Total	$ 26,622	28,245	$ 74,955	81,842

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Operating Income (Loss)	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
B&N Retail	$ 83,517	(33,546)	$ 42,407	(95,367)
NOOK	(4,290)	(1,329)	(6,141)	(6,952)
Total	$ 79,227	(34,875)	$ 36,266	(102,319)

Capital Expenditures	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
B&N Retail	$ 26,528	18,833	$ 75,507	64,777
NOOK	1,348	1,606	4,215	5,194
Total	$ 27,876	20,439	$ 79,722	69,971

Total Assets (b)	January 26, 2019	January 27, 2018
B&N Retail	$ 1,756,713	1,761,571
NOOK	27,436	26,274
Total	$ 1,784,149	1,787,845

(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:

	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Reportable segments operating income (loss)	$ 79,227	(34,875)	$ 36,266	(102,319)
Interest expense, net and amortization of deferred financing fees	3,372	2,536	10,056	7,254
Consolidated income (loss) before taxes	$ 75,855	(37,411)	$ 26,210	(109,573)

9. Intangible Assets and Goodwill

		As of January 26, 2019		
Amortizable Intangible Assets	Useful Life	Gross Carrying Amount	Accumulated Amortization	Total
Other	3-10	$ 6,611	(6,579)	$ 32
		$ 6,611	(6,579)	$ 32

Unamortizable Intangible Assets (a)	Trade name	Publishing contracts	Total
Balance at January 27, 2018	$ 293,400	$ 15,894	$309,294
Impairment	—	(5,594)	(5,594)
Balance at January 26, 2019	$ 293,400	$ 10,300	$303,700
Total amortizable and unamortizable intangible assets as of January 26, 2019			$303,732

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Amortizable Intangible Assets	Useful Life	As of January 27, 2018 Gross Carrying Amount	Accumulated Amortization	Total
Technology	5-10	$ 10,710	(10,303)	$ 407
Other	3-10	6,524	(6,468)	56
		$ 17,234	(16,771)	$ 463

Unamortizable Intangible Assets (a)	
Trade name	$293,400
Publishing contracts	15,894
	$309,294
Total amortizable and unamortizable intangible assets as of January 27, 2018	$309,757

(a) See Note 3 to these Consolidated Financial Statements.

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

Aggregate Amortization Expense	
For the 39 weeks ended January 26, 2019	$388
For the 39 weeks ended January 27, 2018	$514

Estimated Amortization Expense	
(12 months ending on or about April 30)	
2019	$404
2020	$ 16

The carrying amounts of goodwill, which relate to the B&N Retail reporting unit, was $71,593 and $73,769 as of January 26, 2019 and January 27, 2018, respectively. See Note 3 to these Consolidated Financial Statements.

10. 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 the 39 weeks ended January 26, 2019:

	Total Company
Gift card liabilities balance as of April 28, 2018	$ 323,465
Adoption of Topic 606	(90,147)
Gift card breakage	(36,304)
Gift card redemptions	(189,527)
Gift card issuances	231,809
Gift card liabilities balance as of January 26, 2019	$ 239,296

The Company recognized gift card breakage of $28,258 and $27,496 during the 13 weeks ended January 26, 2019 and January 27, 2018, respectively, and $36,304 and $37,224 during the 39 weeks ended January 26, 2019 and January 27, 2018, respectively.

11. 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 January 26, 2019, January 27, 2018 and April 28, 2018:

	January 26, 2019	January 27, 2018	April 28, 2018
Deferred rent	$ 51,747	52,087	50,720
Insurance liabilities	12,675	13,498	12,589
Asset retirement obligations	15,055	13,207	11,629
Tax liabilities and reserves	5,124	8,711	5,124
Other	3,201	4,209	4,209
Total other long-term liabilities	$ 87,802	91,712	84,271

12. Income Taxes

The Company recorded an income tax provision of $8,925 on a pre-tax income of $75,855 during the 13 weeks ended January 26, 2019, which represented an effective income tax rate of 11.8%. The Company recorded an income tax provision of $26,125 on a pre-tax loss of $37,411 during the 13 weeks ended January 27, 2018, which represented an effective income tax rate of (69.8)%.

The Company recorded an income tax provision of $3,712 on a pre-tax income of $26,210 during the 39 weeks ended January 26, 2019, which represented an effective income tax rate of 14.2%. The Company recorded an income tax benefit of $5,165 on a pre-tax loss of $109,573 during the 39 weeks ended January 27, 2018, which represented an effective income tax rate of 4.7%.

The Company's effective tax rates for the 13 and 39 weeks ended January 26, 2019 differ from the statutory rates due to the impact of permanent items such as meals and entertainment, non-deductible executive compensation, tax credits, changes in uncertain tax positions, expected changes in valuation allowance based on forecasted full year income and state tax provision, net of federal benefit. The Company's effective tax rates for the 13 and 39 weeks ended January 27, 2018 differ from the statutory rates 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.

During the 13 weeks ended January 26, 2019 and January 27, 2018 and the 39 weeks ended January 26, 2019 and January 27, 2018, the Company recognized tax expense of $8, $11, $722 and $915, respectively, in accordance with ASU 2016-09, *Compensation – Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting*, which requires all excess tax benefits or deficiencies from share-based payments to be recognized as income tax expense or benefit in the consolidated statement of operations as discrete in the reporting period in which they occur.

The Company believes that it is reasonably possible that approximately $477 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.

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, were recorded in the Company's financial statements during fiscal year end 2018 as a provisional estimate under the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin No. 118 (SAB 118), which allowed registrants to record provisional amounts during a one year "measurement period" similar to that used when accounting for business combinations.

Items for which a reasonable estimate was determined include the impact of the change in the corporate tax rate from 35% to 21% and the changes to the non-deductible executive compensation provisions. The Company recorded a benefit of $27,128 on the remeasurement of its deferred tax assets and liabilities during fiscal 2018. During fiscal 2018, the Company also recorded a net tax detriment as a result of the changes to the non-deductible executive compensation provisions. The IRS issued Notice 2018-68 during the second quarter of fiscal 2019, which clarified the transition rule. As a result, there have been no significant changes. 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. The Company was not subject to the transition tax as there were no untaxed foreign earnings.

Valuation Allowance Considerations

The Company routinely performs an analysis of its deferred tax assets and considers all evidence both positive and negative to determine realizability of these assets. As a result of the Company's analysis, $3,894 of previously established valuation allowance against definite lived net operating losses was released through retained earnings as a direct result of the Company's adoption of Topic 606 during the first quarter of fiscal 2019. The Company still maintains a valuation allowance against certain state items and definite lived net operating losses that was recorded in prior periods.

13. 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.

14. Credit Facility

On August 3, 2015, the Company and certain of its subsidiaries entered into a credit agreement (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 (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 Amended 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 Amended 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 Amended 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 13 weeks ended July 28, 2018 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 $129,251 and $59,805 of outstanding debt under the Credit Facility as of January 26, 2019 and January 27, 2018, respectively. The Company had $33,213 and $35,233 of outstanding letters of credit under the Credit Facility as of January 26, 2019 and January 27, 2018, respectively.

15. Stock-Based Compensation

For the 13 and 39 weeks ended January 26, 2019 and January 27, 2018, the Company recognized stock-based compensation expense in selling and administrative expenses as follows:

	13 weeks ended		39 weeks ended	
	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Restricted Stock Expense	$ 284	250	$ 701	697
Restricted Stock Units Expense	679	1,032	1,767	3,020
Performance-Based Stock Unit Expense	425	374	623	1,071
Stock-Based Compensation Expense	$ 1,388	1,656	$ 3,091	4,788

16. 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 $2,283 and $2,660 for the 13 weeks ended January 26, 2019 and January 27, 2018, respectively, and $7,433 and $8,498 for the 39 weeks ended January 26, 2019 and January 27, 2018, respectively.

17. 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 during the 13 and 39 weeks ended January 26, 2019 and January 27, 2018. The Company has remaining capacity of $50,000 under the repurchase program as of January 26, 2019.

As of January 26, 2019, the Company has repurchased 39,737,720 shares at a cost of approximately $1,087,913 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 Company's Board of Directors approved the adoption of a short-term stockholder rights plan (Rights Plan) with an expiration date of October 2, 2019 and ownership trigger threshold of 20%. In connection with the Rights Plan, the Company's Board of Directors authorized and declared a dividend, payable to 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, 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 common shares 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 common shares outstanding, in each case, without prior approval of the Company's Board of Directors, each holder of a Right (other than acquiring person or group 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, a number of common shares having a market value of twice the Purchase Price. The complete terms of the Rights are set forth in a Rights Agreement (Rights Agreement) dated as of October 3, 2018, between the Company and Computershare Trust Company, N.A., as rights agent. The Rights expire on October 2, 2019 or upon an earlier redemption or exchange as provided in the Rights Agreement.

18. 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.

PIN Pad Litigation

As previously disclosed, the Company discovered that PIN pads in certain of its stores had been tampered with to allow criminal access to card data and PIN numbers on credit and debit cards swiped through the terminals. Following public disclosure of this matter on October 24, 2012, the Company was served with four putative class action complaints (three in federal district court in the Northern District of Illinois and one in the Northern District of California), each of which alleged on behalf of national and other classes of customers who swiped credit and debit cards in Barnes & Noble Retail stores common law claims such as negligence, breach of contract and invasion of privacy, as well as statutory claims such as violations of the Fair Credit Reporting Act, state data breach notification statutes, and state unfair and deceptive practices statutes. The actions sought various forms of relief including damages, injunctive or equitable relief, multiple or punitive damages, attorneys' fees, costs, and interest. All four cases were transferred and/or assigned to a single judge in the United States District Court for the Northern District of Illinois, and a single consolidated amended complaint was filed. The Company filed a motion to dismiss the consolidated amended complaint in its entirety, and in September 2013, the Court granted the motion to dismiss without prejudice. Plaintiffs then filed an amended complaint, and the Company filed a second motion to dismiss. On October 3, 2016, the Court granted the second motion to dismiss, and dismissed the case without prejudice; in doing so, the Court permitted Plaintiffs to file a second amended complaint by October 31, 2016. On October 31, 2016, Plaintiffs filed a second amended complaint, and on January 25, 2017, the Company filed a motion to dismiss the second amended complaint. On June 13, 2017, the Court granted the Company's motion to dismiss with prejudice. Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Seventh Circuit. On April 11, 2018, the Court of Appeals reversed the District Court's decision granting the motion to dismiss the case, and remanded the case to the District Court for further proceedings. The Company filed with the Court of Appeals a petition for rehearing and rehearing en banc; that petition was denied on May 10, 2018. The case is currently pending in the District Court.

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 24 former Café Managers who have joined the action as opt-in plaintiffs.

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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.

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. The Court held an initial conference on November 13, 2018. The Court adopted the parties' proposed scheduling order, which provides, inter alia, that discovery will be completed by June 14, 2019, that dispositive motions will be completed by August 23, 2019, and that the parties will be ready for trial on or after October 23, 2019. On December 21, 2018, the plaintiff moved to dismiss the Company's faithless servant counterclaim, and the Company filed an opposition on January 18, 2019. The plaintiff has also filed a motion for advancement of 50% of his attorneys' fees and expenses incurred in defending against the Company's counterclaims. The Company filed an opposition to that motion on February 15, 2019. The plaintiff filed reply papers on March 1, 2019.

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 until April 2, 2019 to answer, move or otherwise respond to the complaint.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

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

Credit Facility

On August 3, 2015, the Company and certain of its subsidiaries entered into a credit agreement (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 (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 Amended 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 Amended 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 Amended Credit Agreement also contains customary affirmative covenants and representations and warranties.

The Company wrote off $0.3 million of deferred financing fees related to the Credit Facility during the 13 weeks ended July 28, 2018 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.

The Company had $129.3 million and $59.8 million of outstanding debt under the Credit Facility as of January 26, 2019 and January 27, 2018, respectively. The Company had $33.2 million and $35.2 million of outstanding letters of credit under the Credit Facility as of January 26, 2019 and January 27, 2018, respectively.

Cash Flows

The Company's cash and cash equivalents were $15.9 million as of January 26, 2019, compared with $11.5 million as of January 27, 2018. The increase in cash and cash equivalents of $4.4 million as compared to the prior year period was due to changes in working capital and cash flows as outlined below.

Net cash flows provided by operating activities were $152.9 million for the 39 weeks ended January 26, 2019 as compared to $108.1 million for the 39 weeks ended January 27, 2018. The favorable year-over-year comparison was primarily attributable to higher earnings and the timing of purchases.

Net cash flows used in investing activities were $79.7 million for the 39 weeks ended January 26, 2019 as compared to $70.0 million for the 39 weeks ended January 27, 2018. The increase was primarily related to an increase in capital expenditures related to new stores and merchandising initiatives.

Net cash flows used in financing activities were $68.1 million for the 39 weeks ended January 26, 2019 as compared to $38.7 million for the 39 weeks ended January 27, 2018. The increase was primarily related to repayment of debt and bank fees related to the Amended Credit Facility.

Over the past 12 months, the Company has returned $43.8 million in cash to its shareholders through dividends.

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

- Receivables, net decreased $0.7 million, or 1.1%, to $62.2 million as of January 26, 2019, compared to $63.0 million as of January 27, 2018.
- Merchandise inventories, net increased $25.3 million, or 2.6%, to $1.000 billion as of January 26, 2019, compared to $975.1 million as of January 27, 2018 as the Company increased its non-book in-stock position.
- Prepaid expenses and other current assets decreased $11.0 million, or 13.9%, to $68.2 million as of January 26, 2019, compared to $79.2 million as of January 27, 2018, primarily related to income taxes.
- Property and equipment, net decreased $16.8 million, or 6.4%, to $245.6 million as of January 26, 2019, compared to $262.4 million as of January 27, 2018, due to a store impairment charge of $16.5 million during the 13 weeks ended January 26, 2019.
- Intangible assets, net decreased $6.0 million, or 1.9%, to $303.7 million as of January 26, 2019, compared to $309.8 million as of January 27, 2018, due to a publishing contracts impairment charge of $5.6 million during the 13 weeks ended January 26, 2019.
- Other non-current assets increased $3.4 million, or 25.5%, to $16.7 million as of January 26, 2019, compared to $13.3 million as of January 27, 2018, related to income taxes and net increase in deferred financing fees related to the Credit Facility amendment.

- Accounts payable increased $19.6 million, or 4.0%, to $510.5 million as of January 26, 2019, compared to $490.9 million as of January 27, 2018. Accounts payable represented 51.0% and 50.3% of merchandise inventories as of January 26, 2019 and January 27, 2018, respectively. This ratio is subject to changes in product mix and the timing of purchases, payments and returns.
- Accrued liabilities decreased $14.0 million, or 4.9%, to $271.6 million as of January 26, 2019, compared to $285.6 million as of January 27, 2018. Accrued liabilities include deferred income, compensation, occupancy related, legal and other selling and administrative miscellaneous accruals.
- Gift card liabilities decreased $119.3 million, or 33.3%, to $239.3 million as of January 26, 2019, compared to $358.6 million as of January 27, 2018, due primarily to the adoption of Topic 606. The Company recognized gift card breakage of $28.3 million and $27.5 million during the 13 weeks ended January 26, 2019 and January 27, 2018, respectively, and $36.3 million and $37.2 million during the 39 weeks ended January 26, 2019 and January 27, 2018, respectively.
- Other long-term liabilities decreased $3.9 million, or 4.3%, to $87.8 million as of January 26, 2019, compared to $91.7 million as of January 27, 2018, primarily due to lower tax reserves.

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.

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.

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. Additionally, the Company has been able to partially mitigate the impact of the sales decline on profit levels through cost reductions. More recently, the Company began to reinvest some of its cost savings into growing the business, including the launch of a new advertising campaign and increased promotional offers, which contributed to a comparable store sales increase during the third quarter. While the Company believes it has lost share on its recent sales performance, it sees opportunities in an industry that has become more stable.

To improve its performance, the Company has initiated a multi-year strategic plan, focused on strengthening the core business by enhancing the customer value proposition; improving profitability through an aggressive expense management program, which will be redeployed to fund growth initiatives; accelerating execution through simplification; 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 in stores. The Company believes there is opportunity to increase conversion through higher customer engagement and by improving navigation and discovery throughout the store.

In-store events also drive traffic, reinforcing Barnes & Noble as a destination where customers can meet, browse and discover. 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 has 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.

Results of Operations

The following tables summarize the Company's results of operations for the 13 and 39 weeks ended January 26, 2019 compared with the 13 and 39 weeks ended January 27, 2018.

Sales

	13 weeks ended				39 weeks ended			
Dollars in thousands	January 26, 2019	% of Total	January 27, 2018	% of Total	January 26, 2019	% of Total	January 27, 2018	% of Total
B&N Retail	$1,214,552	98.6%	$1,210,417	98.3%	$2,743,455	98.1%	$2,810,162	97.7%
NOOK	24,372	2.0%	30,930	2.5%	71,405	2.6%	86,394	3.0%
Elimination	(7,576)	(0.6)%	(9,576)	(0.8)%	(17,548)	(0.6)%	(20,352)	(0.7)%
Total Sales	$1,231,348	100.0%	$1,231,771	100.0%	$2,797,312	100.0%	$2,876,204	100.0%

During the 13 weeks ended January 26, 2019, the Company's sales decreased $0.4 million, or 0.0%, to $1.231 billion from $1.232 billion during the 13 weeks ended January 27, 2018. The changes by segment are as follows:

- B&N Retail sales increased $4.1 million, or 0.3%, to $1.215 billion for the 13 weeks ended January 26, 2019 from $1.210 billion during the same period one year ago, and accounted for 98.6% of total Company sales. Comparable store sales increased $11.5 million, or 1.1%, as non-book categories increased sales by $19.1 million, or 4.9%, while book categories decreased sales by $7.6 million, or 1.2%. New stores increased sales by $5.5 million, while closed stores decreased sales by $11.8 million. Online sales decreased $2.4 million, or 2.3%, as compared to the prior year.
- NOOK sales decreased $6.6 million, or 21.2%, to $24.4 million during the 13 weeks ended January 26, 2019 from $30.9 million during the 13 weeks ended January 27, 2018, and accounted for 2.0% of total Company sales.
- Elimination sales, which represent sales from NOOK to B&N Retail on a sell-through basis, decreased $2.0 million, or 20.9%, as compared to the prior year. NOOK sales, net of elimination, accounted for 1.4% of total Company sales.

During the 13 weeks ended January 26, 2019, the Company had two store openings and five store closings.

During the 39 weeks ended January 26, 2019, the Company's sales decreased $78.9 million, or 2.7%, to $2.797 billion from $2.876 billion during the 39 weeks ended January 27, 2018. The changes by segment are as follows:

- B&N Retail sales decreased $66.7 million, or 2.4%, to $2.743 billion for the 39 weeks ended January 26, 2019 from $2.810 billion during the same period one year ago, and accounted for 98.1% of total Company sales. Comparable store sales decreased $41.2 million, or 1.7%, as book categories decreased sales by $56.3 million, or 3.7%, while non-book categories increased sales by $15.1 million, or 1.8%. Closed stores decreased sales by $24.2 million, while new stores increased sales by $9.3 million. Online sales decreased $14.8 million, or 6.7%, as compared to the prior year.
- NOOK sales decreased $15.0 million, or 17.3%, to $71.4 million during the 39 weeks ended January 26, 2019 from $86.4 million during the 39 weeks ended January 27, 2018, 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 $2.8 million, or 13.8%, as compared to the prior year. NOOK sales, net of elimination, accounted for 1.9% of total Company sales.

During the 39 weeks ended January 26, 2019, the Company had four store openings and seven store closings.

Cost of Sales and Occupancy

	13 weeks ended				39 weeks ended			
Dollars in thousands	January 26, 2019	% of Sales	January 27, 2018	% of Sales	January 26, 2019	% of Sales	January 27, 2018	% of Sales
B&N Retail	$ 827,698	68.1%	$ 825,858	68.2%	$1,925,984	70.2%	$1,972,277	70.2%
NOOK	13,868	56.9%	15,463	50.0%	38,099	53.4%	42,077	48.7%
Elimination	(7,576)	(31.1)%	(9,576)	(31.0)%	(17,548)	(24.6)%	(20,352)	(23.6)%
Total Cost of Sales and Occupancy	$ 833,990	67.7%	$ 831,745	67.5%	$1,946,535	69.6%	$1,994,002	69.3%

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.

During the 13 weeks ended January 26, 2019, cost of sales and occupancy increased $2.2 million, or 0.3%, to $834.0 million from $831.7 million during the 13 weeks ended January 27, 2018. Cost of sales and occupancy increased as a percentage of sales to 67.7% from 67.5% during the same period one year ago. The changes by segment are as follows:

- B&N Retail cost of sales and occupancy decreased as a percentage of sales to 68.1% from 68.2%, or 10 basis points, during the same period one year ago primarily due to decreased online promotions (70 basis points), favorable sales mix (25 basis points) and higher vendor incentives (10 basis points), partially offset by higher store markdowns (75 basis points) and occupancy deleverage (15 basis points). The remaining variance was primarily due to sales deleverage and timing differences.
- NOOK cost of sales and occupancy increased as a percentage of sales to 56.9% from 50.0% during the same period one year ago primarily due to a prior year favorable channel partner settlement, cost deleverage and sales mix.

During the 39 weeks ended January 26, 2019, cost of sales and occupancy decreased $47.5 million, or 2.4%, to $1.947 billion from $1.994 billion during the 39 weeks ended January 27, 2018. Cost of sales and occupancy increased as a percentage of sales to 69.6% from 69.3% during the same period one year ago. The changes by segment are as follows:

- B&N Retail cost of sales and occupancy remained flat as a percentage of sales at 70.2% compared to the same period one year ago primarily due to occupancy deleverage (40 basis points) and higher store markdowns (25 basis points), partially offset by decreased online promotions (35 basis points) and higher vendor incentives (15 basis points). The remaining variance was attributable to sales mix and timing differences.
- NOOK cost of sales and occupancy increased as a percentage of sales to 53.4% from 48.7% during the same period one year ago primarily on sales mix, cost deleverage and a prior year favorable channel partner settlement.

Gross Profit

	13 weeks ended				39 weeks ended			
Dollars in thousands	January 26, 2019	% of Sales	January 27, 2018	% of Sales	January 26, 2019	% of Sales	January 27, 2018	% of Sales
B&N Retail	$ 386,854	31.9%	$ 384,559	31.8%	$ 817,471	29.8%	$ 837,885	29.8%
NOOK	10,504	62.5%	15,467	72.4%	33,306	61.8%	44,317	67.1%
Total Gross Profit	$ 397,358	32.3%	$ 400,026	32.5%	$ 850,777	30.4%	$ 882,202	30.7%

The Company's consolidated gross profit decreased $2.7 million, or 0.7%, to $397.4 million during the 13 weeks ended January 26, 2019 from $400.0 million during the 13 weeks ended January 27, 2018. This change was due to the matters discussed above.

The Company's consolidated gross profit decreased $31.4 million, or 3.6%, to $850.8 million during the 39 weeks ended January 26, 2019 from $882.2 million during the 39 weeks ended January 27, 2018. This change was due to the matters discussed above.

Selling and Administrative Expenses

	13 weeks ended				39 weeks ended			
Dollars in thousands	January 26, 2019	% of Sales	January 27, 2018	% of Sales	January 26, 2019	% of Sales	January 27, 2018	% of Sales
B&N Retail	$ 256,923	21.2%	$ 257,374	21.3%	$ 685,484	25.0%	$ 725,325	25.8%
NOOK	12,519	74.5%	13,846	64.8%	32,005	59.4%	41,918	63.5%
Total Selling and Administrative Expenses	$ 269,442	21.9%	$ 271,220	22.0%	$ 717,489	25.6%	$ 767,243	26.7%

Selling and administrative expenses decreased $1.8 million, or 0.7%, to $269.4 million during the 13 weeks ended January 26, 2019 from $271.2 million during the 13 weeks ended January 27, 2018. Selling and administrative expenses decreased as a percentage of sales to 21.9% from 22.0% during the same period one year ago. The changes by segment are as follows:

- B&N Retail selling and administrative expenses decreased $0.5 million as compared to prior year, or 10 basis points as a percentage of sales to 21.2% from 21.3%, primarily due to lower severance costs (85 basis points), lower store payroll (40 basis points on store sales) and lower employee benefit costs (35 basis points), partially offset by current year holiday advertising expenses (80 basis points) and non-recurring professional fees (40 basis points). The remaining variance was primarily attributable to sales deleverage and the general timing of expenses.

- NOOK selling and administrative expenses decreased $1.3 million as compared to prior year, increasing as a percentage of sales to 74.5% from 64.8% for the quarter. The dollar decrease was primarily attributable to continued cost rationalization efforts, as well as lower variable costs on the sales decline.

Selling and administrative expenses decreased $49.8 million, or 6.5%, to $717.5 million during the 39 weeks ended January 26, 2019 from $767.2 million during the 39 weeks ended January 27, 2018. Selling and administrative expenses decreased as a percentage of sales to 25.6% from 26.7% during the same period one year ago. The changes by segment are as follows:

- B&N Retail selling and administrative expenses decreased $39.8 million as compared to prior year, or 80 basis points as a percentage of sales to 25.0% from 25.8%, primarily due to lower store payroll (100 basis points on store sales), lower severance costs (35 basis points) and lower employee benefit costs (35 basis points) on lower payroll and favorable claims, partially offset by current year holiday advertising expenses (40 basis points) and non-recurring professional fees (35 basis points). The remaining variance was attributable to indirect procurement savings, sales deleverage and the general timing of expenses.

- NOOK selling and administrative expenses decreased $9.9 million as compared to prior year, decreasing as a percentage of sales to 59.4% from 63.5% for the year. The dollar decrease was primarily attributable to continued cost rationalization efforts, as well as lower variable costs on the sales decline.

Depreciation and Amortization

	13 weeks ended				39 weeks ended			
Dollars in thousands	January 26, 2019	% of Sales	January 27, 2018	% of Sales	January 26, 2019	% of Sales	January 27, 2018	% of Sales
B&N Retail	$ 24,347	2.0%	$ 25,295	2.1%	$ 67,513	2.5%	$ 72,491	2.6%
NOOK	2,275	13.5%	2,950	13.8%	7,442	13.8%	9,351	14.2%
Total Depreciation and Amortization	$ 26,622	2.2%	$ 28,245	2.3%	$ 74,955	2.7%	$ 81,842	2.8%

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During the 13 weeks ended January 26, 2019, depreciation and amortization decreased $1.6 million, or 5.7%, to $26.6 million from $28.2 million during the same period one year ago. This decrease was primarily attributable to fully depreciated assets and store closures, partially offset by additional capital expenditures.

During the 39 weeks ended January 26, 2019, depreciation and amortization decreased $6.9 million, or 8.4%, to $75.0 million from $81.8 million during the same period one year ago. This decrease was primarily attributable to fully depreciated assets and store closures, partially offset by additional capital expenditures.

Asset Impairments

	13 weeks ended				39 weeks ended			
Dollars in thousands	January 26, 2019	% of Sales	January 27, 2018	% of Sales	January 26, 2019	% of Sales	January 27, 2018	% of Sales
B&N Retail	$ 22,067	1.8%	$ 135,436	11.2%	$ 22,067	0.8%	$ 135,436	4.8%
NOOK	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Total Asset Impairments	$ 22,067	1.8%	$ 135,436	11.0%	$ 22,067	0.8%	$ 135,436	4.7%

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 (November) of each fiscal year. During the 13 weeks ended January 26, 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 13 weeks ended January 27, 2018.

The Company completed its annual other unamortizable intangible assets impairment test 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 13 weeks ended January 26, 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 the 13 and 39 weeks ended January 26, 2019 and January 27, 2018, respectively.

Operating Income (Loss)

	13 weeks ended				39 weeks ended			
Dollars in thousands	January 26, 2019	% of Sales	January 27, 2018	% of Sales	January 26, 2019	% of Sales	January 27, 2018	% of Sales
B&N Retail	$ 83,517	6.9%	$ (33,546)	(2.8)%	$ 42,407	1.5%	$ (95,367)	(3.4)%
NOOK	(4,290)	(25.5)%	(1,329)	(6.2)%	(6,141)	(11.4)%	(6,952)	(10.5)%
Total Operating Income (Loss)	$ 79,227	6.4%	$ (34,875)	(2.8)%	$ 36,266	1.3%	$(102,319)	(3.6)%

The Company's consolidated operating income increased $114.1 million, or 327.2%, to an operating income of $79.2 million during the 13 weeks ended January 26, 2019 from an operating loss of $34.9 million during the 13 weeks ended January 27, 2018. This change was due to the matters discussed above.

The Company's consolidated operating income increased $138.6 million, or 135.4%, to an operating income of $36.3 million during the 39 weeks ended January 26, 2019 from an operating loss of $102.3 million during the 39 weeks ended January 27, 2018. This change was due to the matters discussed above.

Interest Expense, Net and Amortization of Deferred Financing Fees

	13 weeks ended			39 weeks ended		
Dollars in thousands	January 26, 2019	January 27, 2018	% of Change	January 26, 2019	January 27, 2018	% of Change
Interest Expense, Net and Amortization of Deferred Financing Fees	$ 3,372	$ 2,536	33.0%	$ 10,056	$ 7,254	38.6%

Net interest expense and amortization of deferred financing fees increased $0.8 million, or 33.0%, to $3.4 million during the 13 weeks ended January 26, 2019 from $2.5 million during the 13 weeks ended January 27, 2018 primarily on higher average borrowings.

Net interest expense and amortization of deferred financing fees increased $2.8 million, or 38.6%, to $10.1 million during the 39 weeks ended January 26, 2019 from $7.3 million during the 39 weeks ended January 27, 2018 primarily on higher average borrowings.

Income Tax Provision (Benefit)

	13 weeks ended				39 weeks ended			
Dollars in thousands	January 26, 2019	Effective Rate	January 27, 2018	Effective Rate	January 26, 2019	Effective Rate	January 27, 2018	Effective Rate
Income Tax Provision (Benefit)	$ 8,925	11.8%	$ 26,125	(69.8)%	$ 3,712	14.2%	$ (5,165)	4.7%

The Company recorded an income tax provision of $8.9 million on a pre-tax income of $75.9 million during the 13 weeks ended January 26, 2019, which represented an effective income tax rate of 11.8%. The Company recorded an income tax provision of $26.1 million on a pre-tax loss of $37.4 million during the 13 weeks ended January 27, 2018, which represented an effective income tax rate of (69.8)%.

The Company recorded an income tax provision of $3.7 million on a pre-tax income of $26.2 million during the 39 weeks ended January 26, 2019, which represented an effective income tax rate of 14.2%. The Company recorded an income tax benefit of $5.2 million on a pre-tax loss of $109.6 million during the 39 weeks ended January 27, 2018, which represented an effective income tax rate of 4.7%.

The Company's effective tax rates for the 13 and 39 weeks ended January 26, 2019 differ from the statutory rates due to the impact of permanent items such as meals and entertainment, non-deductible executive compensation, tax credits, changes in uncertain tax positions, expected changes in valuation allowance based on forecasted full year income and state tax provision, net of federal benefit. The Company's effective tax rates for the 13 and 39 weeks ended January 27, 2018 differ from the statutory rates 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 $0.5 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)

	13 weeks ended		39 weeks ended	
Dollars in thousands	January 26, 2019	January 27, 2018	January 26, 2019	January 27, 2018
Net Income (Loss)	$ 66,930	$ (63,536)	$ 22,498	$(104,408)

As a result of the factors discussed above, the Company reported consolidated net income of $66.9 million during the 13 weeks ended January 26, 2019, compared with consolidated net loss of $63.5 million during the 13 weeks ended January 27, 2018.

As a result of the factors discussed above, the Company reported consolidated net income of $22.5 million during the 39 weeks ended January 26, 2019, compared with consolidated net loss of $104.4 million during the 39 weeks ended January 27, 2018.

Critical Accounting Policies

During the 39 weeks ended January 26, 2019, except for the adoption of Topic 606 and the voluntary change of the annual goodwill and other indefinite-lived intangible assets impairment testing date, there were no changes in the Company's policies regarding the use of estimates and other critical accounting policies.

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See “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” found in the Company’s Annual Report on Form 10-K for the fiscal year ended April 28, 2018 for additional information relating to the Company’s use of estimates and other critical accounting policies.

Disclosure Regarding Forward-Looking Statements

This quarterly report on Form 10-Q 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, 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,” in Barnes & Noble’s Annual Report on Form 10-K for the fiscal year ended April 28, 2018, 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 Form 10-Q.

Item 3: 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 January 26, 2019, the Company’s cash and cash equivalents totaled approximately $15.9 million. A 50 basis point increase in annual interest rates would have increased the Company’s interest income by $0.0 million in the third quarter of fiscal 2019. Conversely, a 50 basis point decrease in annual interest rates would have reduced interest income by $0.0 million in the third quarter of 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 Quarterly 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 $129.3 million at January 26, 2019 and $59.8 million at January 27, 2018. A 50 basis point increase in annual interest rates would have increased the Company's interest expense by $0.3 million in the third quarter of fiscal 2019. Conversely, a 50 basis point decrease in annual interest rates would have reduced interest expense by $0.3 million in the third quarter of 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 4: Controls and Procedures

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 officer 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Item 1 of Part I, "Notes to Consolidated Financial Statements, Note 18. Legal Proceedings."

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended April 28, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides information with respect to purchases by the Company of shares of its common stock:

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
October 28, 2018 – November 24, 2018	—	$ —	—	$ 50,000,000
November 25, 2018 – December 29, 2018	1,133	$ 7.57	—	$ 50,000,000
December 30, 2018 – January 26, 2019	4,523	$ 7.60	—	$ 50,000,000
Total	5,656	$ 7.59	—	

(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 during the 13 and 39 weeks ended January 26, 2019 and January 27, 2018. The Company has remaining capacity of $50.0 million under the repurchase program as of January 26, 2019.

As of January 26, 2019, the Company has repurchased 39,737,720 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.

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Item 6.	**Exhibits**
10.1	Barnes & Noble, Inc. Change in Control Severance Plan, dated December 4, 2018. (1)
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. (1)
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. (1)
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. (1)
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. (1)
101.INS	XBRL Instance Document (1)
101.SCH	XBRL Taxonomy Extension Schema Document (1)
101.CAL	XBRL Taxonomy Calculation Linkbase Document (1)
101.DEF	XBRL Taxonomy Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Presentation Linkbase Document (1)

(1) Filed herewith.

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SIGNATURES

Pursuant to the requirements 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)

By: /s/ PETER M. HERPICH
Peter M. Herpich
Vice President and Corporate Controller
(principal accounting officer)

March 7, 2019

Exhibit 10.1

BARNES & NOBLE, INC.
CHANGE IN CONTROL SEVERANCE PLAN
AND SUMMARY PLAN DESCRIPTION

1. **Introduction**. The purpose of this Barnes & Noble, Inc. Change in Control Severance Plan (the "**Plan**") is to provide assurances of specified benefits to certain employees of the Company and its Affiliates in the event that, during the twenty-four (24) months following a Change in Control, (i) such employee terminates his or her employment with the Company (or any Affiliate of the Company) for Good Reason, or (ii) the Company (or any Affiliate of the Company) terminates such employee's employment for a reason other than Cause, the Participant's death or Disability (each, as defined herein). See page 4 of this Plan for the definition of "Participant," which lists the employees of the Company and its Affiliates eligible to participate in this Plan. This Plan is a "severance pay arrangement," within the meaning of Section 3(2)(B)(i) of ERISA, that is intended to be excepted from the definitions of "employee pension benefit plan" and "pension plan" set forth under Section 3(2) of ERISA, and is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations § 2510.3-2(b). This document constitutes both the written instrument under which this Plan is maintained and the required summary plan description for this Plan.

2. **Important Terms**. The following words and phrases, when the initial letter of the term is capitalized, will have the meanings set forth in this Section 2, unless a different meaning is plainly required by the context:

2.1. "**1934 Act**" means the Securities Exchange Act of 1934, as amended.

2.2. "**Accrued Obligations**" means (i) a Participant's Annual Base Salary that is accrued but unpaid as of the date of such Participant's Involuntary Termination, (ii) any amount arising from a Participant's participation in, or benefits under, any employee benefit plans, programs or arrangements of the Company or its Affiliates (other than severance plans, programs or arrangements), subject to the terms and conditions thereof, or the Equity Plan (subject to the terms and conditions of the Equity Plan and any applicable award agreement thereunder), (iii) any accrued but unpaid vacation pay owed to the Participant in accordance with the Company's or its Affiliates' vacation policy and (iv) any accrued but unpaid business expenses that are reimbursable to a Participant pursuant to the Company's or its Affiliates' expense reimbursement policies and procedures.

2.3. "**Administrator**" means the Company, acting through the Compensation Committee or another duly constituted committee of members of the Board, or any Person to whom the Administrator has delegated any authority or responsibility with respect to the Plan pursuant to Section 12, but only to the extent of such delegation.

2.4. "**Affiliate**" means (i) any person or entity that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company (including any Subsidiary) or (ii) any entity in which the Company has a significant equity interest, as determined by the Compensation Committee.

2.5. "**Annual Base Salary**" means a Participant's annual base salary as in effect immediately prior to such Participant's Involuntary Termination or, if greater, at the level in effect immediately prior to the Change in Control.

2.6. "**Board**" means the board of directors of the Company.

2.7. "**Cause**" means (A) a Participant engaging in intentional misconduct or gross negligence that, in either case, is injurious to Company; (B) a Participant's indictment, entry of a plea of nolo contendere or conviction by a court of competent jurisdiction with respect to any crime or violation of law involving fraud or dishonesty (with the exception of misconduct based in good faith on the advice of professional consultants, such as attorneys and accountants) or any felony (or equivalent crime in a non-U.S. jurisdiction); (C) any gross negligence, intentional acts or intentional omissions by a Participant (as determined by a majority vote of the Board in its reasonable discretion and judgment) that constitute fraud, dishonesty, embezzlement or misappropriation in connection with the performance of a Participant's employment duties and responsibilities; (D) a Participant engaging in any act of intentional misconduct or moral turpitude (as determined by a majority vote of the Board in its reasonable discretion and judgment) reasonably likely to adversely affect the Company or its business; (E) a Participant's abuse of or dependency on alcohol or drugs (illicit or otherwise) that adversely affects such Participant's job performance; (F) a Participant's willful failure or refusal to properly perform (as determined by a majority vote of the Board in its reasonable discretion and judgment) the duties, responsibilities or obligations of such Participant's employment for reasons other than Disability or authorized leave, or to properly perform or follow (as determined by a majority vote of the Board in its reasonable discretion and judgment) any lawful direction by the Company (with the exception of a willful failure or refusal to properly perform based in good faith on the advice of professional consultants, such as attorneys and accountants); or (G) a Participant's material breach of the terms of the Plan or of any other contractual duty to, written policy of, or written agreement with the Company (with the exception of a material breach based in good faith on the advice of professional consultants, such as attorneys and accountants); provided that the Company shall provide the Participant with written notice of the events or occurrences described in this definition, and, to the extent curable, an opportunity to cure within ten (10) calendar days.

2.8. "**Change in Control**" means the occurrence of one or more of the following events:

(a) during any period of twenty-four (24) consecutive months, individuals who were Directors of the Company on the first day of such period (the "**Incumbent Directors**") cease for any reason to constitute a majority of the Board; provided, however, that any individual becoming a Director of the Company subsequent to the first day of such period whose election, or nomination for election, by the Company's stockholders was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director;

(b) the consummation of (i) a merger, consolidation, statutory share exchange or similar form of corporate transaction involving (x) the Company or (y) any of its Subsidiaries, but in the case of this clause (y) only if Company Voting Securities (as defined below) are issued or issuable (each of the events referred to in this clause (i) being hereinafter referred to as a "**Reorganization**") or (ii) the sale or other disposition of all or substantially all the assets of the Company to an entity that is not an Affiliate (a "**Sale**"), in each case, if such Reorganization or Sale requires the approval of the Company's stockholders under the law of the Company's jurisdiction of organization (whether such approval is required for such Reorganization or Sale or for the issuance of securities of the Company in such Reorganization or Sale), unless, immediately following such Reorganization or Sale, (A) all or substantially all the individuals and entities who were the "beneficial owners" (as such term is defined in Rule 13d-3 under the 1934 Act (or a successor rule thereto)) of the securities eligible to vote for the election of the Board ("**Company Voting Securities**") outstanding immediately prior to the consummation of such Reorganization or Sale beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation resulting from such Reorganization or Sale (including a corporation that, as a result of such transaction, owns the Company or all or substantially all the Company's assets either directly or through one or more subsidiaries) (the "**Continuing Corporation**") in substantially the same proportions as their ownership, immediately prior to the consummation of such Reorganization or

Sale, of the outstanding Company Voting Securities (excluding any outstanding voting securities of the Continuing Corporation that such beneficial owners hold immediately following the consummation of the Reorganization or Sale as a result of their ownership prior to such consummation of voting securities of any company or other entity involved in or forming part of such Reorganization or Sale other than the Company), (B) no "person" (as such term is used in Section 13(d) of the 1934 Act) (excluding any employee benefit plan (or related trust) sponsored or maintained by the Continuing Corporation or any corporation controlled by the Continuing Corporation) beneficially owns, directly or indirectly, 40% or more of the combined voting power of the then outstanding voting securities of the Continuing Corporation and (C) at least a majority of the members of the board of directors of the Continuing Corporation were Incumbent Directors at the time of the execution of the definitive agreement providing for such Reorganization or Sale or, in the absence of such an agreement, at the time at which approval of the Board was obtained for such Reorganization or Sale; or

(c) any "person," corporation or other entity or "group" (as used in Section 14(d)(2) of the Exchange Act) (other than (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or an Affiliate or (iii) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the voting power of the Company Voting Securities) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company Voting Securities; provided, however, that for purposes of this subparagraph (c), the following acquisitions shall not constitute a Change of Control: (x) any acquisition directly from the Company or (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate.

The determination as to the occurrence of a Change of Control shall be based on objective facts and, to the extent applicable, in accordance with the requirements of Code Section 409A and the regulations promulgated thereunder.

2.9. "**Change in Control Period**" means the time period beginning on the date of consummation of a Change in Control and ending on the date that is twenty-four (24) months following such Change in Control.

2.10. "**Code**" means the Internal Revenue Code of 1986, as amended.

2.11. "**Company**" means Barnes & Noble, Inc., a Delaware corporation, and any successor that assumes the obligations of the Company under the Plan, by way of merger, acquisition, consolidation or other transaction or by applicable law.

2.12. "**Compensation Committee**" means the Compensation Committee of the Board (or such other committee designated by the Compensation Committee of the Board).

2.13. "**Director**" means a non-employee member of the Board or a non-employee member of the board of directors of a Subsidiary.

2.14. "**Disability**" means a written determination by a majority of three physicians (one of which shall be the Participant's most recent primary care provider) mutually agreeable to the Company and a Participant (or, in the event of a Participant's total physical or mental disability, such Participant's legal representative) that a Participant is physically or mentally unable to perform his or her duties and that such disability can reasonably be expected to continue for a period of six consecutive months or for shorter periods aggregating 180 days in any 12-month period.

2.15. “**Effective Date**” means December 4, 2018, the date on which the terms of this Plan were adopted by the Compensation Committee.

2.16. “**Equity Awards**” means a Participant’s stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units and any other Company equity compensation or long-term cash incentive awards that are outstanding as of immediately prior to the consummation of the Change in Control.

2.17. “**Equity Plan**” means the Barnes & Noble, Inc. Amended and Restated 2009 Incentive Plan, as amended from time to time, or any successor plan thereto.

2.18. “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

2.19. “**Good Reason**” means the occurrence of one or more of the following events in respect of a Participant without such Participant’s written consent: (A) a material diminution of a Participant’s authority, duties or responsibilities; (B) a greater than 10% reduction in a Participant’s Annual Base Salary or Target Bonus, in each case, measured as of immediately prior to such reduction; (C) relocation of the principal executive offices of the Company to a location more than fifty (50) miles from New York City; or (D) the Company’s failure to make material payments to a Participant as required by any employment agreement or offer letter entered into with such Participant. A Participant shall only be deemed to terminate employment for Good Reason if (A) such Participant provides the Company with written notice of Good Reason within a period not to exceed ninety (90) days after the initial existence of the condition alleged to give rise to Good Reason, (B) the Company fails to remedy the condition within thirty (30) days of such notice and (C) the Participant’s termination is within six (6) months following the initial existence of the condition alleged to give rise to Good Reason.

2.20. “**Involuntary Termination**” means a termination of employment of a Participant under the circumstances described in Section 4.

2.21. “**Participant**” means each employee identified on <u>Appendix A</u> attached hereto, which may be amended from time-to-time by the Administrator.

2.22. “**Person**” means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, association, governmental entity, unincorporated entity or other entity.

2.23. “**Plan**” means this Barnes & Noble, Inc. Change in Control Severance Plan, as set forth in this document, and as hereafter amended from time to time.

2.24. “**Restrictive Covenants**” with respect to a Participant means (i) the covenants set forth in Section 7.2 of the Plan, and (ii) any other written non-competition, non-solicitation, non-disclosure, non-disparagement, return of property or similar provisions or agreements between such Participant and the Company or any of its Affiliates.

2.25. “**Section 409A Limit**” means two (2) times the lesser of: (i) the Participant’s annualized compensation based upon the annual rate of pay paid to the Participant during the Participant’s taxable year preceding the Participant’s taxable year of the Participant’s termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Participant’s employment is terminated.

2.26. “**Subsidiary**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the participant’s Involuntary Termination, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

2.27. “**Target Bonus**” means a Participant’s annual target bonus compensation opportunity, as in effect immediately prior to such Participant’s Involuntary Termination or, if greater, at the level in effect immediately prior to the Change in Control.

3. **Eligibility for Severance Benefits**. An individual is eligible for Severance Benefits only if he or she experiences an Involuntary Termination, as described in Section 4.

4. **Involuntary Termination during the Change in Control Period**. If, during the Change in Control Period, (i) a Participant terminates his or her employment with the Company (or any Affiliate of the Company) for Good Reason, or (ii) the Company (or any Affiliate of the Company) terminates the Participant’s employment for a reason other than Cause, the Participant’s death or Disability (in either case, an “**Involuntary Termination**”), then, subject to the Participant’s compliance with Section 7, the Participant will receive the compensation and other benefits (the “**Severance Benefits**”) set forth in Section 5, subject to the terms and conditions of the Plan.

5. **Severance Benefits**. If a Participant becomes eligible for Severance Benefits in accordance with Sections 3 and 4, the Company shall pay or provide (or cause to be paid or provided) to the Participant (in addition to the Accrued Obligations) the following Severance Benefits:

5.1. An aggregate lump-sum cash payment equal to the product of two (2) times the sum of the Participant’s Annual Base Salary and Target Bonus.

5.2. For eighteen (18) months following the date of a Participant’s Involuntary Termination, subject to such Participant’s timely election of (and continued eligibility for) continued health coverage pursuant to the federal law known as “COBRA,” the applicable COBRA premiums for the Participant and any eligible dependents who participated in the Company’s (or its Affiliate’s) health plan as of immediately prior to the date of the Participant’s Involuntary Termination; provided, that in the event the Company (or its Affiliate) would be subject to any excise tax under Section 4980D of the Code or other penalty or liability pursuant to the provisions of the Patient Protection and Affordable Care Act of 2010 (as amended from time to time) or other applicable law (or to the extent such COBRA subsidy is not permitted under the terms of the applicable benefit plan or applicable law), and in lieu of providing the COBRA subsidy described above, the Company shall instead pay (or cause to be paid) to the Participant an amount equal to the applicable COBRA premiums for such month, with such monthly payment being made on the last day of each month for the remainder of the COBRA Period. For the avoidance of doubt, the Participant’s health benefit coverage from the Company (or its Affiliate) during the COBRA Period shall run concurrent with the health continuation coverage period mandated by Section 4980B of the Code.

5.3. A prorated portion of the Participant’s annual cash bonus compensation payable with respect to the calendar year in which the Involuntary Termination occurs, determined on a daily basis, based solely on the actual level of achievement of the applicable performance goals for such year, and payable if and when annual bonuses are paid to other similarly situated employees of the Company with respect to such year.

5.4. Any outstanding Equity Awards shall be treated in the manner provided in the Equity Plan and the award agreements issued to the Participant thereunder.

6. **Limitation on Payments**. In the event that the severance and other benefits provided for in the Plan or otherwise payable to a Participant (i) constitute "parachute payments" within the meaning of Section 280G of the Code ("**280G Payments**"), and (ii) but for this Section 6, would be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then the 280G Payments will be either:

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by the Participant, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in the 280G Payments is necessary so that no portion of such benefits is subject to the Excise Tax, reduction will occur in the following order: (i) cancellation of awards granted "contingent on a change in ownership or control" (within the meaning of Section 280G of the Code); (ii) a prorated reduction of (A) cash payments that are subject to Section 409A as deferred compensation and (B) cash payments not subject to Section 409A of the Code; (iii) a prorated reduction of (A) employee benefits that are subject to Section 409A as deferred compensation and (B) employee benefits not subject to Section 409A; and (iv) a prorated cancellation of (A) accelerated vesting of equity awards that are subject to Section 409A as deferred compensation and (B) equity awards not subject to Section 409A. In the event that acceleration of vesting of equity awards is to be canceled, such acceleration of vesting will be canceled in the reverse order of the date of grant of a Participant's equity awards.

Any determination required under this Section 6 will be made in writing by the Company's independent public accountants immediately prior to the Change in Control or such other Person to which the parties mutually agree reasonably and in good faith (the "**Firm**"), whose determination will be conclusive and binding upon the Participant and the Company. For purposes of making the calculations required by this Section 6, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Participant and the Company will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 6. The Company will bear all costs the Firm may incur in connection with any calculations contemplated by this Section 6.

7. **Additional Obligations of the Participant**.

7.1. **Release Agreement**. As a condition to receiving the Severance Benefits, each Participant will be required to sign and not revoke a separation and release of claims agreement in the form attached hereto as <u>Appendix B</u> (the "**Release**"). In all cases, the Release must become effective and irrevocable no later than the sixtieth (60th) day following the Participant's Involuntary Termination (the "**Release Deadline Date**"). If the Release does not become effective and irrevocable by the Release Deadline Date, the Participant will forfeit any right to the Severance Benefits. In no event will the Severance Benefits be paid or provided until the Release becomes effective and irrevocable.

7.2. **Restrictive Covenants**.

(a) <u>Non-Competition and Non-Solicitation</u>. The Participant acknowledges and agrees that he or she shall not, at any time during his or her employment with the Company and its Affiliates or during the twelve (12) month period following his or her Involuntary Termination (the

"**Restricted Period**"): (a) employ or retain, or induce or cause any other Person to employ or retain, any individual who is, or who at any time in the twelve (12) month period prior to such time had been, employed or retained by the Company or any of its Subsidiaries or Affiliates; or (b) provide services, whether as principal or as agent, officer, director, employee, consultant, shareholder, or otherwise, alone or in association with any other Person, to any Competing Business (as defined below); provided, however, that a Participant may provide services to a Competing Business (other than Amazon.com, Inc. and its Subsidiaries and Affiliates and their respective successors (collectively, "**Amazon**") and Books-A-Million, Inc. and its Subsidiaries and Affiliates and their respective successors (collectively, "**Books-a-Million**")) that is engaged in one or more businesses other than the Business Area (as defined below) but only to the extent that such Participant does not provide services, directly or indirectly, to the segment of such Competing Business that is engaged in the Business Area. For purposes of this Agreement, the term "Competing Business" shall mean (i) Amazon, (ii) Books-A-Million or (iii) any person, corporation or other entity engaged in the Business Area. For purposes of the Plan, the term "**Business Area**" shall mean any business that derives forty percent (40%) or more of its revenue from the sale or distribution of books or textbooks (including physical, digital or audio versions of the foregoing). Notwithstanding the foregoing, the restrictions of this Section 7.2(a) shall not apply to the placement of general advertisements or the use of general search firm services with respect to a particular geographic area, but which are not targeted, directly or indirectly, towards employees of the Company or any of its subsidiaries. Nothing in Section 7.2(a) shall be construed as denying a Participant the right to own securities of any corporation listed on a national securities exchange or quoted in the NASDAQ System in an amount up to 5% of the outstanding number of such securities.

(b) Confidential Information.

(i) A Participant shall use best efforts and diligence both during and after any employment with the Company, regardless of how, when or why such employment ends, to protect the confidential, trade secret and/or proprietary character of all Confidential Information and Trade Secret Information (as defined below). A Participant shall not, directly or indirectly, use (for such Participant's benefit or for the benefit of any other person) or disclose any Confidential Information or Trade Secret Information, for so long as it shall remain proprietary or protectable, except as may be necessary for the performance of such Participant's duties for the Company. For purposes of the Plan, "**Confidential Information**" shall mean all confidential information of the Company, regardless of the form or medium in which it is or was created, stored, reflected or preserved, that is either developed by a Participant (alone or with others) or to which a Participant shall have had access during any employment with the Company. Confidential Information includes, but is not limited to, Trade Secret Information, and also includes confidential information that is learned or acquired by the Company from others with whom the Company has a business relationship in which, and as a result of which, such information is revealed to the Company. For purposes of this Agreement, "**Trade Secret Information**" shall mean all information, regardless of the form or medium in which it is or was created, stored, reflected or preserved, that is not commonly known by or generally available to the public and that: (i) derives or creates economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The Company's Trade Secret Information may include, but is not limited to, all confidential information relating to or reflecting the Company's research and development plans and activities; compilations of data; product plans; sales, marketing and business plans and strategies; pricing, price lists, pricing methodologies and profit margins; current and planned incentive, recognition and rewards programs and services; personnel; inventions, concepts, ideas, designs and formulae; current, past and prospective customer lists; current, past and anticipated customer needs, preferences and requirements; market studies; computer software and programs (including object code and source code); and computer and database technologies, systems, structures and architectures. The Participants understand that Confidential Information and/or Trade Secret Information may or may not be labeled as such, and the Participants shall treat all information that appears to be Confidential Information and/or Trade Secret Information as confidential unless otherwise informed or authorized by the Company. Nothing in this Agreement shall be construed to mean that Company owns any intellectual property or ideas that were conceived by a Participant before such Participant commenced employment with the Company and which such Participant has previously disclosed to the Company. Subject to Section 7.2(b)(ii), nothing in this Section 7.2(b)(i) shall prevent a Participant from complying with a valid legal requirement (whether by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information or Trade Secret Information.

(ii) Each Participant agrees that both during and after any employment with the Company, regardless of how, when or why such employment ends, if a Participant is legally required (whether by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information or Trade Secret Information, the Participant shall promptly notify the Company of such request or requirement so that the Company may seek to avoid or minimize the required disclosure and/or to obtain an appropriate protective order or other appropriate relief to ensure that any information so disclosed is maintained in confidence to the maximum extent possible by the agency or other person receiving the disclosure, or, in the discretion of the Company to waive compliance with the provisions of this Section 7.2(b). Thereafter, a Participant shall use reasonable efforts, in cooperation with the Company or otherwise, to avoid or minimize the required disclosure and/or to obtain such protective order or other relief. If, in the absence of a protective order or the receipt of a waiver hereunder, a Participant is compelled to disclose the Confidential Information or Trade Secret Information or else stand liable for contempt or suffer other sanction, censure or penalty, such Participant shall disclose only so much of the Confidential Information or Trade Secret Information to the party compelling disclosure as he or she believes in good faith on the basis of advice of counsel is required by law, and shall give the Company prior notice of the Confidential Information or Trade Secret Information he or she believe is required to be disclosed. The Company shall reimburse any reasonable legal fees and related expenses a Participant incurs in order to comply with this Section 7.2(b)(ii). Notwithstanding the foregoing or any other arrangement with the Company that relates to the unauthorized use or disclosure of trade secrets, pursuant to Section 7 of the Defend Trade Secrets Act of 2016, each Participant understands that: a Participant cannot be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law. A Participant also cannot be held criminally or civilly liable under any federal or state trade secret law for such disclosures made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(iii) A Participant shall use reasonable best efforts and diligence during any employment with the Company, to protect the confidential, trade secret and/or proprietary character of all Prior Employer Confidential Information and Prior Employer Trade Secret Information (as defined below). A Participant shall not, directly or indirectly, use (for such Participant’s benefit or for the benefit of any other person) or disclose any Prior Employer Confidential Information or Prior Employer Trade Secret Information, for so long as it shall remain proprietary or protectable. For purposes of this Agreement, “**Prior Employer Confidential Information**” shall mean all confidential information of any prior employer, regardless of the form or medium in which it is or was created, stored, reflected or preserved, information that is either developed by a Participant (alone or with others) or to which a Participant shall have had access during any employment with any prior employer. For purposes of this Agreement, “**Prior Employer Trade Secret Information**” shall mean all information, regardless of the form or medium in which it is or was created, stored, reflected or preserved, that is not commonly known by or generally available to the public and that a Participant shall have had access during any employment with any prior employer that: (A) derives or creates economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(c) Return of Information. A Participant shall promptly deliver to the Company, upon the termination for any reason of such Participant's employment, or at any other time at the Company's request, without retaining any copies, all documents, information and other material in such Participant's possession or control containing, reflecting and/or relating, directly or indirectly, to any Confidential Information and/or Trade Secret Information.

(d) Cooperation. Each Participant agrees that both during and after any employment with the Company, regardless of how, when or why such employment ends, a Participant shall provide reasonable cooperation to the Company and its Affiliates in connection with any pending or future lawsuit, arbitration, or proceeding between the Company and/or any Affiliate and any third party, any pending or future regulatory or governmental inquiry or investigation concerning the Company and/or any Affiliate and any other legal, internal or business matters of or concerning the Company and/or any Affiliate. Such cooperation shall include meeting with and providing information to the Company, any affiliate and/or their respective attorneys, auditors or other representatives as reasonably requested by the Company. The Company shall reimburse any reasonable legal fees and related expenses a Participant incurs in order to comply with this Section 7.2(d).

(e) Non-Disparagement. During and after any employment with the Company, regardless of how, when or why such employment ends, a Participant shall not make, either directly or by or through another person, any oral or written negative, disparaging or adverse statements or representations of or concerning the Company or its Subsidiaries or Affiliates, any of their clients or businesses or any of their current or former officers, directors, employees or shareholders; provided, however, that nothing herein shall prohibit (A) critical communications between a Participant and the Company in connection with such Participant's employment or (B) a Participant from disclosing truthful information if legally required (whether by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process).

7.3. Equitable Relief. Each Participant acknowledges that his or her services to the Company are of a unique character that gives them a special value to the Company. Each Participant further recognizes that any violation of the restrictions in this Section 7 may give rise to losses or damages for which the Company cannot be reasonably or adequately compensated in an action at law and that such violation may result in irreparable and continuing harm to the Company. Accordingly, each Participant agrees that, in addition to any other remedy that the Company may have at law or in equity, the Company shall be entitled to injunctive relief to restrain any violation by a Participant of the restrictions in this Section 7.

7.4. Reasonableness. Each Participant acknowledges that the limitations and obligations contained in this Section 7 are, individually and in the aggregate, reasonable and properly required by the Company and that in the event that any such limitations are found to be unreasonable and unenforceable, a Participant shall submit to such limitations and/or obligations in such form as a court of competent jurisdiction shall determine.

7.5. **Governmental Agencies. Notwithstanding any provision of the Plan to the contrary, the Plan is not intended to, and shall not, limit or restrict a Participant from: (a) filing and, as provided for under Section 21F of the Securities Exchange Act of 1934, maintaining the confidentiality of a claim with a government agency that is responsible for enforcing a law; (b) providing Confidential Information (as defined in Section 7.2(b)(i)) to the extent required by law or legal process or permitted by Section 21F of the Securities Exchange Act of 1934; (c) cooperating,**

participating or assisting in any government or regulatory entity investigation or proceeding; or (d) receiving an award for information provided to any government agency that is responsible for enforcing the law.

8. **Timing of Severance Benefits**. Except as set forth in Section 5.3, and provided that the Release becomes effective and irrevocable by the Release Deadline Date and subject to Section 10, the Severance Benefits will be paid on the first Company payroll date following the Release Deadline Date (such payment date, the "**Severance Start Date**"), and any Severance Benefits otherwise payable to the Participant during the period immediately following the Participant's termination of employment with the Company through the Severance Start Date will be paid in a lump sum to the Participant on the Severance Start Date, with any remaining payments to be made as provided in the Plan.

9. **Exclusive Benefit**. The Severance Benefits shall be the exclusive benefit for a Participant related to termination of employment and/or Change in Control during the Change in Control Period (including, without limitation, under any applicable employment or severance agreement or plan).

10. **Section 409A**.

10.1. Notwithstanding anything to the contrary in the Plan, no Severance Benefits to be paid or provided to a Participant, if any, under the Plan that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Section 409A of the Code, and the final regulations and any guidance promulgated thereunder ("**Section 409A**") (together, the "**Deferred Payments**") will be paid or provided until the Participant has a "separation from service" within the meaning of Section 409A. Similarly, no Severance Benefits payable to a Participant, if any, under the Plan that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until the Participant has a "separation from service" within the meaning of Section 409A.

10.2. It is intended that the Severance Benefits will be either exempt from Section 409A as a payment that would fall within the "short-term deferral period" as described in Section 10.4 below or as resulting from an involuntary separation from service as described in Section 10.5 below or will be compliant with Section 409A. In no event will a Participant have discretion to determine the taxable year of payment of any Deferred Payment.

10.3. Notwithstanding anything to the contrary in the Plan, if a Participant is a "specified employee" within the meaning of Section 409A at the time of the Participant's separation from service (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following the Participant's separation from service, will become payable on the date six (6) months and one (1) day following the date of the Participant's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, in the event of the Participant's death following the Participant's separation from service, but before the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Participant's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under the Plan is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.

10.4. Any amount paid under the Plan that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of this Section 10.

10.5. Any amount paid under the Plan that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit will not constitute Deferred Payments for purposes of this Section 10.

10.6. The foregoing provisions are intended to comply with or be exempt from the requirements of Section 409A so that none of the Severance Benefits will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply or be exempt. Notwithstanding anything to the contrary in the Plan, including but not limited to Sections 12 and 15, the Company reserves the right to amend the Plan as it deems necessary or advisable, in its sole discretion and without the consent of the Participants, to comply with Section 409A or to avoid income recognition under Section 409A prior to the actual payment of Severance Benefits or imposition of any additional tax. In no event will the Company reimburse a Participant for any taxes or other costs that may be imposed on the Participant as result of Section 409A.

11. **Withholdings**. The Company will withhold from any Severance Benefits all applicable U.S. federal, state, local and non-U.S. taxes required to be withheld and any other required payroll deductions.

12. **Administration**. The Company is the administrator of the Plan (within the meaning of section 3(16)(A) of ERISA). The Plan will be administered and interpreted by the Administrator; provided, that, during the Change in Control Period, the Administrator shall not have discretionary authority in the administration of the Plan, and any court or tribunal that adjudicates any dispute, controversy or claim arising under, in connection with or related to the Plan will apply a *de novo* standard of review to any determinations made by the Administrator, and such *de novo* standard shall apply notwithstanding the administrative authority granted hereunder to the Administrator or characterization of any decision by the Administrator as final, binding or conclusive on any party. The Administrator is the "named fiduciary" of the Plan for purposes of ERISA and will be subject to the fiduciary standards of ERISA when acting in such capacity. In accordance with Section 2.3, the Administrator (a) may, in its sole discretion and on such terms and conditions as it may provide, delegate in writing to one or more officers of the Company all or any portion of its authority or responsibility with respect to the Plan, and (b) has the authority to act for the Company (in a non-fiduciary capacity) as to any matter pertaining to the Plan; provided, however, that any Plan amendment or termination or any other action that reasonably could be expected to increase materially the cost of the Plan must be approved by the Board.

13. **Eligibility to Participate**. To the extent that the Administrator has delegated administrative authority or responsibility to one or more officers of the Company in accordance with Sections 2.3 and 12, each such officer will not be excluded from participating in the Plan if otherwise eligible, but he or she is not entitled to act upon or make determinations regarding any matters pertaining specifically to his or her own benefit or eligibility under the Plan. The Administrator will act upon and make determinations regarding any matters pertaining specifically to the benefit or eligibility of each such officer under the Plan.

14. **Effectiveness**. The Plan became effective upon the Effective Date.

15. **Amendment or Termination**. The Company, by action of the Administrator, reserves the right to amend or terminate the Plan (including any appendices or annexes thereto) at any time, without advance notice to any Participant and without regard to the effect of the amendment or termination on any Participant or on any other individual, subject to the following. Any amendment or termination of the Plan (or any appendix or exhibit thereto) will be in writing. Notwithstanding the foregoing, any amendment to the Plan (or any appendix or exhibit thereto) that (a) causes an individual to cease to be a Participant, or

(b) adversely affects the Severance Benefits potentially payable to a Participant (including, without limitation, imposing additional conditions or modifying the amount or timing of payment), will not be effective without the consent of such Participant, unless such amendment is required by law or a written notice is provided to such Participant at least one (1) year in advance of such amendment; provided, that no such amendments shall be effective during the Change in Control Period. Any action of the Company in amending or terminating the Plan (or any appendix or exhibit thereto) will be taken in a non-fiduciary capacity.

16. **Claims and Appeals**.

(a) **Claims Procedure**. Any employee or other Person who believes he or she is entitled to any Severance Benefits may submit a claim in writing to the Administrator within ninety (90) days of the earlier of (i) the date the claimant learned the amount of his or her Severance Benefits or (ii) the date the claimant learned that he or she will not be entitled to any Severance Benefits. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice also will describe any additional information needed to support the claim and the Plan's procedures for appealing the denial. The denial notice will be provided within ninety (90) days after the claim is received. If special circumstances require an extension of time (up to ninety (90) days), written notice of the extension will be given within the initial ninety (90)-day period. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Administrator expects to render its decision on the claim.

(b) **Appeal Procedure**. If the claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the Administrator for a review of the decision denying the claim. Review must be requested within sixty (60) days following the date the claimant received the written notice of their claim denial or else the claimant loses the right to review. The claimant (or representative) then has the right to review and obtain copies of all documents and other information relevant to the claim, upon request and at no charge, and to submit issues and comments in writing. The Administrator will provide written notice of its decision on review within sixty (60) days after it receives a review request. If additional time (up to sixty (60) days) is needed to review the request, the claimant (or representative) will be given written notice of the reason for the delay. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Administrator expects to render its decision. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice also will include a statement that the claimant will be provided, upon request and free of charge, reasonable access to, and copies of, all documents and other information relevant to the claim and a statement regarding the claimant's right to bring an action under Section 502(a) of ERISA.

17. **Attorneys' Fees**. Subject to Section 29, if applicable to the particular contest, the parties shall each bear their own expenses, legal fees and other fees incurred in connection with the Plan; provided that, if the Participant prevails on at least one material claim (regardless of by whom brought), the Company shall reimburse such Participant for all legal fees and other fees incurred as a result of any contest by such Participant, the Company or any other Person; provided, further, that the Participant shall have submitted an invoice for such fees and expenses not later than 30 days after the final resolution of such contest and the Company shall make such payment within 30 days of the date on which the invoice is so submitted, and the Participant's right to have the Company pay such legal fees and expenses may not be liquidated or exchanged for any other benefit.

18. **Source of Payments**. All payments under the Plan will be paid from the general funds of the Company; no separate fund will be established under the Plan, and the Plan will have no assets. No right of any Person to receive any payment under the Plan will be any greater than the right of any other general unsecured creditor of the Company.

19. **Inalienability**. In no event may any current or former employee of the Company or any of its subsidiaries or Affiliates sell, transfer, anticipate, assign or otherwise dispose of any right or interest under the Plan. At no time will any such right or interest be subject to the claims of creditors nor liable to attachment, execution or other legal process.

20. **No Enlargement of Employment Rights**. Neither the establishment or maintenance or amendment of the Plan, nor the making of any benefit payment hereunder, will be construed to confer upon any individual any right to continue to be an employee of the Company. The Company expressly reserves the right to discharge any of its employees at any time, with or without Cause. However, as described in the Plan, a Participant may be entitled to Severance Benefits depending upon the circumstances of his or her termination of employment.

21. **No Setoff**. The Company's obligation to pay or provide (or cause to be paid or provided) the Severance Benefits and otherwise to perform its obligations hereunder shall be absolute and unconditional and shall not be affected by any setoff, counterclaim, recoupment, defense or other claim, right or action which the Company may have against a Participant or others. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to such Participant under any provisions of the Plan and no amounts received from other employment shall serve to mitigate the payments hereunder.

22. **Successors**. Any successor to the Company of all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or other transaction) shall assume the obligations under the Plan and agree expressly to perform the obligations under the Plan in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under the Plan, the term "Company" will include any successor to the Company's business and/or assets which become bound by the terms of the Plan by operation of law, or otherwise.

23. **Applicable Law**. The provisions of the Plan will be construed, administered and enforced in accordance with ERISA and, to the extent applicable, the internal substantive laws of the state of New York (but not its conflict of laws provisions).

24. **Severability**. If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

25. **Headings**. Headings in the Plan document are for purposes of reference only and will not limit or otherwise affect the meaning hereof.

26. **Indemnification**. The Company hereby agrees to indemnify and hold harmless the officers and employees of the Company, and the members of its Board, from all losses, claims, costs or other liabilities arising from their acts or omissions in connection with the administration, amendment or termination of the Plan, to the maximum extent permitted by applicable law. This indemnity will cover all such liabilities, including judgments, settlements and costs of defense. The Company will provide this indemnity from its own funds to the extent that insurance does not cover such liabilities. This indemnity is in addition to and not in lieu of any other indemnity provided to such Person by the Company.

27. **Jurisdiction**.

27.1. Each Participant irrevocably agrees that any legal action, suit or proceeding arising out of or in connection with the Plan (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in the United States District Court for the state of New York or, if such court does not have subject matter jurisdiction, the state courts of New York located in New York County, and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts in personam, with respect to any such action, suit or proceeding. Each Participant hereby waives, to the fullest extent permitted by applicable law, any objection that he or she now or hereafter has to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in such court. Each Participant agrees not to commence any action arising out of or relating to the Plan in a forum other than the forum described in this Section 27.1

27.2. Each Participant hereby waives, to the fullest extent permitted by applicable law, any right he or she may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with the Plan. Each Participant (i) certifies that no representative, agent or attorney of the Company or any Affiliate has represented, expressly or otherwise, that the Company or such Affiliate would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that the Company has permitted the Participant to participate in this Plan on the basis of, among other things, the mutual waivers and certifications in this Section 27.2.

28. **Additional Information**.

Plan Name:	Barnes & Noble, Inc. Change in Control Severance Plan
Plan Sponsor:	Barnes & Noble, Inc. c/o General Counsel 122 Fifth Avenue New York, NY 10011 (212) 633-3300
Identification Numbers:	**EIN:** 06-1196501 **PLAN:** 517
Plan Year:	Company's fiscal year
Plan Administrator:	Barnes & Noble, Inc. *Attention:* Administrator of the Barnes & Noble, Inc. Change in Control Severance Plan 122 Fifth Avenue New York, NY 10011 (212) 633-3300
Agent for Service of Legal Process:	Barnes & Noble, Inc. *Attention:* General Counsel 122 Fifth Avenue New York, NY 10011 (212) 633-3300

	Service of process also may be made upon the Administrator.
Type of Plan	Severance Plan
Plan Costs	The cost of the Plan is paid by the Company.

29. **Statement of ERISA Rights**.

Participants under the Plan have certain rights and protections under ERISA:

(a) Participants may examine (without charge) all Plan documents, including any amendments and copies of all documents filed with the U.S. Department of Labor. These documents are available for Participants' review in the Company's Human Resources Department.

(b) Participants may obtain copies of all Plan documents and other Plan information upon written request to the Administrator. A reasonable charge may be made for such copies.

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan (called "fiduciaries") have a duty to do so prudently and in the interests of you and the other Participants. No one, including the Company or any other Person, may fire a Participant or otherwise discriminate against a Participant in any way to prevent a Participant from obtaining a benefit under the Plan or exercising his or her rights under ERISA. If a Participant's claim for a severance benefit is denied, in whole or in part, such Participant must receive a written explanation of the reason for the denial. Participants have the right to have a denial of their claim reviewed. (The claim review procedure is explained in Section 16 above.)

Under ERISA, there are steps Participants can take to enforce the above rights. For example, if a Participant requests materials and does not receive them within thirty (30) days, he or she may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and to pay the Participant up to $110 a day until he or she receives the materials, unless the materials were not sent due to reasons beyond the control of the Administrator. If a Participant has a claim which is denied or ignored, in whole or in part, the Participant may file suit in a federal court. If it should happen that the Participant is discriminated against for asserting his or her rights, he or she may seek assistance from the U.S. Department of Labor, or may file suit in a federal court.

In any case, the court will decide who will pay court costs and legal fees. If a Participant is successful, the court may order the Person a Participant has sued to pay these costs and fees. If a Participant loses, the court may order the Participant to pay these costs and fees, for example, if it finds that the Participant's claim is frivolous.

If a Participant has any questions regarding the Plan, he or she should contact the Administrator. If a Participant has any questions about this statement or about his or her rights under ERISA, he or she may contact the nearest area office of the Employee Benefits Security Administration (formerly the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in his or her telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W. Washington, D.C. 20210. Participants also may obtain certain publications about their rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Appendix A

LIST OF PARTICIPANTS

Appendix B

GENERAL RELEASE AND WAIVER

1. [•] ("**Employee**") hereby acknowledges and agrees that Employee's employment with Barnes & Noble, Inc. (the "**Company**") terminated on _________, 20__ (the "**Termination Date**").

2. Employee acknowledges and agrees that Employee's executing this General Release and Waiver ("**Release**") is a condition precedent to the Company's obligation to pay (and the Employee's right to retain) the payments and benefits set forth in Section 5 of the Barnes & Noble, Inc. Change in Control Severance Plan, dated as of December [•], 2018 (such plan referred to herein as the "**Severance Plan**" and such payments and benefits collectively referred to therein as the "**Separation Benefit**"), that the Separation Benefit is adequate consideration for this Release, and that any monetary or other benefits that, prior to the execution of this Release, Employee may have earned or accrued, or to which Employee may have been entitled, have been paid or such payments or benefits have been released, waived or settled by Releasor (as defined below) except as expressly provided in this Release.

3. (a) THIS SECTION PROVIDES A COMPLETE RELEASE AND WAIVER OF ALL EXISTING AND POTENTIAL CLAIMS EMPLOYEE MAY HAVE AGAINST EVERY PERSON AND ENTITY INCLUDED WITHIN THE DESCRIPTION BELOW OF "RELEASEE." BEFORE EMPLOYEE SIGNS THIS RELEASE, EMPLOYEE MUST READ THIS SECTION CAREFULLY, AND MAKE SURE THAT EMPLOYEE UNDERSTANDS IT FULLY.

(b) In consideration of Employee's receipt and acceptance of the Separation Benefit from the Company, and on behalf of the Company and each Releasee (as defined below), Employee, on Employee's behalf and on behalf of Employee's heirs, executors, administrators, successors and assigns (collectively, "**Releasor**"), hereby irrevocably, unconditionally and generally releases the Company, its current and former officers, directors, shareholders, trustees, parents, members, managers, affiliates, subsidiaries, branches, divisions, benefit plans, agents, attorneys, advisors, counselors and employees, and the current and former officers, directors, shareholders, agents, attorneys, advisors, counselors and employees of any such parent, affiliate, subsidiary, branch or division of the Company and the heirs, executors, administrators, receivers, successors and assigns of all of the foregoing (each, a "**Releasee**"), from or in connection with, and hereby waives and/or settles, except as provided in Section 3(c), any and all actions, causes of action, suits, debts, dues, sums of money, accounts, controversies, agreements, promises, damages, judgments, executions, or any liability, claims or demands, known or unknown and of any nature whatsoever, whether or not related to employment, and which Releasor ever had, now has or hereafter can, shall or may have as of the date of this Release, including, without limitation, any rights and/or claims arising under any contract, express or implied, written or oral, including, without limitation, the Severance Plan; any rights and/or claims arising under any applicable foreign, federal, state, local or other statutes, orders, laws, ordinances, regulations or the like, or case law, that relate to employment or employment practices, including, without limitation, family and medical, and/or, specifically, that prohibit discrimination based upon age, race, religion, sex, color, creed, national origin, sexual orientation, marital status, disability, medical condition, pregnancy, veteran status or any other unlawful bases, including, without limitation, the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended, the Civil Rights Acts of 1866 and 1871, as amended, the Age Discrimination in Employment Act of 1967, as amended, the Americans with Disabilities Act of 1990, as amended, the Family Medical Leave Act of 1993, as amended, the Employee Retirement Income Security Act of 1974, as amended, the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended, the Worker Adjustment and Retraining Notification Act of 1988, as amended, and any similar applicable statutes, orders, laws, ordinances, regulations or the like, or case law, of the State of New York and any state in which any Releasee is subject to jurisdiction, or any political subdivision thereof, including, without limitation, the New York State Human Rights Law, the New York State Labor Law and the New York City Human Rights Law, and all applicable rules and regulations promulgated pursuant to or concerning any of the foregoing statutes, orders, laws, ordinances, regulations or the like; (iii) any waivable rights and/or claims relating to wages and hours, including under state or local labor or wage payment laws; (iv) any rights and/or claims to benefits that Employee may have or become entitled to receive under any severance, termination, change of control, bonus or similar policy, plan, program, agreement or similar or related arrangements, including, without limitation, any offer letter, letter agreement or employment agreement between Employee and the Company; (v) any rights and/or claims that Employee may have to receive any equity in the Company (whether restricted or unrestricted) in the future; and (vi) any rights and/or claims for attorneys' fees. Employee agrees not to challenge or contest the reasonableness, validity or enforceability of this Release.

(c) Notwithstanding the foregoing, Employee does not release any Releasee from any of the following rights and/or claims: (i) any rights and/or claims Employee may have that arise after the date Employee signs this Release; (ii) any rights and/or claims that by law cannot be waived by private agreement; (iii) Employee's right to file a charge with or participate in any investigation or proceeding conducted by the U.S. Equal Employment Opportunity Commission ("**EEOC**") or similar government agency; provided that even though Employee can file a charge or participate in an investigation or proceeding conducted by the EEOC or similar government agency, by executing this Release, Employee is waiving his ability to obtain relief of any kind from any Releasee to the extent permitted by law; (iv) Employee's non-forfeitable rights to accrued benefits (within the meaning of Sections 203 and 204 of ERISA); (v) any rights and/or claims to insurance coverage under any directors' and officers' personal liability insurance or fiduciary insurance policy; or (vi) any rights and/or claims to enforce the Severance Plan in accordance with its terms.

4. Nothing in or about this Release prohibits Employee from: (i) filing and, as provided for under Section 21F of the Securities Exchange Act of 1934, maintaining the confidentiality of a claim with a government agency that is responsible for enforcing a law; (ii) providing Confidential Information (as defined in Section 7.2(b) of the Severance Plan) to the extent required by law or legal process or permitted by Section 21F of the Securities Exchange Act of 1934; (iii) cooperating, participating or assisting in any government or regulatory entity investigation or proceeding; or (iv) receiving an award for information provided to any government agency that is responsible for enforcing the law.

5. Employee represents and warrants that Employee has not filed or commenced any complaints, claims, actions or proceedings of any kind against any Releasee with any federal, state or local court or any administrative, regulatory or arbitration agency or body. Employee hereby waives any right to, and agrees not to, seek reinstatement or employment of any kind with any Releasee and, without waiver by any Releasee of the foregoing, the existence of this Release shall be a valid, nondiscriminatory basis for rejecting any such application or, in the event Employee obtains such employment, for terminating such employment. This Release and the Separation Benefit are not intended to be, shall not be construed as and are not an admission or concession by any Releasee of any wrongdoing or illegal or actionable acts or omissions.

6. (a) Employee hereby represents and agrees that Employee shall keep confidential and not disclose orally or in writing, to any person, except as may be required by law, any and all information concerning the existence or terms of this Release and the amount of any payments made hereunder. Employee further agrees that, except as shall be required by law, Employee shall keep confidential and not disclose orally or in writing, directly or indirectly, to any person (except Employee's immediate family, attorneys and accountant), any and all information concerning any facts, claims or assertions relating or referring to any experiences of Employee or treatment Employee received by or on behalf of any Releasee through the date of this Release.

(b) If Employee is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any information covered by Section 6(a), Employee shall promptly notify the Company of such request or requirement so that the Company may seek to avoid or minimize the required disclosure and/or to obtain an appropriate protective order or other appropriate relief to ensure that any information so disclosed is maintained in confidence to the maximum extent possible by the agency or other person receiving the disclosure, or, in the discretion of the Company, to waive compliance with the provisions of this Release. Employee shall use reasonable efforts, in cooperation with the Company or otherwise, to avoid or minimize the required disclosure and/or to obtain such protective order or other relief. If, in the absence of a protective order or the receipt of a waiver hereunder, Employee is compelled to disclose such information or else stand liable for contempt or suffer other sanction, censure or penalty, Employee shall disclose only so much of such information to the party compelling disclosure as he believes in good faith on the basis of advice of counsel is required by law, and Employee shall give the Company prior notice of such information he believes he is required to disclose. Notwithstanding the foregoing, pursuant to the Defend Trade Secrets Act of 2016, Employee understands that: An individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, Employee understands that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (1) files any document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order.

7. (a) Employee shall not make, either directly or by or through another person, any oral or written negative, disparaging or adverse statements or representations of or concerning any Releasee.

(b) Without limitation to the survival of any other terms of the Severance Plan subsequent to the end of Employee's employment, the termination of the Severance Plan, and/or the execution and effectiveness of this Release, Employee and the Company expressly acknowledge that the terms of Sections 7 and 26 of the Severance Plan survive and shall be in full force and effect as provided in the Severance Plan.

8. The covenants, representations and acknowledgments made by Employee in this Release shall continue to have full force and effect after the execution and effectiveness of this Release and the delivery of the Separation Benefit, and this Release shall inure to the benefit of each Releasee, and the successors and assigns of each of them, to the extent necessary to preserve the intended benefits of such provisions. If any section of this Release is determined to be void, voidable or unenforceable, it shall have no effect on the remainder of this Release, which shall remain in full force and effect, and the provisions so held invalid or unenforceable shall be deemed modified as to give such provisions the maximum effect permitted by applicable law. The Company shall be excused and released from any obligation to make payment of the Separation Benefit, and Employee may be obligated to return to the Company the Separation Benefit, in the event that Employee is found to have (a) made a material misstatement in any term, condition, covenant, representation or acknowledgment in this Release or (b) committed or commits a material breach of any term, condition or covenant in this Release, as determined by a court of competent jurisdiction.

9. This Release and the Severance Plan constitute the sole and complete agreement between the parties with respect to the matters set forth therein and supersedes all prior agreements, understandings and arrangements, oral or written, between Employee and the Company with respect to the subject matter thereof. This Release may not be amended or modified except by an instrument or instruments in writing signed by the party against whom enforcement of any such modification or amendment is sought. Either party may, by an instrument in writing, waive compliance by the other party with any term or provision of this Release to be performed or complied with by such other party.

10. With respect to any claims or disputes under or in connection with this Release or any claims released under Section 3 of this Release, Employee and the Company hereby acknowledge and agree that Sections 23 and 27 of the Severance Plan shall govern. Employee acknowledges that a breach of the provisions of this Release may give rise to losses or damages for which the Company cannot be reasonably or adequately compensated in an action at law, and that such violation may result in irreparable and continuing harm to the Company. Accordingly, Employee agrees that, in addition to any other remedy that the Company may have at law or in equity, the Company may be entitled to seek equitable relief, including, without limitation, injunction and specific performance and Employee hereby waives any requirements for security or posting of any bond in connection with such relief. No specification in this Release of any particular remedy shall be construed as a waiver or prohibition of any other remedies (including claims for damages) in the event of a breach or threatened breach of this Release.

11. Employee agrees and acknowledges that (a) Employee has had an adequate opportunity to review this Release and all of its terms, (b) Employee understands all of the terms of this Release, which are fair, reasonable and are not the result of any fraud, duress, coercion, pressure or undue influence exercised by or on behalf of any Releasee and (c) Employee has agreed to and/or entered into this Release and all of the terms hereof, knowingly, freely and voluntarily.

12. **By executing this Release, Releasor acknowledges that (a) Employee has been advised by the Company to consult with an attorney before executing this Release; (b) Employee was provided adequate time (i.e., at least 21 days) to review this Release and to consider whether to sign this Release; and (c) Employee has been advised that Employee has 7 days following execution to revoke this Release ("Revocation Period"). Notwithstanding anything to the contrary contained herein or in the Severance Plan, this Release shall not be effective or enforceable, and the Separation Benefit is not payable and shall not be delivered or paid by the Company, until the Revocation Period has expired and provided that Employee has not revoked this Release. Employee agrees that any revocation shall be made in writing and delivered to___________, Vice President, Human Resources, Barnes & Noble, Inc., 122 Fifth Avenue, NY, NY 10011. Employee acknowledges that revocation of this Release shall result in the Company's not having an obligation to pay the Separation Benefit.**

Signature:______________________________________ Date: ______________________________________
[Employee]

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)/15(d)-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-Q for the quarterly period ended January 26, 2019 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 officers 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 officers 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: March 7, 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)/15(d)-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-Q for the quarterly period ended January 26, 2019 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 officers 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 officers 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: March 7, 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 quarterly report of Barnes & Noble, Inc. (the "Company") on Form 10-Q for the period ended January 26, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Allen W. Lindstrom, Chief Financial Officer and 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.
March 7, 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 quarterly report of Barnes & Noble, Inc. (the "Company") on Form 10-Q for the period ended January 26, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tim Mantel, Chief Merchandising Officer and 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.
March 7, 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.